



(An exploration stage company)

***Management's Discussion and Analysis
For the year ended December 31, 2008***

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

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, 2008 and 2007. This MD&A should be read in conjunction with the annual consolidated financial statements and related notes for the years ended December 31, 2008 and 2007, which are prepared using generally accepted 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: <http://www.sedar.ca/>.

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 informations 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.

MARKET AND ECONOMIC SITUATION OVERVIEW

Subsequent events

Plexmar Resources Inc. has completed private placements totalling \$832,000 which consisted in the issuance of a total of 16.64 million units at a price of five cents per unit. Each unit comprises one Plexmar common share and one common share purchase warrant. Each whole common share purchase warrant entitles its holder to subscribe to one additional common share at a price of 10 cents per share for two years after the closing date. The company can trigger the exercise of the warrants if the closing price is at least 18 cents for 10 continuous days.

The Company did not incur any losses on asset-backed commercial paper as we have never invested in such securities.

With its current working capital position and the completion of private placements in the first quarter of 2009, the company has adequate resources to meet anticipated expenditures until the end of the second quarter of 2009.

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 especially in actual market conditions. See *Note 1 – Incorporation, nature of activities and going concern* of the financial statements.

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, 2008.

Mining properties as at December 31, 2008

	Undivided interest %	Balance as at January 1, 2008 \$	Costs incurred \$	Mining properties under option, abandoned or written off \$	Balance as at December 31, 2008 \$
Marilia I, II & III (Peru) (note 12a) Mining property	100	-	4,887	(4,887)	-
Lucma (Cascajal) (Peru) (note 12b) Mining property	100	70,947	916	(71,863)	-
Oro Del Norte I, II & III (Cascajal) (Peru) (note 12c) Mining property	100	374,165	4,425	(378,590)	-
Gran Chimu I & II (Cascajal) (Peru) Mining property	100	2,974	1,202	(4,176)	-
Almirante Miguel Grau (Peru) (note 12f) Mining property	100	1,398,075	-	-	1,398,075
Exploration costs		72,520	-	-	72,520
		1,470,595	-	-	1,470,595
Angolos (Bolsa Del Diablo) (Peru) (note 12d) 12h) and 20) Mining property	100	1,950,226	264,174	(982,573)	1,231,827
Exploration costs		2,062,810	279,744	-	2,342,554
		4,013,036	543,918	(982,573)	3,574,381
Ecuador (Escondida) (notes 12g and 20) Mining property	100	2,399,628	-	(1,487,769)	911,859
Exploration costs		685,765	-	(425,175)	260,590
		3,085,393	-	(1,912,944)	1,172,449
		9,017,110	555,348	(3,555,033)	6,217,425

Bolsa del Diablo (Peru)

The Bolsa del Diablo project in Peru is the core asset of the Company. The project covers an area of nearly 225 km² 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 then, the Company has partly halted the exploration program and has affected part of its available manpower to work with the social team. At this time, the Company doesn't know when and if it will be able to get the permission to resume exploration work, the exploration and social work was put on hold.

For those reasons, the Company renegotiated the terms of the option agreement for the acquisition of the Angolos property. Under the initial terms of this agreement the Company was to make final payments totalling US\$525,000 in 2008.

Terms were renegotiated as follows:

- Cash payments totalling US\$825,000

October 2009	US\$50,000
April 2010	US\$75,000
October 2010	US\$150,000
April 2011	US\$200,000
October 2011	US\$200,000
April 2012	<u>US\$150,000</u>
	<u>US\$825,000</u>

- The Company also issued 600,000 shares in the first quarter of 2009.

At a community meeting held on June 8, 2008, no formal vote took place due to the lack of quorum.

In its efforts to get a written permission to resume exploration work, the Company has signed in 2008, through its subsidiary, an agreement with Minera Ucucha SAC for the exclusive commercialization and production rights for the top 100 metres on all the concessions that are part of the Bolsa del Diablo project. In return, Ucucha will obtain all necessary authorizations from the local communities to allow free and undisturbed exploration for the duration of the agreement, and will give Plexmar's subsidiary a 10-per-cent royalty from all mineral extracted and commercialized from its concessions.

Following the signing of the final agreement and upon registration in the national public and Ministry of mines registries, Ucucha has a maximum of 60 working days to obtain community approval to resume exploration. Plexmar can extend that period of another 30 working days.

Ucucha is a successful Peruvian mining company that operates three processing plants in southern Peru. Ucucha told us that they produced in 2008, over 10 million pounds of copper concentrate for total revenues of approximately \$8-million (U.S.). They have extensive experience and a very successful record in dealing with informal miners and communities. Ucucha shares the same management as Iimpul Peru SA, one of the largest Peruvian buyer and exporter of artisanal gold. In 2007, Iimpul had revenues of over \$120-million (U.S.) and is one of the top 157 Peruvian companies. Ucucha has long-term sales agreement with Louis Dreyfus Commodities Metals, one of the world's leading commodity merchants, merchandising and trading bulk commodities in international markets since 1851.

The agreement has a 10-year duration and all contractual clauses will be reviewed every two years.

The company is committed to working with the local communities in a joint effort to improve their living standards by developing and managing social projects and to offering employment during the exploration phases.

During the past three years, geologists have uncovered an area measuring approximately 6 km² 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.

Malin Plant

The Company owns a small flotation plant located in the La Libertad department in Northern Peru close to Oro del Norte, Grand Chimu and Lucma concessions. The plant was bought from the Peruvian government at the time when the Company was exploring the Cascajal project. The Company has been looking for local partners to start the plant or to sell it and the book value is \$144,000.

In 2008, the Company signed a joint venture agreement, called 'Minera Juliaca' with a Peruvian resident (the Owner) to jointly explore, produce and commercialize copper concentrates located on the Maria Gracia concession. The Maria Gracia concession is located near the town of Juliaca in the Puno department, in southern Peru. The Owner is also a principal of Minera Ucucha SAC.

The Owner has been producing, for the past 10 months, an average of 25 tons per day of high grade copper. The production comes from a network of veins, varying in widths from 0,5m to 4,0m with copper grades varying from 2 to 12% copper. The head grade is on average 4 to 5% copper and was recently increased to 7-8% copper due to the lower prices of copper. The Owner has already acquired a second 100 tpd plant and along with the Malin plant, the milling capacity will be 250 tons per day in a few months. The Owner wants to slowly increase production to 1,000 tons per day. A copper concentrate is being produced on site and then shipped to Lima for refining.

Plexmar disposed of the Malin plant in favor of the joint venture; in return, the Owner of the concession will move, refurbish and install the necessary equipment on the Maria Gracia project. The Malin plant has an estimated capacity of 50 tons per day, however, the Owner wants to increase the capacity to 100 tons per day. As of December 31, 2008, production has not started.

Plexmar is entitled to receive 15% of the profits generated from the Joint Venture. A construction and production schedule has been approved by Plexmar. When the Malin plant will be fully operational at 100 tons per day, Plexmar's share of the profits could be up to \$US 35,000 per month (with copper at \$US 1,50 per pound and head grade at 5% Cu).

Ecuador (Escondida)

Measurement uncertainty for mining properties in Ecuador

On April 18, 2008, the Constitutional Assembly of Ecuador approved a Mining Mandate (the "Mandate") which established a number of conditions and restrictions on metallic mining concessions previously issued by the Government of Ecuador. According to the Ministry of Mines and Petroleum (the "MMP"), the new Mining Law enacted on January 29, 2009 establishes the new legal framework for mining activity. However, the Regulations underlying the Mining Law have yet to be developed, creating some uncertainty regarding the mining industry in Ecuador. To date, the Company's discussions with the MMP and legal counsel have not resulted in a determination of any material impairment

in the carrying value of the Company's concessions as a result of the lack of defined Regulations or clear governmental confirmation that the Mandate is no longer in effect.

Cost of mining properties abandoned

However, independently of the outcome of the new Mining Law, the Company will not renew all its mining properties in Ecuador. The ones that the Company wants to keep represent 38% of the surface of all properties owned in Ecuador. Consequently, the Company has written off 62 % of the value of the properties representing an amount of \$1,912,944.

Acquisition of the properties and transaction with Escondoro Resources Ltd.

On November 7, 2006, the Company signed an agreement whereby it has the option to acquire all the mining rights in the Escondida properties from Minera DMG S.A. (DMG) in consideration of regular cash payments amounting to US\$2,000,000 of which US\$850,000 were delegated to Escondoro Resources Ltd. (see Signing of an Option and Joint Venture Agreement).

Furthermore, in 2007, 6,000,000 common shares were issued in relation to this agreement.

Signing of an Option and Joint Venture Agreement

On September 14, 2007, the Company and its wholly-owned subsidiary Plexmar Ecuador S.A. ("Plexmar S.A.") entered into an Option and Joint Venture Agreement (the "Option Agreement") with Escondoro Resources Ltd. ("Escondoro"), a corporation managed by the president of the Company, and its wholly-owned subsidiary SADCOECUADOR S.A. ("Sadco"). 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 the company of an aggregate amount equal to the expenditures previously incurred by the company on the Escondida properties amounting to \$1,384,822. As of December 31, 2008 the amount receivable from Escondoro was \$1,045,754. Since Escondoro's financial situation has been impacted by the uncertainty over the status of tenure to mining concessions in Ecuador an allowance for doubtful accounts amounting to \$1,045,754 has been recorded as of December 31, 2008;
2. the issuance by Escondoro, on its initial public offering ('IPO'), of 3,000,000 common shares to the company;
3. the undertaking by Escondoro to bear and pay all payments due by the company or its subsidiary to Minera "DMG" S.A. ("DMG") as regards the acquisition of the mining rights in 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

*: Escondoro had made deposits on the purchase of mining properties for an amount exceeding the amount payable in 2008 (US\$650,000). These deposits could be applied against the payments for the Escondida properties if there was no acquisition of mining properties. Escondoro elected to apply a portion of these deposits in settlements the payments due for the Escondida properties. Consequently, all amounts payable for the acquisition of the mining rights in the Escondida properties have been paid as of December 31, 2008.

4. Sadco will incur work expenditures aggregating US\$3,000,000 with respect to the exploration and development of the Escondida properties in accordance with the following schedule:

- (i) US\$750,000 on or before one year after 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 the company or Plexmar S.A. is a shareholder of Escondoro, undertaking by Escondoro to propose to its shareholders two Directors designated by the Company.

Upon Sadco having acquired a 60% interest in the Escondida properties, a joint venture will automatically be formed with Plexmar S.A. 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 as 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;

Because Escondoro's and Sadco's interest in the Escondida properties is by way of an option agreement only,

1. Escondoro and Sadco do not own the Escondida properties; rather Sadco has the right to acquire an interest in the Escondida properties by incurring the expenditures and meeting the other obligations outlined in the Option Agreement;
2. if Sadco fails to incur the work expenditures as provided in the Option Agreement or if Escondoro does not issue the common shares to the company, then the Option Agreement shall terminate.

Signing of a Delegation Agreement

On September 14, 2007, Escondoro and its subsidiary (Sadco) entered into a Delegation Agreement with the company, Plexmar S.A. and DMG whereby, jointly and severally, Escondoro and Sadco undertake to bear and pay all payments due by the company or Plexmar S.A. to DMG as described above. DMG agreed to such delegation and the grant of the Option pursuant to the Option Agreement, subject to the performance of the following terms and conditions:

- issuance by Escondoro to DMG on the listing date of:
 - (i) 2,200,000 common shares of Escondoro; and
 - (ii) 1,100,000 share purchase warrants of Escondoro.

DMG is entitled to receive a 2.5% net smelter return royalty from the operator if and when the properties are put into production.

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.

No exploration work was carried out on the project this year and as the company does not expect to carry out exploration work on that property in 2009, it was decided to write-off \$450,453 i.e. the whole amount invested on that project since its acquisition.

Almirante Miguel Grau

On August 18, 2006, the company signed an agreement for the acquisition of all mining rights in the Almirante Miguel Grau property 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 2008 and the company expects to do reconnaissance work, sampling and mapping in 2009.

OUTLOOK FOR 2009

On the Bolsa del Diablo project, the Company is hopeful that exploration work is set to resume in the first half of 2009. Our partner, Ucucho, has made a lot of progress towards obtaining permission from the local communities. They have started to buy material from the miners and have established good working relationships with them and the local leaders. The material bought is being transported to their plant located near Nazca.

In 2009, Ucucho's goal is to build a plant to process part of the 250 tons per day being mined from the general area. They believe that given the proper equipment and training the production could increase substantially. As Ucucho's share of the local mineral market increases so is the Company's ability to continue and carry on its exploration program.

The Company has contacted at least two geophysical contracting companies interested in submitting proposals to complete the ground survey.

In Ecuador, the Company expects to lift the uncertainty regarding the status of its concessions in the first half of 2009. The Company has been advised by the Ministry of Mines that, following the publication of the rulings of the new mining law, a meeting will be held with the Company in order to review the exploration plan and allow the exploration on the concessions.

SELECTED FINANCIAL INFORMATION

	Year ended December 31		
	2008	2007	2006
	\$	\$	\$
Consolidated statements of Earnings			
Professional and maintenance fees	157,560	519,276	574,110
Management fees	197,722	180,826	160,000
Stock-based compensation costs	620,091	1,244,282	937,147
General and administrative expenses	314,885	441,888	257,525
Travelling	25,353	136,388	65,704
Cost of mining properties abandoned or written-off	3,355,033	308,866	-
Gain on writeoff of accounts payable and accrued liabilities	(648,062)		
Allowance for doubtful accounts from Escondoro Resources Ltd	1,045,754		
Writeoff of deposit on mining properties	294,450		
Writeoff of commodity taxes receivable	216,937		
Impairment of property, plant and equipment held for sale	-	30,000	-

Foreign exchange (gain) loss	(79,682)	67,449	42,249
Other revenues and expenses	37,993	13,039	29,126
Loss and comprehensive loss for the year	5,538,034	2,942,014	2,065,861
Basis and diluted loss per share	0.04	0.02	0.02
Consolidated balance sheet data			
Total assets	6,798,540	11,118,182	9,639,200
Long term liabilities	6,000	15,551	-

CONSOLIDATED STATEMENTS OF EARNINGS

Comparison of years ended December 31, 2008 and 2007

Considering the financial situation of the Company and general market conditions management limited expenses at the minimum level in 2008.

For the year ended December 31, 2008 professional and maintenance fees decreased from \$519,000 to \$ 158,000 compared to the year ended December 31, 2007. This decrease is due mainly to the fact that in 2007 the company paid \$89,000 of professional fees related to tax consultations for Peru and by a decrease of other professional fees for \$208,000 resulting mainly from the administrative reorganisation of the company completed in September 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 September 2007 the company operates on a *stand alone* basis with a new administrative team and moved into a new office.

Management fees were \$198,000 for the year ended December 31, 2008 comparable to the year ended December 31, 2007.

Stock-based compensation costs decreased by \$624,000 for the year ended December 31, 2008 to \$620,000 compared to the year ended December 31, 2007. This decrease is explained by no grant of options in 2008 compared to 2007 when 6,300,000 options were issued.

General and administrative expenses decreased by \$127,000 for the year ended December 31, 2008 compared to 2007. The decrease is explained mainly by less tradeshow attendance and promotion.

Travelling expenses decreased by \$111,000 for the year ended December 31, 2008 to \$25,000 compared to \$136,000 for the year ended December 31, 2007. This decrease is explained by less travelling to Peru and Ecuador related to the company's projects in these countries.

Depreciation of property plant and equipment increased by \$18,000 in 2008 compared to 2007. This increase is explained by the acquisitions of 2007. The increase in the amortization of intangible assets is explained by the acquisition of software in June 2007.

Cost of mining properties abandoned or written off increased by \$3,046,000 to \$3,355,000 in 2008 compared to \$309,000 in 2007 and is detailed as follow:

<u>Properties</u>	\$
Escondida - Ecuador	1,913,000
Cascajal - Peru	450,000
Dorado del Norte (Bolsa del Diablo project) – Peru	983,000
Others	9,000
Total	<u>3,355,000</u>

This writeoff has been partly offset by a gain on writeoff of accounts payable and accrued liabilities of \$648,000. This account payable was related to the writeoff of the Dorado del Norte. The net loss on the writeoff of these properties is \$335,000.

There is still uncertainty around the new mining law in Ecuador and to date, the company's discussions with the MMP and legal counsel have not resulted in a determination of any material impairment in the carrying value of the company's concessions as a result of the lack of defined Regulations or clear governmental confirmation that the Mandate is no longer in effect. However, independently of the outcome, the Company will not renew all its mining properties in Ecuador. The ones that Plexmar wants to keep represent 38% of the surface of all properties owned in Ecuador. Based on that, the Company has written off 62 % of the value of the properties representing an amount of \$1,913,000.

On the Cascajal project, no exploration work was carried out in 2008 and as the company does not expect to carry out exploration work on that property in 2009, it was decided to write-off \$450,000 i.e. the whole amount invested in that project since its acquisition.

In 2007, the Company signed an agreement for the acquisition of all mining rights in two properties in Peru (Dorado Del Norte 1 and Virgen Carmen de Pataz) adjacent to its Bolsa del Diablo project. In 2007, the Company was not able to obtain the social license from the community giving the Company the right to do exploration work and decided to stop payments because of Force Majeure. Finally, the owner of the properties and the Company decided by mutual agreement to resign the contract between the two parties resulting in a loss on write-off of these properties of \$335,000.

Write-off of 2007 was on the Marilia project for \$159,000 and the Hans properties for \$150,000.

As of December 31, 2008 the amount receivable from Escondoro Resource Ltd was \$1,045,754 resulting from the signature of an Option and Joint Venture agreement in 2007 as previously described. As a result of the financial situation of Escondoro impacted by the uncertainty in Ecuador an allowance of \$1,045,754 has been taken as of December 31, 2008.

In 2006 and 2007 the Company made deposits for potential acquisitions of mining properties in Ecuador totalling \$294,450. Because of the uncertainty in Ecuador and the fact that it could be difficult to recover these deposits it was decided to write off this amount.

The Company is entitled to recover commodity taxes in Peru when exploration work is carried out and an amount of \$216,937 could be recovered. It is not known at this time when those credits will be recovered over time, an allowance was made for this amount.

In 2008, the exchange gain was \$80,000 compared to a loss of \$67,000 in 2007. This variance is explained by the decrease of the value Canadian dollar compared to the Nuevo Sol in Peru.

Consolidated loss and comprehensive loss for the year ended December 31, 2008 was \$5,538,000 or \$0.04 per basic and diluted shared compared to a loss of \$2,942,000 or \$0.02 for the year ended December 31, 2007.

TOTAL CONSOLIDATED ASSETS AND LONG-TERM LIABILITIES

Total consolidated assets were \$6.8 million as of December 31, 2008, a decrease of \$4.3 million since December 31, 2007 which is explained mainly by a decrease in mining properties of \$2.8 million and \$1.6 million in working capital.

QUARTERLY SUMMARY FINANCIAL INFORMATION

<i>Unaudited</i>	Quarters ended			
	December 31 2008	September 30 2008	June 30 2008	March 31 2008
Revenues	\$622	\$7	\$92	\$167

Net loss	\$4,673,350	\$223,014	\$445,731	\$295,939
Basic and diluted loss per share	\$0.03	\$0.01	\$0.01	\$0.01
	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

It is important to note that historical patterns of expenses cannot be taken as an indication of future expenses. The amount and timing of expenses and availability of capital resources vary substantially from quarter to quarter, depending on the level of exploration activity being undertaken at any one time and the availability of funding from investors.

FOURTH QUARTER RESULTS

The loss in the fourth quarter of 2008 increased by \$3,637,000 to \$4,673,000 compared to the fourth quarter of 2007. This increase is mainly the result of an increase in write-off and abandon of mining properties of \$2,398,000 in the fourth quarter of 2008, the allowance for doubtful account from Escondoro Resources Ltd for \$1,046,000, the write-off of deposits on mining properties for \$294,000 and the allowance for commodities taxes receivable for \$217,000. These increases were partly offset by a decrease in stock-based compensation costs for \$341,000 in the fourth quarter of 2008 compared to the fourth quarter of 2007 and a decrease of \$115,000 in professional and maintenance fees and general and administrative expenses.

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 the completion of private placements totaling \$832,000 in the first quarter of 2009, the company has adequate resources to meet anticipated expenditures until the end of the second quarter of 2009.

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 in the future. See 'Risk factors'.

The Company had cash and cash equivalents totaling \$14,000 on December 31, 2008, a decrease of \$154,000 from December 31, 2007. The Company had a negative working capital of \$979,000 as at December 31, 2008.

Statement of cash flows	For the year ended December 31	
	2008	2007
Operating activities	(\$674,000)	(\$1,371,000)
Financing activities	579,000	853,000
Investing activities	(\$59,000)	(\$3,031,000)
Net change in cash	(\$154,000)	(\$3,549,000)

Operating activities

Cash flow used in operating activities decreased by \$697,000 from \$1,371,000 for the year ended December 31, 2007. This decrease is mainly explained by a decrease in the loss for 2008 net of items not affecting cash by \$729,000.

Financing activities

For the year ended December 31, 2008, cash flows from financing activities decreased by \$274,000 to \$579,000 as follow:

<i>Cash generated</i>	2008	2007	Variation
Private placement	582,000	404,000	178,000
Warrants exercised	15,000	328,000	(313,000)
Stock options exercised	25,000	122,000	(97,000)
Share Issue expenses	(34,000)	(25,000)	(9,000)
Others	(9,000)	24,000	(33,000)
Total	579,000	853,000	(274,000)

In 2008, the Company completed two private placements, issuing 4,155,000 shares at \$0.14 totalling \$582,000 compared to one private placement in 2007 amounting to \$404,000. In 2008, the issuance of shares following warrants exercise amounted to \$15,000 compared to \$328,000 in 2007. Cash generated by the exercises of stock options decreased from \$122,000 in 2007 to \$25,000 in 2008.

Investing activities

Cash flow used in investing activities decreased by \$2,972,000 from \$3,031,000 for the year ended December 31, 2007. This decrease is detailed as follow:

<i>Cash used</i>	2008	2007	Variation
Purchase of mining properties and exploration costs			
Peru	-	(1,124,000)	1,124,000
Purchase of mining properties	<u>(56,000)</u>	<u>(646,000)</u>	<u>590,000</u>
Exploration costs	<u>(56,000)</u>	<u>(1,770,000)</u>	<u>1,714,000</u>
Ecuador	-	(976,000)	976,000
Purchase of mining properties	-	<u>(411,000)</u>	<u>411,000</u>
Exploration costs	-	<u>(1,387,000)</u>	<u>1,387,000</u>
Total	<u>(56,000)</u>	<u>(3,157,000)</u>	<u>3,101,000</u>
Option of mining properties in Ecuador	-	510,000	(510,000)
Addition to property plant and equipment and intangible assets	(10,000)	(165,000)	155,000
Others	7,000	(219,000)	226,000
Total	(59,000)	(3,031,000)	2,972,000

No payments for the purchase of mining properties were made in 2008. Exploration costs in Peru decreased by \$0,6M in 2008 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 made no investment on its properties in Ecuador compared to \$1,4M in 2007 as it as entered into an Option and Joint Venture Agreement with Escondoro Resources Ltd in 2007.

Additions to property, plant and equipment amounted to \$10,000 in 2008, a decrease of \$155,000 over 2007. This decrease is related to the fact that the company decided to rent new premises and had to invest in leasehold improvement, office furniture and hardware in 2007.

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, 2008:

	Total	2009	2010	2011	2012	2013	Thereafter
Payments on acquisition of mining properties (in US\$) (1)	825,000	50,000	225,000	400,000	150,000	-	-
Operating lease	218,399	24,465	24,465	24,465	25,922	26,962	92,120
Long term debt	15,553	9,553	6,000		-	-	-

(1): The Company may terminate theses 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 \$
Companies controlled by an officer and directors		
Management fees	197,722	180,826
Professional fees	-	110,000
Rent – Offices	-	9,900
Escondoro Resources Ltd, a company managed by the president of the company		
Rebiling 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 2007, the company and its subsidiary entered into an Option Agreement with Escondoro Resources Ltd, as described in note 12 g). This transaction has been accounted for at its carrying value.

OUTSTANDING SHARE DATA

As at April 27, 2009, the Company has 160,295,734 common shares outstanding, 8,137,834 stock options outstanding and 3,518,573 warrants outstanding.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The 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 year. Significant estimates includes the carrying value of mining properties, the useful lives of property, plant and equipment, certain accrued liabilities and stock-based compensation. Estimates are based on historical experience, where relevant, and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ from those estimates.

The following summarizes our critical accounting policies and other policies that require the most significant judgment and estimates in the preparation of our consolidated financial statements.

Mining properties

The Company records its interests in mining properties and areas of geological interest at cost less option payments and other recoveries. Exploration costs 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, sold or allowed to lapse. Management reviews the carrying values of mining properties on a regular basis to determine whether any writedowns are necessary. These costs will be amortized over the estimated useful life of mining properties following commencement of production or written off if the mining properties or projects are sold or allowed to lapse. General exploration expenditures not related to specific mining properties are expensed as incurred.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment when events or circumstances indicate that costs may not be recoverable. Impairment exists when the carrying value of the asset is greater than the pre-tax undiscounted future cash flows expected to be provided by the asset. The amount of impairment loss, if any, is the excess of the carrying value of the asset over its fair value.

Income taxes

The Company 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 the carrying amounts and tax bases of the 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 Company 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.

Stock-based compensation and other stock-based payments

The Company maintains a stock option plan, which is described in note 10. Any consideration received from plan participants upon the exercise of stock options is credited to share capital. The Company records compensation costs arising from all types of stock-based payments granted to employees and nonemployees, including stock options, using a fair value-based method.

NEW ACCOUNTING STANDARDS AND FUTURE ACCOUNTING CHANGES

New accounting standards adopted in 2008

On January 1, 2008, the Company adopted the following section of the Canadian Institute of Chartered Accountants (CICA) Handbook:

(a)Section 3862, "Financial Instruments – Disclosures". This section describes the required disclosures 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, see note 12 of the financial statements.

(b) 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", see note 15 of the financial statements.

(c) 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, see note 18 of the financial statements.

(d) Section 1400, "General Standards of Financial Statement Presentation". This section includes requirements to assess and disclose an entity's ability to continue as a going concern (going concern assumption).

The adoption of these standards and there had no impact on the financial statements except for additional disclosures mentioned-above.

Future accounting changes

The CICA issued Section 3064, "Goodwill and Intangible Assets", which will apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. This section establishes standards for the recognition, measurement and disclosure applicable to intangible assets. It replaces Section 3062, "Goodwill and Other Intangible Assets", and Section 3450, "Research and Development Costs". Upon consideration of this new standard, the Company has concluded that it will not impact significantly its financial position and results of operations. On January 1, 2009, the Company adopted Section 3064 of the CICA Handbook.

In January 2009, the CICA published the following sections of the CICA Handbook that apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011:

(a) Section 1582, "Business Combinations", which replaces the former Section 1581 with the same title, establishes accounting standards for a business combination. It provides the Canadian equivalent to International Financial Reporting Standard IFRS 3, "Business Combinations".

(b) Section 1601, "Consolidated Financial Statements", which replaces the former Section 1600 with the same title, establishes standards for the preparation of consolidated financial statements.

(c) Section 1602, "Non-Controlling Interests". This new section establishes standards on accounting for non-controlling interests in a subsidiary in consolidated financial statements prepared subsequent to a business combination. It is equivalent to the corresponding provisions of International Accounting Standard IAS 27, "Consolidated and Separate Financial Statements".

The company is currently evaluating the impact of these new standards on its financial statements.

In January 2009, the CICA's Emerging Issue Committee ("EIC") issued Abstract EIC-173, *Credit Risk and the Fair Value of Financial Assets and Liabilities*, which requires entities to take both counterparty credit risk and their own credit risk into account when measuring the fair value of financial assets and liabilities, including derivatives. EIC-173 will be effective for interim and annual periods beginning on or after January 1, 2009. The Company does not expect that adoption of this guidance will have a significant impact on its consolidated financial statements.

On March 27, 2009, the CICA's EIC issued Abstract EIC-174, "Mining Exploration Costs", to provide additional guidance for mining exploration enterprises on when an impairment test is required. This Abstract should be applied to financial statements issued after March 27, 2009. The adoption of this Abstract had no impact on the consolidated financial statements of the Company.

International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board ("AcSB") confirmed that Canadian GAAP for publicly accountable enterprises will be converged with IFRS effective in calendar year 2011, with early adoption allowed

starting in calendar year 2009. The conversion to IFRS will be required, for the Company, for interim and annual financial statements beginning on January 1, 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement, presentation and disclosures. In the period leading up to the conversion, the AcSB will continue to issue accounting standards that are converged with IFRS such as IAS 2 "Inventories" and IAS 38 "Intangible Assets", thus mitigating the impact of adopting IFRS at the mandatory transition date.

During 2009, the Company will proceed with the assistance of external experts to establish a stage 1 diagnosis for the adoption of IFRS. This diagnosis will identify the main differences between the accounting treatments applied by the Company under Canadian GAAP and the IFRS as well as the practical implications related to the measure. The differences will be further classified according to their degree of complexity and by the amount of work to implement with respect to the measure.

The Company has decided to switch to IFRS on January 1, 2011. Some options permitted under IFRS will be analysed. A summary analysis indicates that in most cases, the Company would opt for a prospective application when the choice is available. The changeover to IFRS will result in changes to our accounting systems, our internal control systems and our management and evaluation systems. Therefore, we will analyze the potential of our systems and the possibility to integrate all our subsidiaries on the same information system. The Company will evaluate in 2009 the impact of the adoption of IFRS on its consolidated financial statements.

CAPITAL MANAGEMENT

The Company defines capital as its Shareholders' Equity.

The Company's objectives when managing capital is to safeguard the it's ability to continue as a going concern in order to provide an adequate return to shareholders and maintain a sufficient level of funds to finance its exploration activities, including acquisition of mining properties, general and administrative expenses and working capital.

To maintain or adjust the capital structure, the Company may attempt to issue new shares, acquire or dispose of assets all of which are subject to market conditions and the terms of the underlying third party agreements.

The Company is not subject to any capital requirements imposed arising from a regulator authorities.

The total capital (Shareholders' Equity) was \$6,173,853 as at December 31, 2008 (\$10,501,952 in 2007).

FINANCIAL INSTRUMENTS RISK FACTORS

Cash is recorded at fair value. The fair value of other financial instruments approximates their carrying value due to their short-term maturity or to current market rates.

Financial risk

The Company is exposed to various types of risks owing the nature of the business activities it carries on, including those related to the use of financial instruments. The Company does not use financial derivatives.

Market risk

Market risk corresponds to the financial losses that the Company could incur because of unfavourable fluctuations in the value of financial instruments, following variations in the parameters underlying their evaluation, such as interest rates and exchange rates. The Company's exposure to interest rates fluctuations is described hereunder.

Foreign Currency Risk

The Company operates internationally and a portion of its balance sheet and results items is denominated in Nuevo Soles (Peru). A significant change in the currency exchange rate between the Canadian dollar relative to the Nuevo Sol could have a material effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. The Company is exposed to currency risk through its net investment in its Peruvian subsidiary. As at December 31, 2008, the net investment in its subsidiary in Nuevo Soles

amounted to \$2.6M (\$1.9M as at December 31, 2007). Based on the above net exposures as at December 31, 2008, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the Nuevo Sol would result in (decreases) / increases in the Company's net loss of \$260,000 (\$190,000 as at December 31, 2007).

Interest rate risk

As at December 31, 2008, the company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Variable interest rate
Amounts receivable	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Long-term debt	As described in note 8

Credit risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and amounts receivable. Cash is maintained with high-credit quality financial institutions, and amounts receivable are individually immaterial. Credit risk is managed by assessing the credit quality of the third party, taking into account its financial position, past experience and other factors. Consequently, management considers the risk of non-performance related to cash and amounts receivable to be minimal.

Liquidity risk

Liquidity risk represents the possibility that the Company may not be able to gather sufficient cash resources, when required and under reasonable conditions, to meet its financial obligations. The Company believes that, with the financial resources currently at its disposal, it has not sufficient cash to meet its contractual liabilities for the next 12 months. To meet all its contractual liabilities, the Company will need to raise additional funds in the near future and will seek additional forms of debt or equity financing, but cannot provide assurance that it will be successful in doing so. See Note 1 – *Going concern*.

RISK FACTORS AND UNCERTAINTIES

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 subsidiaries, 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 continue its operations.

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 Corporations 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.

April 27, 2009

(Signed) Guy Bédard
Guy Bédard
CEO and President

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

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 27, 2008

(Signed) Guy Bédard
Guy Bédard
CEO and President

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