

**PLEXMAR RESOURCES INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the six month period ended June 30, 2006

**Scope of management's financial analysis**

This report represents a complimentary addition to the financial statements by providing contextual and prospective information that is not found in the latter. This analysis was prepared in accordance with Canadian generally accepted accounting principles (GAAP).

**Corporate profile and mission**

Plexmar Resources Inc. («the Company») is a mining exploration company with properties in Northern Peru. On the Bolsa del Diablo project, the company owns 100% of the mining rights in over 220km<sup>2</sup> of prospective land and has the right to acquire 100% of the mining rights in two projects in return for cash payments according to the agreements. The Company also owns the Marilia and Cascajal projects, both located in Northern Peru in the la Libertad department.

The Company has no revenues.

The current exploration program is funded by privates placements of \$663,500 and \$1,250,000 closed in December 2005 and January 2006.

**Forward-Looking information**

During the second quarter of 2006, exploration activities were concentrated on the Bolsa del Diablo project. Prospection, sampling and mapping was carried out mostly on the Angolos and adjacent concessions. Geologists have uncovered a large scale gold alteration system, with alteration and mineral compositions reminiscent of a high sulphidation epithermal system covering an area of at least 2,5km x 1,5km. More work is necessary to support these affirmations. Mapping, trenching and soil sampling will be on-going for another month or two. Ground geophysics, (Induced Polarization) will be carried out in the next quarter. The interpretation from the geophysics and near the end of the second quarter, ground geophysics were started. Ground magnetic and topographic surveys are presently being carried out. Also, an airborne magnetic survey covering the whole project will be done. These surface works will generate multiple targets to be drilled starting near the end of the third quarter. Exploration activities on Bolsa del Diablo consisted of Exploration expenses totalling \$166,467.

June 21, 2006, The Company, signed a letter of intent to acquire more then 900 km<sup>2</sup> of exploration concessions in the south eastern part of Ecuador in the vicinity of Aurelian Resources (ARU-TSX) high grade gold discovery. The Company has the right to evaluate the property for a period of 60 days in return for a cash payment of \$125,000 US. A team of geologists is on the ground and our Peruvian attorney is verifying the legal titles. The Company will inform its shareholders of the due diligence in a timely manner.

No work was performed on the properties Lucma, Oro Del Norte I, II & III et Grand Chimu I & II

With \$2,158,385 in cash for exploration, total current assets of \$2,377,743 and current liabilities of \$618,518 the company is in good financial situation.

### Selected financial information

The table below presents selected financial data for the company's three most recently completed fiscal years ended December 31:

	2005 \$	2004 \$	2003 \$
Loss for period*	1,010,150	2,605,455	1,840,931
Loss per share (Basic and Diluted)	0.02	0.06	0.07
Total Assets	2,056,202	1,906,551	664,388
Total Liabilities	581,886	310,925	97,392

- \* The loss for 2005 included of the cost of mining properties abandoned in the amount of \$ 32,980
- \* The loss for 2004 included of the cost of mining properties abandoned in the amount of \$ 957,620
- \* The loss for 2003 included of the cost of mining properties abandoned in the amount of \$ 852,290

### Results of Operations

The operating expenses for the quarter ended June 30, 2006 include the charges from the foreign subsidiary. This amount breaks down as follows: \$,22,022 for professional fees, \$1,1194 for traveling fees, \$ 7,404 for office expenses and financing fees, \$490 for depreciation of property, plant and equipment and 1,208\$ for banking charges.

The company spent in exploration costs a total of \$162,467 during the period on the Bolsa del Diablo property (Peru). Total spent in exploration costs for the period of six months ended June 30, 2006 stands at \$431,876.

### Summary of Quarterly Results

Quarter ended	Total Revenues \$	Net loss \$	Loss per share \$
June 30, 2004	6 652	374 168	0,01
September 30, 2004	4 764	166 970	0,00
December 31, 2004	3 764	1 760 755	0,04
March 31, 2005	2 121	139 251	0,01
June 30, 2005	197	261 196	0,01
September 30, 2005	-	249 560	0,01
December 31, 2005	2 091	360 143	0,01
March 31, 2006	70 885	440 381	0,01
June 30, 2006	-	283 987	0,01

## **Liquidity and Capital Resources**

The Company's working capital as at June 30<sup>th</sup>, 2006 was 1,759,225\$ compared to working capital deficiency at beginning of period was (477 746 \$). The cash balance as of June 30<sup>th</sup>, 2006 was \$2,158,385 compared to \$23 123 as of December 31, 2005

## **Financing sources**

The availability of funds is function of the capital markets.

The only source of financing of the company is the issuance of equity shares. As of June 30, 2006, the company has 14,275,830 outstanding warrants and 7,420,834 outstanding stock options. The average exercise price of outstanding warrants is \$0.12 and the average exercise price of outstanding stock options is \$0.16.

## **Off-balance sheet arrangement**

The company has no off-balance sheet arrangements.

## **Related Party Transactions**

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

	2006	2005
	\$	\$
Management fees	97 500	39 600
Professional fees	52 000	50 577
Office rent	9 900	7 000

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.

## Detailed Analysis of Deferred Exploration Costs and Expenses

	June 30, 2006	December 31, 2005
	\$	\$
Balance – Beginning of year	1 590 198	613 328
Acquisition and Exploration Costs		
Costs of Claims	255 839	463 787
Drilling	-	24 936
Geophysics	-	85 266
Sampling and analyses	7 577	9 436
Geologists salaries and others	155 994	237 331
Relations with community	-	82 829
Equipment rental	-	-
Fuel and maintenance of vehicles	1 397	14 157
Maintenance of facilities	11 069	73 172
Accommodation		18 936
Tax credits	-	-
Mining properties abandoned	-	(32 980)
Balance – End of year	2 022 074	1 590 198

### Financial instruments

#### Fair value

The fair value of cash, explorations funds, amounts receivable, amounts payable and accrued liabilities and balances of purchase price payable approximates their carrying value due to their short-term maturity or to current market rates.

The estimated fair value of the convertible debenture, amounting to 140 300, as at December 31 2005, has been established by discounting the future disbursements at an interest rate which the company would currently be able for a loan with similar terms and maturity date.

#### Interest rate risk

The company's exposure to interest rate risk is summarized as follows:

- Cash	Variable interest rate
- Amount receivable	Non-interest bearing
- Accounts payable and accrued liabilities	Non-interest bearing
- Convertible debenture	As described in note 6 of the financial consolidated statements

## Outstanding Share Data

Outstanding common shares as at June 30, 2006: **102 791 209**

Outstanding warrants as at June 30, 2006: **14 275 830**

Number of warrants	Exercise price	Expiration Date dd/mm/yy
12 449 830	\$0,12	09/08/2007
1 066 000	\$0,10	05/12/2007
760 00	\$0,10	20/09/2007

Outstanding stock options as at June 30, 2006: **7 420 834**

Stock options granted	Exercise price	Expiration date dd/mm/yy
600,000	\$0.15	04/01/2007
400,000	\$0.35	31/01/2007
200,000	\$0.28	23/01/2007
200,000	\$0.12	17/04/2008
700,000	\$0.15	30/10/2008
1,625,000	\$0.25	21/07/2009
25,000	\$0.15	02/02/2010
3,670,834	\$0.11	13/01/2011

## Risk and Uncertainties

### Financial risks

The company is considered to be an exploration company. It must therefore regularly obtain financing in order to pursue its activities. Despite previous success in acquiring such financing, there is no guarantee of success in the future.

### Property title risk

Although the company has taken steps to verify property titles relating to its mining properties in which it holds an interest, in accordance with industry standards for the current stage of exploration on these properties, these procedures do not guarantee the company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Environmental risk

The company is susceptible to various environmental incidents that can occur during exploration work. The company maintains an environmental management system including operational plans and practices

**Additional information and continuous disclosure**

This Management's Discussion and Analysis was prepared on August 14, 2006. The company regularly divulges additional information through press releases, financial statements, and its annual information form on the SEDAR website ([www.sedar.com](http://www.sedar.com))

(s) Guy Bédard

Guy Bédard, Président and CEO

(s) Nadya Couture

Nadya Couture, controller