



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **SECOND QUARTER ENDED JUNE 30, 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 six-month periods ended June 30, 2007 and 2006. This MD&A should be read in conjunction with the unaudited consolidated financial statements and related notes for the six-month periods ended June 30, 2007 and 2006 ("Interim Financial Statements") as well as the audited consolidated financial statements and related notes for the years ended December 31, 2006 and 2005 ("Annual Financial Statements"), which are prepared with generally accounting principles ("GAAP") in Canada.

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).

The consolidated financial statements and the accompanying notes for the six-month period ended June 30, 2007 and 2006 are unaudited and have not been subject to a review engagement by the external auditors of the company. At present, Plexmar believes that the cost related to a review engagement of its interim financial statements exceed the benefits inherent in such a review and, in the opinion of the management, all adjustments necessary to present fairly the results of these periods have been included. The adjustments made were of a normal recurring nature. Interim results may not be necessarily be indicative of results anticipated for the year.

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.

### **Description of Business/Overview of Performance**

Plexmar is a mining exploration company which owns a portfolio of mining properties assets in Peru and Ecuador through its subsidiaries. The Company is a reporting issuer in British Columbia, Alberta, Ontario and Quebec and trades on the Canadian Venture Exchange under the symbol PLE.

For now, the Company conducts its exploration independently and is open to joint venture agreements with third parties whereby a third party would earn an interest in the Company's property by fulfilling terms as outlined in the agreement.

In the mining sector, generally, the commercially viable recoverability of minerals is dependent upon the existence of economically recoverable reserves, the ability of the company to obtain necessary funding to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties. The company has accumulated a significant deficit and to continue operations, it continues to need new capital.

Without such funding being available, the company may be unable to continue its operations, and the amounts realized for assets may be significantly less than the amounts reflected in the Interim Financial Statements or Annual Financial Statements. Exploration for mineral properties is inherently risky and the success of these strategies is subject to numerous risks. Management cannot guarantee that its strategy

will find mineral deposits, or if discovered, that these deposits will be commercially viable. The stock market in general, and the market for mineral exploration companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating results or asset values of those companies. These broad market and industry factors may seriously impact the market price and trading volumes of Plexmar's shares, regardless of the actual operating performance.

The majority of the company's assets consist of interest or rights to properties with the potential to host mineral deposits. Gold and base metals (copper/zinc/silver/others) are the principal commodities sought on the projects in which the company is directly involved.

### **Activities on Mineral Projects**

Plexmar Resources Inc.'s objective is to make mineral deposit discoveries. Current efforts are focused on precious and base metals in Peru and Ecuador, although opportunities in other countries and other precious or base metal commodities will also be considered, which is compatible with management's history and expertise. A large number of projects are under Plexmar's review at any given time; a few at an advanced exploration stage, some being prepared for drilling, others in first pass mapping and sampling after staking or acquisition, and many in preliminary evaluation to decide if property ownership is possible or desired. Due to the generative 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 section details property specific spending for the six-month periods ended June 30, 2007 and 2006.

### **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.

At the time of writing, the exploration program has been halted in a specific community that covers the northern part of the concessions, because a written permission was deemed required to continue the exploration program. The management is confident that the 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. However, work is continuing, as planned, in the neighboring community that is also part of the Bolsa del Diablo project. In that community, the Company expects to obtain the permission to carry out its exploration program early in the third quarter. The Company expects that by the end of 2007, a large portion of the informal miners in the region will have signed formal contracts with the mining rights owners. This will regulate surface mining so that all parties can mutually work together to develop the mining potential of the whole region.

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. Company's geologists are helping the local miners locate the veins extensions and teach them how to mine in a safe and environmentally friendly way. The Company has started the permitting process to obtain a drill permit with the Ministry of Mines and this process requires that the local communities, where the drilling will take place, give the Company a written permission to do so.

Field work in the second quarter of 2007, consisted of social work, reconnaissance, prospecting work and sampling on the Bolsa del Diablo project in the neighboring community adjacent to the Angolos concession.

During the past year and a half, 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. A PIMA sampling program over the zone is also near completion.

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.

The work program in 2007 will consist of completion of the ground geophysics (IP) program and the start of the first drilling program of at least 3,000 meters. Other alteration systems, already identified on the project will be investigated and be subject to mapping, prospecting and followed by ground geophysics.

Plexmar is currently looking 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.

Plexmar's subsidiary holds rights to 6 concessions, has option agreements on 2 and 18 other concessions acquired by staking are currently held in trust by the Company's lawyer until they can be legally transferred to the Company's subsidiary. These 26 concessions make up the Bolsa del Diablo project.

### **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 2007, 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 quarter.

### **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 announced recently excellent drilling results (1,98 g/t Au over 45m and 3,27 g/t Au over 30m). Shahuindo contains gold 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 et 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

### **Ecuador**

In November 2006, the Company signed a final agreement with the owner 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 most significant gold discovery made by a junior miner in over a decade.

The terms of the agreement are described as:

Plexmar acquires a 100% interest in the properties in return for cash payments totaling US\$2.0M over a 24-month period following the signature of the final contract and the issuance of shares. Every 3 months payments will be issued totaling US\$1.35M in the first year and US\$650k the second year. Payments totalling US\$1.15 million have already been made. 6M shares have to be issued to the owner, 4M were issued in May after the approval of the transaction by the TSX Venture Exchange and another 2M will be issued in November 2007.

Under this agreement, Plexmar is required to assign a 60% interest in the properties to a public company ("New Company"). Plexmar will also have to sign an option agreement with the New Company whereby the New Company will reimburse all the investment made by Plexmar to date, make all cash payments due by Plexmar to the owner, issue a significant number of shares to Plexmar, and commit to a 3-year exploration work program.

The New Company is required to issue to the owner 20% of its outstanding shares before the initial public offering (IPO) and 10% in warrants. The owner will also be given a seat on the New Company's Board of Directors.

A 2.5% NSR will be awarded to the owner with a right of first refusal assigned jointly to Plexmar and the New Company.

The New Company is formed and expects to file a preliminary prospectus in the third quarter of 2007. Following that, the IPO should take place in the second half of 2007.

In the second quarter of 2007, the stream sediment sampling program started on the central block of concessions in the first quarter was continued and a gold anomaly has been identified on the Escondida IV concession. A follow up program is currently under way to better define the anomaly.

The Company's management believes that the current administration led by President Correa will support and protect foreign investment, especially in mining exploration and production. The minister Energy and Mines recently stated that the mining code will be revised in the second quarter of 2007 to include public consultations as part of the production permitting process and a royalty payment schedule will be put in place and follow the ones in place in countries such as Peru and Chile. This is viewed as a positive step by the financial and mining communities worldwide and a sure sign that the government in power will be pro-development and pro-mining.

### **Going concern**

For the year ended December 31, 2006, the company recorded a loss of \$2,065,861. In addition to ongoing working capital requirements, the company must secure sufficient funding to meet its existing commitments for exploration and development programs and general and administration costs.

Management is periodically 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 able to do so in the future. Without new funding being available, the company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. The application of generally accepted accounting principles on a going concern basis may be inappropriate, since there is a doubt as to the validity of the going concern assumption.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of revenues and expenses and the classification of balance sheet items were the going concern assumption inappropriate, and these adjustments could be material. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

### **Critical Accounting Policies and Estimates**

There have been no significant changes in Plexmar's accounting policies and estimates since December 31, 2006. Please refer to the corresponding section in the company's annual MD&A for a complete description of our critical accounting policies and estimates.

## New Accounting Standards

On January 1st, 2007 the Company adopted the new following CICA accounting standards: section 1530 Comprehensive Income, section 3855 Financial Instruments - Recognition and Measurement, section 3865 Hedges and 3251 Equity.

The adoption of these new accounting standards had no material impact on the financial statements of the Company.

## Consolidated Statements of earnings

<i>Unaudited</i>	Quarters ended			
	June 30 2007	March 31 2007	December 31 2006	September 30 2006
Revenues	\$532	\$1,306	\$-	\$103
Net loss	\$701,532	\$502,882	\$809,697	\$531,506
Basic and diluted loss per share	\$0.01	\$0.01	\$0.01	\$0.01
	June 30 2006	March 31 2006	December 31 2005	September 30 2005
Revenues	\$ -	\$70,885	\$2,091	\$ -
Net loss	\$283,987	\$440,381	\$360,143	\$249,560
Basic and diluted loss per share	\$0.01	\$0.01	\$0.01	\$0.01

### *Comparison of the three and six-month periods ended June 30, 2007 and 2006*

Professional and maintenance fees increased by \$62,000 for the three-month period ended June 30, 2007 compared to the three-month period ended June 30, 2006. This increase is due mainly to a fee paid to the TSX Venture for the issuance of shares for the acquisition of the Escondida properties in Ecuador (\$23,000) and the excess of the real cost of the audit of the financial statements for 2006 over the accrual (\$18,000). Since the beginning of 2007, professional and maintenance fees increased by \$24,000 compared to the same period in 2006 for the same reasons as the three-month period ended June 30, 2007.

Management fees increased by \$18,000 for the three-month period ended June 30, 2007 compared to the three-month period ended June 30, 2006 but are comparable since the beginning of the year.

Stock-based compensation costs increased by \$436,000 for the three-month period ended June 30, 2007 compared to the three-month period ended June 30, 2006 and \$454,000 for the six-month period ended June 30, 2007 compared to the six-month period ended June 30, 2006. These increases are explained by the amortization on a straight-line basis over their vesting period of the fair value of options granted in 2006.

General and administrative expenses increased by \$21,000 for the three-month period ended June 30, 2007 compared to the three-month period ended June 30, 2006. This increase is mainly attributable to higher expenses related to information to shareholders (more press release \$11,000), more conferences attendance (\$3,000) and higher office supplies (\$3,500) following the removal of the company in June. Since the beginning of 2007, general and administrative expenses increased by \$79,000 related to higher printing and communication expenses (\$31,000), information to shareholders (more press release \$14,000), more conferences attendance (\$14,000) and higher office supplies (\$3,500) following the removal of the company in June.

Travelling expenses increased by \$17,000 for the three-month period ended June 30, 2007 compared to the three-month period ended June 30, 2006 and \$77,000 for the six-month ended June 30, 2007 compared to the six-month period ended June 30, 2006. These increases are explained by more travelling to Peru in Ecuador related to company's projects advancement in these countries.

There is no accretion of convertible debenture in 2007 as it was converted in 2006.

The exchange gain is \$115,000 (\$129,000 since the beginning of the year) for the three-month ended June 30, 2007 compared to a loss of \$14,000 for the three-month period ended June 30, 2006 (\$8,000 for the six-month ended June 30, 2006). This variation is explained by the increase of the value of Canadian dollar compared to the US dollar and the Nuevo Sol in Peru.

Consolidated loss for the for the three-month period ended June 30, 2007 was \$702,000 or \$0.01 per basic and diluted shared (\$1,204,000 or \$0.01 since the beginning of the year) compared to a loss of \$284,000 or \$0.01 for the three-month period ended June 30, 2006 (\$724,000 or \$0.01 for the six-month ended June 30, 2006).

Our quarterly losses increased in the last quarters mainly as a result of higher stock compensation costs following the grant of options in 2006 and by the fact that the company is more active in exploration since mid-2006.

### Financial position

<i>Unaudited</i>	<b>As at June 30,2007</b>	<b>As at December 31, 2007</b>
Cash	\$967,793	\$3,716,197
Mining properties	\$8,929,113	\$5,244,586
Total assets	\$10,797,864	\$9,638,200
Share capital	\$25,745,194	\$23,705,702
Shareholder's equity	\$10,421,635	\$9,107,506

Total consolidated assets were \$10.8 million as of June 30, 2007, an increase of \$1.2 million from \$9.6 million as at December 31, 2006 explained mainly by an increase in mining properties for \$3.7 million combined with a decrease in cash of \$2.7 million.

Mining properties increased by \$3.7 million that was invested as follows:

	<b>June 30 2007 \$</b>
Balance at the beginning	5 244 586
Cost incurred during the year	
Cost of claim	2 798 987
Drilling	-
Geophysics	183 385
Sampling and analysis	23 141
Geologist and other salaries	383 327
Community relations	75 511
Fuel and maintenance of vehicules	18 975
Maintenance of facilities	-
Accomodation	-
Exploration equipment and maps	5 236
Mining properties abandoned	-
Balance at the end	<u>8 733 148</u>

Share capital increased by \$2.04 million since the beginning of 2007 as results of the issuance of 4 million shares totalling \$1.68 million for the acquisition of mining properties in Ecuador (Escondida project), 937,214 shares totalling \$192,000 following the exercise of warrants and 829,166 shares totalling \$168,000 following the exercise of stock options.

Management is periodically 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 able to do so in the future. Without new funding being available, the company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

With its current cash position the company has adequate resources to meet anticipated expenditures until the end of 2007.

## Cash flows

<i>Unaudited</i>	For the three-month period ended June 30		For the six-month period ended June 30	
	2007	2006	2007	2006
Operating activities	(\$212,000)	(\$189,000)	(\$970,000)	(\$592,000)
Financing activities	36,000	\$1,618,000	\$285,000	\$3,058,000
Investing activities	(\$1,266,000)	(\$468,000)	(\$2,064,000)	(331,000)
Net change in cash	(\$1,442,223)	\$961,000	(\$2,748,000)	\$2,135,000

### *Operating activities*

Cash used in operating activities increased by \$23,000 from \$189,000 for the three-month period ended June 30, 2006. This increase is explained by a decrease in the change in non-cash working capital items of \$35,000. Since the beginning of the year, cash used in operating activities increased by \$378,000 from \$592,000 for the six-month period ended June 30, 2006. This increase is explained by a decrease in the change in non-cash working capital items of \$336,000.

### *Financing activities*

Cash flow from financing activities decreased by \$1,582,000 to \$36,000 for the three month ended June 30, 2007. Less warrants and options were exercised in three-month period ended June 30, 2007 compared to the three-month period ended June 30, 2006. Since the beginning of the year, cash flow from financing activities decreased by \$2,773,000 from \$3,058,000 for the six-month period ended June 30, 2006 to \$285,000. In the first six months of 2006, the company completed a private placement for a gross amount of \$947,000 and more warrants and options were exercised which explain the decrease in 2007.

### *Investing activities*

Cash flow used in investing activities increased by \$798,000 (\$1,733,000 since the beginning of the year) from \$468,000 for the three-month period ended June 30, 2006. This increase is mainly attributable to more investments in mining properties (acquisition and explorations costs) for \$785,000 in the three-month period ended June 30, 2007 (\$1,573,000 for the six-month period ended June 30, 2007).

## **Contractual obligations**

During the three-month period ended June 30, 2007 the company entered into a lease agreement. The balance of commitment under this lease amounts to \$255,098 and minimum rental amounts for the next fiscal years are as follows: \$12,233 for the remaining of 2007, \$24,465 for 2008 to 2011 and \$25,922 for 2012. The lease expires in May 2017.

Apart of this leases, there has been no significant change in contractual obligations facing Plexmar, as described in the Company's 2006 consolidated financial statements.

## **Agreements**

On April 17, 2007, the company signed a letter of intent for the acquisition of all mining rights in Hans X, XX, XXX properties, Eldorado del norte 1 property and Virgen de Carmen de Pataz property in consideration of cash payments amounting to US\$3,500,000. During the three-month period ended June 30, 2007 an amount of US\$175,000 (\$195,965) was paid in relation with this letter of intent and this amount is presented in Deposits on the acquisition of mining properties. Other payments are as follows:

	US\$
At the signature of the contract	100,000
Six months after the signature of the contract	225,000
Twelve months after the signature of the contract	300,000
Eighteen months after the signature of the contract	300,000
Twenty-four months after the signature of the contract	400,000
Thirty months after the signature of the contract	500,000
Thirty-six months after the signature of the contract	500,000

Forty-two months after the signature of the contract	500,000
Forty-eight months after the signature of the contract	500,000

Furthermore, a payment through the issuance of 2,000,000 common shares of the company shall be made as follows: 500,000 shares upon signature of the contract and approval of the transaction by the TSX Venture Exchange, 500,000 shares thirty days after the signature of the contract, 500,000 shares six months after the signature of the contract and 500,000 shares twelve month after the signature of the contract.

### **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:

	June 30, 2007 (6 months)	June 30, 2006 (6 months)
Management fees	\$97,376	\$97,500
Professional fees	\$110,000	\$54,000
Office rent	\$9,900	\$ 9,900

### **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 used by the Company are short term deposits or debt obligations 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 August 25, 2007, the Company has 132,902,822 common shares outstanding, 6,396,169 stock options outstanding and 6,015,857 warrants outstanding.

### **Risk and Uncertainties**

Except for historical information contained in this management's discussion and analysis, disclosure statements contained herein are forward-looking, which statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements. The Company is a mineral exploration and development company and is exposed to a number of risks and uncertainties that are common to other companies in the same business; some of these risks have been discussed elsewhere in this report.

The Company's financial success is subject to general market conditions which affect mining and exploration companies. The value of the Company's mineral resources and future operating profit and loss is affected by fluctuations in gold prices, over which the Company has no control, although it may choose to hedge some of its future production. The cost of exploration and future capital and operating costs are affected by foreign exchange rates for the U.S. dollar and Peruvian sol. The Company can mitigate the effects of these rate fluctuations, to some extent, through forward purchases. The Company's ability to hedge future foreign exchange rates is affected by its creditworthiness. Because of its limited operating record and history of losses, it may not be able to hedge future risk to the extent it feels is warranted. The Company also competes with other mining companies which are larger and have more economic resources to acquire prospective exploration properties or producing mines.

The Company also faces certain risks and uncertainties specific to its circumstances. The Company's ability to obtain financing to explore for mineral deposits and to continue and complete the development of those properties it has classified as assets is not assured; nor is there assurance that the expenditure of funds will result in the discover of an economic mineral deposit. The Company has not completed a feasibility study on any of its deposits to determine if they host a mineral resource that can be economically developed and profitably

mined. While the Company has used its best efforts to ensure title to all its properties and secured access to surface rights, these titles or rights may be disputed.

## **Outlook**

The Company expects to focus the majority of its exploration activities in Peru and Ecuador and will continue to seek opportunities to form joint ventures in order to reduce shareholder risk. As a mineral exploration company, the future liquidity of Plexmar will be affected principally by the level of exploration expenditures and by its ability to raise capital through the equity markets. In management's view, the Company's cash position is sufficient to fund short-term planned exploration expenditures and meet ongoing obligations as they become due.

## **Disclosure Control and Procedures**

Management is responsible for establishing and maintaining a system of controls and procedures over the public disclosure of financial and non-financial information regarding the Company. Management is also responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the integrity and reliability of the Company's financial information and the preparation of its financial statements in accordance with Canadian generally accepted accounting principles. Management maintains appropriate information systems, procedures and controls to ensure integrity of the financial statements and maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. The company has a Disclosure Policy and Disclosure Committee in place to mitigate risks associated with the disclosure of inaccurate and incomplete information.

As required by Multilateral Instrument 52-109, an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures and internal control over financial reporting will be conducted before the end of the this year. The new Chief Financial Officer joined the Company in the second quarter of 2007 and will review and implement all internal disclosure controls and procedures required before the end of this year.

August 29, 2007

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

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