



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### For the quarter ended March 31, 2007 (compared March 31, 2006)

The following Management's Discussion and Analysis ("MD&A") provides an analysis of the financial conditions and results of the operations of Plexmar Resources Inc. (the "Company" or "Plexmar") for the first quarter ended March 31, 2007 as compared to the first quarter ended March 31, 2006 and has been prepared as of May 28, 2007. This MD&A should be read in conjunction with the unaudited consolidated financial statements and notes thereto for the quarter ended March 31, 2007 ("Interim Statements") as well as the audited consolidated financial statements and notes thereto for the fiscal year ended December 31, 2006 and 2005 ("Annual Statements") which are available on the SEDAR website, [www.sedar.ca](http://www.sedar.ca).

The financial information as at March 31, 2007 and for the three-month period ended March 31, 2007 and 2006 is unaudited; however, 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.

These Interim statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and use the same accounting policies and methods are used in the preparation of the company's most recent annual audited financial statements. However, all disclosures required for the annual financial statements have not been included in these financial statements.

The reporting currency is in Canadian dollars, unless specified as US\$.

### Description of Business/Overview of Performance

Plexmar is a mining exploration company which owns a portfolio of mining property 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 Quarterly or Annual 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 been 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.

## **Forward-Looking Information**

This management's discussion and analysis ("MD&A") contains certain forward-looking statements and information relating to Plexmar Resources Inc. ("Plexmar" or the "Company") 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.

## **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, 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 quarter ended March 31, 2007 and relative to the same period in 2006.

## **Bolsa del Diablo**

The Bolsa del Diablo project 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 during the second quarter of 2007 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. The Ministry of mines, with the help of local authorities recently conducted a small scale mining seminar that exposed the dangers of using toxic substances, such as mercury, used for gold recovery. Focus was also put on formalization of the local miners with the owners of the mining rights. There is a strong will from the new administration of President Garcia to promote mining in the North. The Company expects that by the end of 2007, most 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 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 first quarter of 2007, consisted of 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'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. In 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 contract 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 contract 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 totaling US\$200k have already been made. 6M shares will be issued to the owner, 2M on signature of the final contract, 2M after 6 months and 2M after 12 months.

Plexmar is required to assign a 60% interest to a public vehicle of its choice (New Company). Plexmar will 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 a public financing 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 is awaiting final approval from the TSX Venture Exchange to file a preliminary prospectus. The IPO should take place in the first half of 2007.

In the first quarter of 2007, a stream sediment sampling program was initiated on the central block of concessions. 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 newly elected 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.

### **Overall Performance**

During the quarter ended March 31, 2007, the Company issued 2 562 214 shares due to the exercise of warrants raising a total of 138 430\$. A number of 570 833 stock purchase options were exercised for an amount of 94,937. The funds raised are being used to continue exploration program on the properties in Peru and Ecuador and for general working capital.

The Company has no revenue.

During the quarter ended March 31, 2007, exploration activities were concentrated on the Bolsa del Diablo project where prospection, geological mapping and geochemical sampling was carried out. A total of \$192,231 was spent in exploration, \$36,549 on Bolsa Del Diablo, \$134,082 on Almirante Miguel Grau. In Ecuador, the Company spent a total of \$495,720 on exploration and property payments which will be reimbursed by the 'New Company'.

As of March 31, 2007, the Company had cash assets of \$2,398,463 and other current assets amounting to \$119,072 for total current assets of \$2,517,535. The Company's current liabilities amounted to \$192,078 as of March 31, 2007.

### **Results of Operations**

Plexmar is a Canadian public exploration company involved in the business of identifying and acquiring mineable deposits of metals in South America. The Company has no mineral producing properties and thus has no revenues from any mineral properties.

### **Selected Annual Information**

The following table sets out selected annual financial information of the Company and is derived from the Company's audited consolidated financial statements for the years ended December 31, 2006, 2005 and 2004.

	2006 \$	2005 \$	2004 \$
Loss for the Year *	2,065,861	1,010,150	2,605,455
Loss per Share – Basic and Diluted	0.02	0.02	0.06
Total Assets	9,639,200	2,056,202	1,906,551
Total Liabilities	531,694	581,886	310,925
Dividends Declared	-	-	-

\* No mining properties was abandoned during the year ended December 31<sup>st</sup> 2006

\* The loss for 2005 included written off exploration costs of \$32,980

\* The loss for 2004 included written off exploration costs of \$1,364,841

\* The loss for 2003 included written off exploration costs of \$852,290

### Summary of Quarterly Results

The following table sets out selected unaudited quarterly financial information of Plexmar and is derived from unaudited quarterly consolidated financial statements prepared by management. Plexmar's interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Quarter ended	Total revenues \$	Net loss \$	Loss per share \$
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	0.04
June 30, 2006	-	283,987	0.01
September 30, 2006	164,620	531,506	0.01
December 31, 2006	-232,694	809,987	0.01
March 31, 2007	1,306	502,882	0.004

The operating expenses for the period ended March 31, 2007 include the charges from a foreign subsidiary for an amount of \$37,750. Of this amount, \$ 11,304 for professional charges for current affairs, \$12,323 for general administrative expenses including depreciation and \$14,123 as exchange loss. In 2006, charges for operating a foreign subsidiary were \$279,324.

Charges for acquiring properties in Peru were \$124,182 for the first quarter and 474,120 for acquiring properties in Ecuador. The amount spent for Ecuador's properties will be reimbursed by the 'New Company'.

### Detailed Analysis of Deferred Exploration Costs and Expenses

	March 31, 2007	December 31, 2006
Balance – Beginning of year	\$5,244,586	\$1,590,198
Acquisition and Exploration Costs		
Costs of Claims	\$598,302	\$2,478,331
Drilling	-	-
Geophysics	-	\$13,862
Sampling and analyses	\$8,978	\$197,549
Geologists salaries and others	-	\$798,828
Relations with community	\$143,906	\$102,002
Fuel and maintenance of vehicles	\$33,810	\$15,999
Maintenance of facilities	-	\$35,914
Lodging	\$5,104	-
Exploration equipment and maps	-	\$11,903
Tax credits	-	-
Mining properties abandoned	434	-
Balance - End of year	\$6,305,120	\$5,244,586

## Liquidity and Capital Resources

As of March 31, 2007, the Company had 129,317,156 shares issued.

The Company's net working capital as at March 31, 2007 was 2,325,457 compared to a net working capital of \$3,318,008 in as at December 31, 2006. The cash balance as of March 31, 2007 was \$2,398,463 compared to \$3,716,197 as of December 31, 2006.

As of March 31, 2007, the Company had options outstanding granted to directors, officers, employees and consultants to purchase an aggregate of 6,704,502 shares at prices ranging from \$0.11 to \$0.73 and expiring at varying dates between **31/01/2007** and **13/07/2011**. As of March 31, 20067 the Company had warrants outstanding. If exercised, total proceeds from the exercise of these warrants would be approximately \$ .

Warrants outstanding as of March 31, 2007: 5,343,190

Number of Warrants	Price	Valid until
500,000	\$0.10	05/12/2007
1,664,833	\$0.12	09/08/2007
3,758,357	\$0.41	12/10/2008

Share purchase options outstanding as of March 31, 2007: 6,704,502

Share purchase options	Price	Valid until
150,000	\$0.12	17/04/2008
350,000	\$0.15	30/10/2008
187,500	\$0.25	21/07/2009
16,667	\$0.15	02/02/2010
1,450,335	\$0.105	31/04/2007
2,000,000	\$0.56	18/10/2007
2,000,000	\$0.51	13/07/2008
350,000	\$0.73	15/11/2008

During the period ended March 31, 2007, 2,562,214 warrants and 570,833 options were exercised.

Cash on hand is sufficient to fund the Company's overhead costs and exploration objectives for the immediate future.

Our opinion regarding liquidity and our ability to be a going concern are based on currently available information. To the extent that this information proves to be inaccurate, future availability of financing may be adversely affected. Factors that could affect the availability of financing include our performance by various factors including the progress and results of our exploration work, the state of equity markets, investor perceptions and expectations of past and future performance.

## 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 directors:

	March 31, 2007 (3 months)	March 31, 2006 (3 months)
Management fees	\$20,833	\$50,840
Professional fees	\$101,650	\$24,000
Office rent	\$4,950	\$ 4,950

## Change in Accounting Policy

There have been no changes in accounting policies since the Company's most recent year ended December 31, 2006.

## **Critical Accounting Estimates**

Exploration properties are recorded at cost. All acquisition, exploration and related overhead expenditures are recorded as an asset on the balance sheet under the heading "Mining properties". These expenditures will be depleted over the estimated life of the properties if and when they reach production or will be written down by management when it is determined that the net carrying amount will not be recovered.

The amount expensed for stock-based compensation was based on the application of a recognized option valuation formula, which is highly dependent on the expected volatility rate for the Company's shares. The Company used a volatility rate of 60% for its shares. This is an estimate only based on past stock trading data and actual volatility may be significantly different. While the estimate of stock-based compensation can have a material impact on the operating results reported by the Company, they are a non-cash charge and as such have no impact on the Company's financial condition.

Since January 1, 2007 new standards regarding financial instruments disclosure and presentation takes effect. The implementation of these new standards had no significantly impact on the financial statements.

## **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 noted in the statements.

## **Outstanding Share Data**

The Company has one class of common shares: as at March 31, 2007 there were 129,317,156 common shares outstanding.

The Company has a stock option plan: As at March 31, 2007 there were 6,704,502 stock options outstanding.

The Company has outstanding warrants as at March 31, 2007 there were 5,343,190 warrants.

## **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 elsewhere 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.

### **Management's Responsibility for Financial Statements**

The information in this annual financial report is the responsibility of management. The consolidated financial statements have been prepared by management in accordance with Canadian general accepted principles (GAAP) and in accordance with the accounting policies set out in notes to the financial statements.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management believes that reasonable care and judgment are applied in making such estimates and assumptions.

Management maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that transactions are authorized, recorded and reported properly, principally by submission of the financial statements, before and after consolidation, to the Board of Directors for approval.

The Board of Directors carries out responsibility for the consolidated financial statements principally through ongoing discussion with management, who reviews the consolidated financial statements with independent auditors, PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r./e, prior to submission to the Board for approval.

The Company's external auditors, PricewaterhouseCoopers LLP, have audited the financial statements for the year ended December 31, 2006 and have expressed an opinion thereon.

### **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 next financial year is complete. A Chief Financial Officer will start working for the Company in the second quarter of 2007 and will review and implement all internal disclosure controls and procedures.

### **Additional Information**

Additional information is provided in the Company's audited consolidated financial statements for the years ended December 31, 2006 and 2005 and the Company's Information Circular. These documents are available on SEDAR at [www.sedar.com](http://www.sedar.com).

April 30, 2007

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

*(Signed) Nadya Couture*  
**Nadya Couture**  
Controller