

MANAGEMENT DISCUSSION AND ANALYSIS

(for the nine months ended December 31, 2005)

This interim Management Discussion and Analysis ("MD & A") reviews the operating results and financial position of X-Cal Resources Ltd. ("X-Cal" or the "Company") and compares the financial results for the third quarter ending December 31, 2005 with those of the corresponding quarter of 2004. It is also an update to the Company's annual MD&A for the year ended March 31, 2005 and interim MD&A for the quarter ended September 30, 2005 and should be read in conjunction with the audited March 31, 2005 and interim unaudited September 30, 2005 Consolidated Financial Statements and related Notes. The reader is encouraged to review the Company's financial statements in conjunction with this document copies of which are available on the SEDAR website: www.sedar.com.

The Company prepares its financial statements in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"). All dollar figures included therein and in the following discussion and analysis are quoted in Canadian dollars unless otherwise noted.

The information in this Management Discussion and Analysis contains forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The forward-looking statements are made as of February 14, 2005.

All references to "2005" refer to the nine months ended December 31, 2005, and all references to "2004" refer to the nine months ended December 31, 2004, unless otherwise noted.

General

The Company is an active resource exploration company focused on the identification and delineation of gold and silver mineral resources on its Sleeper and Mill Creek properties in Nevada, USA. X-Cal has controlled these properties since 1993 and 1992, respectively. The Company has recently entered into a letter agreement with Placer Dome to acquire a third Nevada gold project, the Reese River Pediment project. Title will be transferred to the Company upon completion of the detailed agreement. The Company depends on private placements and joint ventures to fund its corporate activities. These proceeds are used for investigation and appraisal of targeted mineral zones on its concessions, the administration and maintenance of the Company's operations, and compliance with all regulatory requirements.

Predictions about the direction of the gold price either upwards or downwards are just that: predictions. However, the opinion of management is that the industry must replace its reserves. Nevada is one area where the investment in infrastructure has already been made. Nevada is a prime location for reserve replacement where low cash cost ounces have historically been found. Higher gold prices, if they occur, would be a bonus. Nevada, in terms of geology and resources, political risk, and cost-efficiency, is a practical area in which to focus exploration activity. Therefore the Company concentrates the majority of its time, effort, and resources on mineral exploration opportunities in this gold producing state.

The Company's mandate is to develop our gold properties. Management, directors and consultants are applying their combined experience and expertise to exploration of the Company's Nevada gold properties.

Funding the Company's exploration work programs is dependent on certain factors, not all of which are under the Company's control. The general liquidity of the markets, which are in turn dependent on the price of gold and other commodities, is a major factor affecting the Company's on-going objectives.

The potential profitability of the Sleeper and Mill Creek Gold Projects and other gold mining projects is dependent upon the market price of gold, silver and other concentrates produced and changes in currency exchange rates and the Canadian and United States dollars. The prices of precious and base metals and currency exchange rates have fluctuated significantly and are affected by numerous factors beyond the Company's control, including but not limited to, international economic and political conditions, global and regional consumption patterns, speculative trading activities, levels of supply and demand, availability and costs of metal substitutes, metal stock levels maintained by producers and others, inventory carrying costs and inflation and interest rates. These factors affect the price of precious and base metals, and therefore the economic viability of the Company's mining interests, and they cannot accurately be predicted.

Sleeper Gold – Joint Venture

Note: All references to years, 2005 – 2004 refer to work programs carried out within the calendar year.

The Sleeper Gold Project is a 30 square mile gold district located in Humboldt County, Nevada. A 50% interest in the Sleeper project was acquired by New Sleeper Gold Corporation, a publicly traded reporting issuer (NWS.V) in return for providing initial funding to the New Sleeper Gold LLC joint venture ("Sleeper Joint Venture") (50% X-Cal/50% New Sleeper). A National Instrument 43-101-compliant technical report has been submitted by each party. The technical reports can be viewed on the companies' web sites and are also available on SEDAR at www.sedar.com.

The Company contributed its interest in the Sleeper Gold Project to the Sleeper Joint Venture and New Sleeper Gold Corporation capitalized the Sleeper Joint Venture with US \$20,000,000 to explore the Sleeper Gold Project. The Sleeper Joint Venture company treasury was independent of both companies and managed on behalf of the Sleeper Joint Venture by New Sleeper Gold Corporation. The Sleeper Joint Venture is operated by a committee composed of members from each company. The 2004 and 2005 work programs were managed by New Sleeper.

The exploration program for the years 2004 and 2005 include geochemical surveys, a variety of geophysical surveys, sampling and mapping in addition to 75,000 feet of core and reverse circulation drilling. Significant drilling results, progress reports and exploration target maps were released by way of news releases by the Company specifically, dated June 1, 2004, June 30, 2004, November 22, 2004, and February 2, 2005. A summary of the 2005 work program and drilling results was released August 31, 2005.

Readers are encouraged to view these news releases which include plan maps and assay results which are available on X-Cal Resources Ltd. web site at <http://www.x-cal.com> and on the SEDAR website at www.sedar.com.

Management has determined that it is premature to engineer meaningful resource figures for the project. The conclusion is a result of significant differences in the current estimates for the West Wood area of the property, that occur when different methods of calculation are employed. The different methods that are currently being used are each defensible, however we are not satisfied that either will portray this area as it is, prior to infill drilling. As a result we are choosing to continue to describe the Sleeper Gold Project as "advanced exploration" and will pursue the five, mine scale, targets described in Richard Sillitoe's January 26th paper on the potential of the Sleeper. Estimations to define the distribution, grade and quantity of mineralization will continue to be revised in conjunction with the large volume of new exploration data, they will be used to clarify which areas warrant infill drilling and to identify other locations where further drilling may penetrate previously unrecognized mineralized pods. There will not however, be a publication of

updated figures for the project until management is satisfied that the new numbers are representative.

The Company assembled a panel of professionals to review the Sleeper Gold Project and to make recommendations for ongoing work. Two of the panel members, were fully independent and provided the Company with their expert views in the form of "Observations on the Sleeper Gold Project, Nevada" by Dr. Jeffrey Hedenquist and a separate paper "Exploration Potential of the Sleeper Project, Nevada" by Dr. Richard H. Sillitoe. These papers are not NI-43-101 reports and should be considered a supplement to NI-43-101 documents for the project. These papers were not filed on SEDAR but can be found in their entirety at the Company's website www.x-cal.com. The paper by Dr. Sillitoe best describes the direction the Company will take with exploration at the Sleeper property.

The Company, relying on this and other information determined it was in shareholders best interests to consolidate the Sleeper Gold Property into a single entity with X-Cal becoming the sole operator and funding source of the property. To that end, the Company entered into an agreement with New Sleeper Gold Corporation. Under the terms of the agreement X-Cal must pay US \$5 million and 10 million of its common shares (subject to a two year vesting schedule) by the later of May 16, 2006 or within 90 days of receipt of regulatory approvals. The Company has paid CDN \$50,000 concurrent with signing of the agreement. A further \$100,000 will be paid upon receipt of regulatory approvals. (These funds will be credited against the purchase price).

The closing of the transaction is subject to regulatory approvals. The agreement is further subject to the Company successfully achieving financing as all cash and share payments must be made prior to title transfer.

Future Exploration

The timing and priorities for ongoing work and final budget will be determined by the Company assuming completion of the Sleeper consolidation deal announced on January 25, 2006.

The payments described in the January 25, 2006 news release must be completed for title to transfer, which will effectively dissolve the current joint venture or the ownership of the property will remain as it currently is.

The Company is committed to the success of the Sleeper Gold Project and is working to complete consolidation of the project as described in the press releases of January 25, and February 08, 2006. We see the potential of the Sleeper Gold District for new economic discoveries as described in Dr. Sillitoe's paper. A realistic exploration budget to address the targets in Dr. Sillitoe's paper with the objective of break-through discovery is estimated at US \$15 million. The minimum next phase budget is estimated at US \$5 million.

Mill Creek Property

The Mill Creek Gold Property is owned 100% by X-Cal. The property, located in Lander County, Nevada, is an early stage (grass roots) gold project. The Mill Creek property is located in an area where commercial gold deposits, such as Placer Dome's Cortez and Pipeline projects are known to occur. The area is also known as the "Cortez Area" within the Battle Mountain-Cortez-Eureka Trend. A US\$1,600,000 exploration work program that included drilling, mapping, sampling and geophysics has been completed by X-Cal on the Mill Creek Property.

Richard Redfern, M.Sc., who is a qualified person as defined by NI-43-101, has provided the Company with a technical report of the Mill Creek Gold Property dated February 18, 2005, which has been filed with regulators. Investors are encouraged to read the complete report for a comprehensive view of the early stage gold project which is available for viewing on the SEDAR website www.sedar.com and the Company's website www.x-cal.com.

On June 29, 2005 the Company announced that it had entered into an option agreement with Placer Dome U.S. Inc., ("Placer Dome") which gave Placer Dome a short-fused option to purchase the Company's Mill Creek Gold property. X-Cal would have retained a production royalty and would have been carried to production, if the option was exercised by Placer Dome.

Under the terms of the agreement Placer Dome had until January 16, 2006 to determine if they will pay \$US 5,000,000 for the Mill Creek Gold property. A non-refundable signing fee of \$US 50,000 was paid to the Company by Placer to initiate the agreement. As announced by news release dated January 19, 2006, the Company advised that the option agreement has expired without sufficient new data being generated to justify exercise.

Two holes were attempted, neither of which reached their intended depths due to difficult drilling conditions. The Mill Creek drill targets described by X-Cal in its July 11, 2005 news release were not tested by the current work. The Plan of Operations application filed by X-Cal is under review, and if approved will allow for drill sites throughout the target areas and will facilitate the next phase of exploration.

A NI 43-101 technical report on the Mill Creek Gold Property is available on the Company website and on SEDAR and provides a comprehensive view of this early stage project.

Reese River Property

The Company has now entered into a formal agreement with Placer Dome to jointly explore in the Reese River Pediment, three claim blocks totaling 3,000 acres located in Lander County, Nevada. Title of the claims has been transferred from Placer Dome to the Company. The Company has agreed to carry out and fully fund a minimum of US \$200,000 of a drilling program developed by both parties, prior to September 30, 2006. Placer Dome has a one time right to expend triple the Company's expenditures in years two and three to earn back a 51% interest in the properties.

SUMMARY

As part of financing plans for 2006 exploration, the Company will include budgets for both of its early stage, Cortez Area properties (Mill Creek/Goat Window and Reese River/Horse Mountain Window). The Sleeper Gold Project which is an advanced exploration project will remain the primary focus of the Company.

Snowbird Property

In 2004 the Snowbird property was sold to a private company (Omineca Gold Ltd.) by the Company for \$1,600,000. The Company retains a 2% net smelter return royalty on the property until it receives \$1,600,000 including annual cash payments and all advance royalty and net smelter return royalty payments. The Company also retains the right to reacquire any portions of the property that Omineca abandons and that were previously owned by the Company.

Results of Operations

The following table summarizes selected financial data from the Company's unaudited quarterly financial information for the nine months December 31, 2005 and 2004.

	2005		2004	
Total revenue excluding foreign exchange	\$	92,101	\$	187,459
Net loss for the period	\$	475,949	\$	1,368,485
Loss per share	\$	0.01	\$	0.02
Cash and cash equivalents	\$	1,702,025	\$	5,445,418
Total assets	\$	22,256,099	\$	22,819,743
Total liabilities	\$	664,360	\$	944,099
Total shareholders' equity	\$	21,591,739	\$	21,875,644
Cash dividends per share	\$	Nil	\$	Nil

Included in these unaudited consolidated financial statements for 2005 is the Company's 50% share of the net assets and income and expenses of the Sleeper Gold LLC ("NSG LLC") as at and for the period from inception to December 31, 2005. Please refer to Note 3(a) of the "Notes to the Consolidated Financial Statements" for December 31, 2005 for a detailed listing of the NSG LLC's net assets, income and expenses incorporated into X-Cal's unaudited consolidated financial statements.

During the nine months ended December 31, 2005, the Company recorded a net loss of \$475,949 or \$0.01 per common share (2004: \$1,384,485 or \$0.02 per common share) and for the three months ended December 31, 2005 had a loss of \$149,581 or \$0.002 per common share (2004: \$809,524 or \$0.01 per common share).

Interest income earned in the nine month period ended December 31, 2005 from cash and short-term monetary investments was \$92,101, (2004 – \$175,459) of which \$42,412 is attributable to X-Cal's 50% share of the NSG LLC joint venture. The remaining \$49,689, was generated from X-Cal's cash on hand. This decrease was due to lower cash balances on hand throughout the period in 2005 compared to 2004. The Company recognized \$35,143 in interest earned for the three months ended December 31, 2005 (2004: \$82,837).

The following table outlines general and administrative expenditures attributable directly to the Company and those attributable to the Sleeper Joint Venture from the unaudited quarterly financial information for the nine months ended December 31, 2005 and 2004.

Nine months ended December 31,	2005			2004		
	X-Cal Resources Ltd.	Sleeper Joint Venture	Total	X-Cal Resources Ltd.	Sleeper Joint Venture	Total
	\$	\$	\$	\$	\$	\$
Accounting & Audit	51,629	6,498	58,127	67,891		67,891
Amortization	21,806		21,806	21,127	19,029	40,156
Investor Relations	6,470	30,179	36,649	80,566	57,627	138,193
Insurance		137,951	137,951	42,772		42,772
Shareholder communication	52,345		52,345	53,962		53,962
Legal	25,306	20,849	46,155	43,108	11,727	54,835
Office & other	75,073	16,979	92,052	71,412	131,599	203,011
Rent	18,419	15,104	33,523	36,448	16,408	52,856
Salaries & consultants & contractors	187,892	72,406	260,298	208,394	108,258	316,652
Stock based compensation				292,449		292,449
Regulatory fees	32,378		32,378	39,188		39,188
Travel	21,627	16,123	37,750	85,933	9,549	95,482
	\$492,945	\$316,089	\$809,034	\$1,043,250	\$354,197	\$1,397,447

General and administrative expenses in 2005 for the nine months ended December 31, 2005 were \$809,034 (2004 - \$1,397,447). General and administration expenses were \$291,378 for the three months ended December 31, 2005 (2004: \$785,670). While the company recorded an overall decrease in costs due primarily to the now established operations of the joint venture, there was also stock based compensation (\$292,944) recorded in 2004 due to the granting of options which did not occur in 2005.

For the nine months ended December 31, 2005, X-Cal recorded an unrealized foreign exchange loss of \$128,747 (2004 – loss of \$158,497) and for the three months ended December 31, 2005 a loss of \$6,633 (2004: \$118,691). This loss was generated by the downward fluctuation of the US dollar during the periods compared.

The following is a summary of unaudited quarterly financial information for the Company's fiscal years (fiscal year end March 31) as indicated.

2006	1st QTR	2nd QTR	3rd QTR		TOTAL
Interest Income	\$33,326	\$23,632	\$35,143		\$92,101
Net Loss	\$234,993	\$91,375	\$149,581		\$475,949
Loss per share*	\$0.003	\$0.001	\$0.002		\$0.010
2005	1st QTR	2nd QTR	3rd QTR	4th QTR	TOTAL
Interest Income	\$45,099	\$47,523	\$82,837	\$3,267	\$178,726
Net loss	\$48,972	\$558,961	\$641,670	\$538,939	\$1,788,542
Loss per share*	\$0.001	\$0.006	\$0.009	\$0.007	\$0.02
2004	1st QTR	2nd QTR	3rd QTR	4th QTR	TOTAL
Interest Income	\$7,540	\$5,666	\$5,136	\$49,696	\$68,038
Net Loss	\$340,570	\$145,142	\$555,563	\$691,382	\$1,732,657
Loss per share*	\$0.05	\$0.002	\$0.01	\$0.005	\$0.03

*Basic and diluted

Liquidity and Capital Resources

As at December 31, 2005, the Company had cash and short-term investments of \$1,702,025 (2004 –\$5,445,418) of which \$38,343 (2004 - \$2,314,647) is the Company's 50% share of the Sleeper Joint Venture cash balances. At December 31, 2005 the Company held \$1,661,505 in cash, guaranteed investment certificates and/or term deposits with the Bank of Montreal. The Company holds an additional \$2,177 in marketable securities.

As at December 31, 2005, the Company had a working capital balance of \$1,876,150 (2004 – \$5,485,120). Of this amount \$154,887 is attributable to the Sleeper Joint Venture, leaving a working capital balance of \$1,721,263 to fund the Company's cash calls for the joint venture, independent exploration activities and general operating expenses. The decrease in working capital reflects continued expenditures in mineral exploration and a decrease in financing activities by the Company in 2005 and 2004.

In 2005 the Company issued no common shares (2004 - Nil) in private placements and therefore received \$ Nil in proceeds; no common shares were issued for the exercise of options (2004 – 50,000) so the Company received no proceeds in 2005 (2004 – \$29,244); and the Company had no shares issued for the exercise of warrants and accordingly received no proceeds (2004 – 1,025,000 for proceeds of \$307,500).

Contractual property acquisition and holding costs for 2005 were Nil (2004 – \$Nil). In January 2004, the Sleeper Joint Venture was formed and future advance royalty payments due under the Sleeper Gold project are to be paid by the joint venture.

Exploration and property costs in 2005 were \$1,760,878 (2004 – \$5,573,791). Of that amount \$1,555,476 (2004 – \$3,708,340) was incurred on the Sleeper Gold property and funded by the Sleeper Joint Venture and by a cash call contribution of \$416,777 attributable to the Company in

2005. Additionally, \$178,707 (2004 – \$1,865,451) was spent on the Mill Creek Property funded entirely by the Company. The Company has incurred nominal expenses on this property during the period and has received \$61,575 as an option fee from Placer Dome's option on the Mill Creek Property (see Mill Creek Property contained in this document). The Company further incurred \$26,695 (2004 – Nil) on the newly optioned Reese River Property. Under the option the Company has committed to expending a minimum of US \$200,000 in exploration activities on the property.

Commitments

Office Lease

The Company leases office space in Vancouver until July 31, 2007, under which it must pay \$26,187 annually as its share of base rent and operating costs.

Management Agreements

The Company has entered into a five year Employment Agreement dated September 1, 2004 whereby it will pay an administrative manager \$72,000 per annum. Currently, by mutual agreement between the parties, the employee is receiving \$36,000 per annum as payment in full for services provided. Should the Company terminate the agreement or should the Company have an effective change of control it will be liable for payment of one year's salary at the full rate of \$72,000.

The Company has an employment contract with its President. Under the terms of that contract, remuneration is \$120,000 per annum reviewable on October 1st of each year, when such remuneration may be increased but not decreased. The contract provides that, in the event of termination by the Company, the President shall receive three times the annual amount salary in the year of termination plus US \$150,000.

Related Party Transactions

For the six months ended December 31, 2005, the Company accrued legal fees of \$6,000 (2004 - \$20,564), to a law firm in which a director of the Company is a partner. The Company also paid an aggregate of \$11,950 (2004 – \$13,013) in consulting fees to two directors of the Company. In 2005, the Company instituted a policy of paying \$3000 per annum to its outside directors with an additional payment of \$2,000 per annum for those members who participate in its committees. During the nine months ended December 31, 2005, the Company has paid an aggregate of \$30,000 during the period ended December 31, 2005 (2004 – \$13,000) under this new policy.

Critical Accounting Estimates and Significant Accounting Policies

For a detailed summary of the Company's significant accounting policies, the reader is directed to Note 2 of the Notes to the Interim Consolidated Financial Statements, December 31, 2005 and audited Consolidated Financial Statements March 31, 2005 and 2004, available on SEDAR www.sedar.com

Principals of Consolidation

The consolidated financial statements and information contained therein include the accounts of the Company and X-Cal U.S.A. Inc., its wholly-owned subsidiary. The Company's interest in the Sleeper Joint Venture, through which it carries on its principal mineral exploration activities, is accounted for using the proportionate consolidation method.

Mineral Properties

X-Cal has adopted the policy of deferring acquisition and exploration costs relating to its mineral property interests. The Company reviews the status of its mineral property interests on a regular basis. Expenditures relating to properties, which have been abandoned or are considered uneconomic in the foreseeable future, are written off. Had the Company adopted a policy of expensing all exploration costs in the period they were incurred, X-Cal's asset base, shareholders' equity, and loss for the year would be materially different.

When properties are acquired under agreements requiring future acquisition payments to be made at the sole discretion of the Company, those future payments, whether in cash or shares, are recorded only when the Company has made or becomes obligated to make the payment or issue the shares.

When properties are sold under agreements requiring future purchase payments to be made at the sole discretion of the purchaser, those future payments, whether in cash or shares, are recorded only when the purchaser has made or becomes obligated to make the payment or to issue the shares.

Reclamation and environmental costs

The Company is subject to the laws and regulations relating to environmental matters in jurisdictions in which it operates, including those relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its existing properties and properties in which it previously had an interest.

Effective April 1, 2004 the Company adopted the new standards for accounting for reclamation and environmental obligations as set out in CICA Handbook Section 3110. Those standards require that the fair value of the Company's reclamation and environmental obligations be recognized in the financial statements as a liability in the period in which the obligation is assumed on acquisition or is incurred in exploration of properties. The fair value of the liability is initially recorded at the discounted value of expected future cash outlays to satisfy the obligations, with a corresponding increase to mineral property interests. The liability is adjusted at the end of each period to reflect changes in the present value of the estimated future cash outlays underlying the obligation. The Company records that increase in the carrying amount of the obligation as accretion expense.

Previously, reclamation and environmental obligations were accrued on an un-discounted basis at the time of acquisition of properties or as obligations were incurred in exploration activities. This change in accounting policy was applied retroactively.

As a result of the change in accounting standards, previously reported reclamation and environmental obligations as at March 31, 2004 decreased by \$1,358,777, with a corresponding decrease in mineral property interests; there was no effect on operations or net loss for 2004 or 2003.

Stock-Based Compensation

The Company follows the recommendations of CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments". This section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. The standard requires that all stock-based awards be measured and recognized using a fair value based method.

Financial Instruments

The Company has various financial instruments including cash, prepaid expenses and deposits, funds held in trust, and payables and accruals. The carrying value of all financial instruments approximates their fair values.

Outlook

Exploration Expenditures

The gold production industry has consolidated and continues to face the need for reserve replacement, as predicted in previous annual reports. The Company has assembled and documented the Sleeper Gold Project over a period of years beginning with the first land acquisitions in the area in December 1993. The Sleeper Joint Venture (50% X-Cal/50% New Sleeper Gold Corporation) under the direction of New Sleeper as operator has yet to make the break through discovery that shareholders have been anticipating for this project. The Sleeper Joint Venture had utilized a team to carry out exploration work at Sleeper which resulted in a large volume of new data which can be used to target future work. The Company has begun to contribute 50% of the exploration funds for the project and has received cash calls totaling US \$435,963 up to and including February 8, 2006.

The Company has entered into an agreement (see above Sleeper Gold Property) to acquire the 50% interest that New Sleeper Gold Corporation holds in the Sleeper Property. If the Company is successful in completing this acquisition it will be solely responsible for continued exploration of the property and is currently reviewing data and budgeting in the anticipation that it will be successful in achieving regulatory approvals and raising additional funds. If the Company does not complete the terms of the agreement which was announced on January 25, 2006 the structure of the current joint venture will remain "as is" and both members of the JV will review what further exploration work will be done, necessary capital contributions (if any) during 2006. The Company will seek to raise additional financing to complete the acquisition and also to fund implementation of the recommendations in the report by Dr. Sillitoe dated January 26, 2006 as next phase exploration program.

The Mill Creek Property is located in the Cortez Joint Venture Area of Nevada where Placer Dome Inc. has announced new discoveries. The general area is now the subject of increased exploration activity by several major and junior companies. During the period the Company announced that it had entered into an option agreement with Placer Dome U.S. Inc., which gave Placer a short-fused option to purchase the Company's Mill Creek Gold property for a non-refundable signing fee of US \$50,000. The Company has been notified that Placer will not be exercising its option to acquire the Mill Creek Property.

As part of forward planning for the Mill Creek Property, X-Cal has begun an application for a Plan of Operations type of permit, which will allow for comprehensive drill testing at Mill Creek in 2006. The permitting process is expected to take 6 months. If the Plan of Operations Permit application is successful, it could facilitate uninterrupted exploration during 2006.

A detailed Reese River agreement with the Company and Placer Dome has been completed. The work program for the project will be agreed upon based on recommendations of a technical team composed of both Placer Dome and the Company's personnel. The Company has committed to fund a minimum of US \$200,000 of drilling work prior to September 30, 2006.

Potential for Corporate Developments

The Company is continually evaluating potential transactions and corporate opportunities which could improve the Company's relative position, either by exposing it to prospective new areas, or by seeking alliances or partnerships in order to investigate its properties more cost effectively. This could include the addition of new properties via acquisitions, mergers or joint ventures, or the seeking out of corporate partners.

Risks and Uncertainties

Risks related to the Mining Exploration Industry Generally

The Company is a gold exploration company and is exposed to a number of risks and uncertainties that are common to other companies in the mineral exploration business. The exploration for, and of, mineral deposits involves significant financial risks over an extended period of time. There is no guarantee that even with careful geological evaluation, experience and knowledge that the Company will be successful in its search or that expenditure of funds will result in the discovery of an economic mineral deposit.

Risk associated with mineral tenure rights

Although the Company has taken steps to verify title to its mineral property interests in accordance with industry standards, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Uninsured Risks

The Company maintains insurance to protect it against certain risks related to its current operations in amounts that it believes are reasonable depending upon the circumstances surrounding each identified risk. The Company may elect, however, not to insure against certain risks due to high premiums or for various other reasons. In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions, fire, flooding and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise there could result increasing costs and a decline in the value of the Company's securities.

Competition

The Company competes with other mining companies that have substantially greater financial and technical resources for the acquisition of mineral concessions as well as for the recruitment and retention of qualified employees, contractors and other advisors with technical skills and experience in the mining industry. There can be no assurance that the Company will continue to attract and retain skilled employees, contractors, and technical advisors.

Management

The Company currently has a small executive management group, which is sufficient for its present stage of development. The Company has relied, and will continue to rely, upon a large number of consultants and others for operating expertise. Although the Company's development to date has largely depended and in the future will continue to depend upon the efforts of current executive management, the loss of a member of this group could have a material adverse effect on the Company.

Requirement for Further Financing

The Company is dependent upon equity financing to continue to fund its exploration activities and general operations. To complete the acquisition of the entire Sleeper Gold Property from New Sleeper Gold, the Company must raise additional capital. If the Company does not complete the additional financing it requires, it will remain a 50% owner in the Sleeper Gold Property. The financing plans of the Company for the purpose of completing the Sleeper purchase agreement (see January 26, 2006 news release), are under discussion and will be announced at the earliest time possible. The Company believes that the current funds on hand should be sufficient to finance its operations and capital needs exclusive of the Sleeper Gold Property until the end of calendar year 2006. However, the Company's funding needs may vary depending upon results obtained from current exploration activities. The Company's ability to raise future capital will be in part affected by capital markets and market prices for gold. There is no assurance that such additional financing will be available.

Outstanding share data as at December 31, 2005

The Company has unlimited share capital of common shares of no par value. Of this, the Company has 76,135,255 shares outstanding or 79,450,255 shares on a fully diluted basis.

The Company had 1,840,000 stock options expire during the period. There are 3,315,000 stock options outstanding under the Company's incentive stock option plan(s) with exercise prices ranging from \$0.47 - \$0.80 with expiry dates ranging to December 13, 2009.

The Company had 3,250,000 warrants expire during the period ended December 31, 2005 and has no existing warrants outstanding.

If the Company were to issue all 3,315,000 shares issuable upon conversion of all warrants and exercise of all incentive stock options outstanding, it would raise approximately \$1,829,000.

Items Subsequent to Year-End

In the opinion of management, there are no material items since the end of the fiscal year that require further discussion in the MD&A than otherwise disclosed herein.