

NEVORO INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2007

Introduction

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements of Nevoro Inc. (the "Corporation", formally Denroy Resources Corporation) for the three months ended March 31, 2007. The Corporation's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. The Corporation reports its financial position results of operations and cash flows in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). This MD&A is as at May 29, 2007.

The following MD&A may contain forward-looking statements. Forward-looking statements are based on current expectations that involve a number of risks and uncertainties, which could cause actual events or results to differ materially from those reflected herein. Forward-looking statements are based on the estimates and opinions of management of the Corporation at the time the statements were made.

Additional information relating to the Corporation can be found on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and on the Corporation's website at www.nevoro.com

Description of Business and Overview of the First Quarter

Prior to the three-month period ending March 31, 2007, the Corporation was an inactive reporting issuer seeking new business in the resource sector to maximize shareholder value. Prior to becoming inactive in 1991, the Corporation was engaged in the plastic extrusion business. The Corporation was incorporated under the *Business Corporations Act* (Ontario) on March 1, 1945. On June 14, 2005, the Corporation completed a share consolidation on the basis of one (1) post-consolidation common share for every thirty-five (35) pre-consolidation common shares. In February 2005, the Corporation completed a reorganization, and as part of that reorganization, the existing directors and officers of the Corporation tendered their resignations and new directors and officers were appointed. The new slate of directors and officers had a mandate to seek business opportunities in the resource sector, and to that end, approval of the shareholders was sought and received to change the name of the Corporation from Denroy Manufacturing Corporation to Denroy Resources Corporation. During the twelve months ended December 31, 2006, the Corporation continued to seek business opportunities in the resource sector. The Corporation's common shares are not listed or quoted on any published market.

During the quarter ended March 31, 2007, the Corporation completed three private placements, and two tranches of a fourth private placement for total gross proceeds of US\$4,725,750 (CDN\$5,585,000), and completed a business combination whereby the Corporation issued 24,400,000 common shares for 100% of the issued and outstanding

shares of Goodsprings Development Corporation which holds interests in mineral exploration properties in the State of Nevada, USA. Further details of these private placements and the business combination can be found elsewhere in this MD&A and in the Corporation's press releases and filed documents on www.sedar.com. Following the private placements, and the business combination there were 57,277,485 common shares (the "Common Shares") outstanding as at March 31, 2007 (58,993,485 on a fully diluted basis).

On February 5, 2007, the Corporation appointed a new management team and is now focused on precious metal resource exploration and development in Nevada. Pursuant to an information circular dated April 5, 2007, and filed on www.sedar.com, the Corporation called an annual and special meeting to be held May 16, 2007, at which time, amongst other matters, shareholders approved a special resolution to change the name of the Corporation to "Nevero Inc." to reflect its focus on gold and precious metal resource exploration in Nevada.

Financings

During the quarter ended March 31, 2007, the Corporation completed the following arm's length non-brokered private placements:

- a) The first private placement consisted of the sale of 2,000,000 common shares at US\$0.001 per share for total gross proceeds of US\$2,000 (CDN\$2,400) pursuant to a non-brokered arm's length private placement. The private placement was sold to certain members of the new management team detailed below.
- b) The second private placement consisted of the sale of 2,500,000 common shares at US\$0.025 per share for total gross proceeds of US\$62,500 (CDN\$73,900) pursuant to a non-brokered arm's length private placement. The private placement was sold to a founding investor group, which included certain members of the new management team of the Corporation.
- c) The third private placement consisted of the sale of 11,025,000 common shares at US\$0.05 per share for total gross proceeds of US\$551,250 (CDN\$651,500) pursuant to a non-brokered arm's length private placement. The private placement was sold to private and institutional investors and members of the new the Board of Directors and the new management team of the Corporation.
- d) The first tranche of a fourth private placement consisted of the sale of 15,940,000 common shares at US\$0.25 per share for total gross proceeds of US\$3,985,000 (CDN\$4,709,475) pursuant to a non-brokered arm's length private placement. The private placement was sold to a group of private and institutional investors. Westwind Partners Inc. was paid a finder's fee consisting of 1,686,000 common share purchase warrants. Each whole warrant entitles the holder to acquire one common share for US\$0.25 until February 5, 2009. An over-allotment option was also issued to acquire 1,850,000 common shares at US \$0.25 per common share until June 30, 2007.

The second tranche of the fourth private placement consisted of the sale of 500,000 common shares at US\$0.25 per share for total gross proceeds of US\$125,000 (CDN\$147,725) pursuant to a non-brokered arm's length private placement. The private placement was sold to a group of private investors. Haywood Securities Inc. was paid a finder's fee consisting of cash commission of US \$7,500 (CDN\$8,864) equal to 6% of the gross proceeds sold, and a finder's warrant to acquire 30,000 shares at US \$0.25 per share until March 7, 2009.

Subsequent events

Subsequent to March 31, 2007, the third tranche of the fourth private placement closed, consisting of the sale of 14,385,000 common shares at US\$0.25 per share for total gross proceeds of US\$3,596,250 (CDN\$3,979,970) pursuant to a non-brokered arm's length private placement. The private placement was sold to a group of private investors. MGI Securities Inc. was paid a finders fee consisting of cash commission of US\$215,775 (CDN\$238,798) equal to 6% of the gross proceeds sold, 41,400 finder shares valued at US\$0.25 per share for a total value of US\$10,350 (CDN\$11,454) and a finder's warrant to acquire 904,500 common shares of the Corporation at US\$0.25 per share until October 7, 2008.

On May 24, 2007, the fourth tranche of the fourth private placement closed, consisting of the sale of 290,000 common shares at US\$0.25 per share or total gross proceeds of US\$72,500 pursuant to a non-brokered arm's length private placement.

On May 17, 2007, the Corporation changed its name from Denroy Resources Corporation to Nevoro Inc.

Business Combination

During the period ended March 31, 2007, Management was actively seeking business opportunities in the resource sector and in February, 2007, the Corporation acquired 100% of the issued and outstanding shares of Goodsprings Development Corporation ("Goodsprings"), a private mineral exploration company incorporated in Nevada, USA in exchange for the issuance of 24.4 million common shares of the Corporation. Goodsprings currently holds nine precious metal exploration projects in Nevada. Detailed information on these projects may be found in the Corporation's press release dated February 15, 2007, which is available on SEDAR at www.sedar.com.

Ken Brook, now Vice President, Exploration of the Corporation, is the founder and trustee of Brook Family Trust, a former 45% shareholder of Goodsprings. The Brook Family Trust holds 10,980,000 shares of the Corporation received in consideration for the shares of Goodsprings formerly held by the Brook Family Trust. As a condition of Mr. Brook's employment, the Corporation has the right to acquire any Nevada mineral property interest Mr. Brook acquires at his cost until December 31, 2008, and thereafter until December 31, 2009, the Corporation has the right to acquire any Nevada mineral property interest owned by Mr. Brook on any terms that such interest is offered to a third party. Prior to the acquisition of Goodsprings by the Corporation, the Brook Family Trust did not own or have control over any securities of the Corporation.

Project Portfolio

The Corporation (through Goodsprings) holds nine projects in Nevada, all of which are wholly owned or optioned and four are currently leased for annual cash payments and a 3% net smelter royalty (“NSR”). During the quarter ended March 31, 2007, the Corporation dropped the *Black Warrior* project due to poor results. St. Elmo, Silver King and Cross are the prime projects and are described below. These properties are not leased to third parties. Other properties, on which no work has been done to date, include:

- *Dome Hill*- on which application for permits will be initiated for drilling to commence in 2008.
- *Eagleville*- on which mapping and sampling are planned.
- *Warm Springs* and *Stealth* - which are leased out to third parties for cash payments and royalties.
- *CD* - on which mapping and sampling are planned.
- *Germany Canyon*- on which mapping and sampling are planned.

St. Elmo Project

Located in northeastern Nevada, the St. Elmo Project is at the intersection of the northeast-trending Midas Trough structural zone and a zone of northwest-trending faults. The Midas Trough hosts several major gold deposits including Ivanhoe (>1.5 million ounces gold; Great Basin/Hecla), Midas-Ken Snyder (6 million ounces gold; Newmont), Tuscarora, Jerritt Canyon (>6 million ounces gold; Queenstake), and the old mines of the Island Mountain district and the Jarbidge district.

The project includes most of the historic Island Mountain mining district and consists of 425 contiguous claims totaling approximately 8,500 acres (13.2 square miles). Included within this large claim block are all or parts of five formerly productive mining areas: the St. Elmo, Rosebud, Diamond Jim, Gribble and Wildhorse mines.

The claim block consists of 355 claims located by the Corporation and 70 leased claims, including 32 Cora Alice and 5 Rosebud claims leased from Happy Tracks Mining Co. and 33 Diamond Jim claims leased from Joseph Cirincione. The initial lease payment to Happy Tracks Mining Co. has been made. Future payments are US\$30,000 in 2007, US\$35,000 in 2008, US\$40,000 in 2009, US\$45,000 in 2010 and a final buy-out of US\$1,075,000 in 2011. There is a 2.5% NSR on any production prior to the final buy-out. After the buy-out there is no royalty. Similarly, the initial lease payment to Joseph Cirincione has been made, with nominal cash payments over 5 years, a US\$400,000 buy-out and a 3% NSR which can be reduced to 2% upon payment of US\$1 million.

St. Elmo Mine

The St. Elmo mine is an epithermal vein system hosted in a 2.9 km long, fault zone. There are two historic adits that demonstrate the vein’s continuity from surface to a depth of at least 137 m below surface. Hazen Research of Denver, Colorado, analyzed a 360 kilogram bulk sample taken from 1,500 tons of material recovered from the upper 90 m

of the underground workings. This sample averaged 2.36 oz./ton gold and preliminary metallurgical testing indicated that 95% of the gold was recoverable using standard gravity and flotation processing methods. In 1999, reconnaissance drilling (3 diamond drill holes) under the St. Elmo workings intersected values of up to 16 grams per tonne gold (g/t or 0.466 oz./ton gold) over 2 m within a 16 metre wide zone of quartz breccia.

St. Elmo Area – New Veins

Two newly discovered parallel vein systems have been found east of the St. Elmo vein. The first structure is at least 500 m long and the second vein is at least 300 m long. Each structure is associated with a siliceous alteration zones within limestone and locally contain barite. Mapping and sampling are underway and evidence suggests these vein structures could represent a possible hot spring gold system, the model for which would be the McLaughlin mine in California with reserves of 2.5 million ounces gold and the Ivanhoe project with reserves and resources of 1.5 million ounces gold.

Rosebud Mine

This past-producing mine is hosted within a series of imbricate thrust faults. Silver-lead-zinc mineralization occurs in a series of shallow-dipping silicified zones with quartz veins extending up to 45 m into the overlying sedimentary rocks. Values of up to 5 grams per tonne gold have been recovered in the overlying rocks.

In 1962, 11 holes, each approximately 100 m in length, were drilled to test the down-dip extension of the Rosebud mine. Each hole reportedly intersected an average of 12 to 150 oz./ton silver over widths of 2.5 to 3.0 m. These drill intersections apparently never received further follow-up investigation. Additionally, three holes drilled east of the Rosebud mine reportedly to have intersected from 30 to 50 oz./ton silver; there was no further investigation.

Diamond Jim Mine

The Diamond Jim mine property is located at the intersection of the St. Elmo and Rosebud structural trends. The operation produced silver, lead and zinc from 1934 until the 1950s. In addition to having potential for a large, low-grade, silver-base metal resource, there is also the potential for structural and stratigraphically controlled gold deposits. Outcrop within steeply dipping structures east of the Diamond Jim assayed 0.4 oz./ton gold and jasperoid outcrops associated with low angle structures assayed 7 grams per tonne gold (0.2 oz./ton gold) — the area remains unexplored.

Tennessee Mountain-Wildhorse Mine Area

Located in the north part of the claim block, this formerly productive area is underlain by a granitic intrusive stock with mineralization in veins, breccias, stockworks and skarns in the surrounding sedimentary rocks. The property includes a number of old mines with high-grade values of up to 3 oz./ton gold, 30 to 50 oz./ton silver as well as significant tungsten, antimony and molybdenum occurrences. This is a large under-explored area

with considerable upside for epithermal gold-silver, antimony-tungsten-molybdenum±gold-silver skarn, or large tonnage disseminated precious metal deposits.

Silver King and Cross

These two adjacent projects, located at the intersection of the southern part of the northwest-trending Cortez trend and the west-trending Midway-Warm Springs fault zone, combine to make a district-scale play. This area is just 65 miles south of Quadra Mining Ltd.'s currently operating open-pit, copper-gold mine in Ely. Both projects are underlain by thick sections of favourable, carbonate host-rock including the Pogonip Formation which hosts the ore zone at the Archimedes mine in Eureka. The projects also host a striking, 7-mile long zone of strong magnetic highs, which have a northwest (Cortez trend) alignment. These magnetic highs are mineralized granodiorite porphyry intrusives, dated at 28 MA, which is very similar in age to the intrusives hosting the Battle Mountain deposits. These granodiorite porphyries are documented in outcrop and drill holes, and are associated with at least four types of base and precious metal mineralization:

- siliceous veins and jasperoids in carbonate sediments;
- stockworks in altered porphyries;
- garnet-pyroxene-chalcopyrite skarns in carbonate sediments;
- disseminated sulphides in altered porphyries.

Surface geology and drill hole assay data confirm the potential for multiple, large zones of both Carlin-style, sediment-hosted precious metal mineralization and intrusive-hosted copper-gold mineralization.

Silver King

The Corporation leased a core block of 10 claims under very favorable terms and has staked an additional 65 claims. The lease is for a 10-year term with annual payments of US\$6,000, US\$12,000, US\$18,000 and US\$24,000 annually thereafter. The lease can be extended for another 10 years. The buy-out price is US\$300,000 with a 3% NSR which can be reduced to 2% upon payment of US\$1 million.

Anaconda drilled two well-mineralized holes on the property in the 1980s and their drill logs describe multiple phases of intrusive activity, which generated the mineralization styles described above. There has been no follow-up drilling to expand the Anaconda discovery.

Hole SK1 was mineralized from 469 to 1853 feet, with one 91-foot interval averaging 0.38% copper, 0.24% zinc, and 6.2 g/t silver. One 70-foot interval averaged 136 parts per billion gold. Hole SK2 was mineralized from 494 to 1661 feet with one 362-foot interval averaging 0.17% copper, 0.13% zinc and 11.0 g/t silver. One 16-foot interval averaged 361 parts per billion gold. These are significant zones of mineralization, which are interpreted to be part of a much larger porphyry copper-gold system similar to other intrusive-related gold deposits found on the Cortez trend.

Cross

This 82 claim, leased project, is two miles southeast along the trend from Silver King and hosts the largest and most complex of the northwest-trending magnetic anomalies. The lease terms for Cross are identical to the Silver King project above. Magnetically anomalous “fingers” extend southwest from the main, one mile-wide, magnetic anomaly on the pediment, and can be traced as altered granodiorite dikes into the calcareous siltstones of the Pogonip Formation. Gold-bearing jasperoid breccias are associated with these altered dikes and there are large, bleached, iron oxide-stained zones of Pogonip Formation containing up to 5 g/t gold. Gold mineralization has been found along the pediment-outcrop interface for more than two miles. The northern end of the main magnetic anomaly also has an intriguing, horseshoe-shaped high surrounding a magnetic low embayment. Limited reverse circulation drilling has found gold mineralization associated with jasperoids and altered rhyolite dikes along with large zones of pyrite, remobilized carbon, clay-hematite alteration and secondary dolomite, all of which are commonly associated with Carlin-style gold deposits.

OVERALL PERFORMANCE

During the quarter ended March 31, 2007, the Corporation completed three private placements, and two tranches of a fourth private placement for total gross proceeds of US\$4,725,750, (CDN\$5,585,000) See “Financings”, acquired mineral exploration properties in Nevada, USA, and appointed a new management team. See “Business Combination”. The Corporation is now focused on gold and precious metal resource exploration and development in Nevada.

The corporation incurred expenses of \$100,355 during the quarter ended March 31, 2007, compared to \$24,925 during the quarter ended March 31, 2006 and \$66,922 for the year ended December 31, 2006. The increase in expenses is due to the Corporation becoming an active exploration Corporation, as well as the set-up of offices in both, Toronto, Ontario, Canada and Reno, Nevada, USA. These expenses do not include a \$123,064 loss (March 31, 2007 - \$Nil, December 31, 2007 - \$Nil) on foreign exchange due to the volatility of the Canadian-US exchange rate during the quarter.

The Corporation had \$10,419,800 of Mineral Interests as at March 31, 2007, compared to \$1 at both March 31, 2006 and December 31, 2007. The increase is due to the purchase of Goodsprings Development Corporation in exchange for ten precious metal projects in Nevada, and the commencement of exploration work on those properties.

The Corporation had \$256,112 of accounts payable and accrued liabilities as at March 31, 2007, compared to \$20,278 at March 31, 2006 and \$40,320 at December 31, 2006. This increase is due to the Corporation becoming active, and the liabilities pertain to exploration as well as general and administrative costs.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected quarterly results of the Corporation for the eight quarters prior to the effective date of this report. The information contained herein is drawn from the interim financial statements of the Corporation for each of the aforementioned eight quarters.

Year	2007	2006	2006	2006
Quarter	March 31,	December 31,	September 30,	June 30,
Revenue	Nil	nil	nil	nil
Working Capital (Deficit)	4,559,773	(57,091)	(31,683)	(21,733)
Expenses	223,419	25,408	9,950	6,639
Net Loss	222,938 (*)	(25,408)	(9,950)	(6,639)
Net Loss (per Common Share)	(0.00)	(0.02)	(0.01)	(0.01)

(*) Net of interest income of \$762, general exploration costs written off of \$148,416 and a future income tax recovery of \$148,135.

Year	2006	2005	2005	2005
Quarter	March 31,	December 31,	September 30,	June 30,
Revenue	nil	nil	nil	nil
Working Capital (Deficit)	(15,094)	9,832	15,717	36,855
Expenses	24,925	5,885	21,138	10,667
Net Loss	(24,925)	(5,885)	(21,138)	(10,667)
Net Loss (per Common Share)	(0.03)	(0.01)	(0.02)	(0.01)

LIQUIDITY AND CAPITAL RESOURCES

The Corporation had cash of \$4,788,243 as at March 31, 2007, compared to \$Nil as at December 31, 2006, and \$23,071 as at March 31, 2006. The increase in cash is due to the completion of three private placements, and two tranches of a fourth private placement for total gross proceeds of US\$4,725,750 (CDN\$5,585,000). The increase in cash leads to a similar increase of working capital from a deficit of \$15,094 at March 31, 2006 and a deficit of \$57,091 at December 31, 2006 to working capital of \$4,559,773 at March 31, 2007.

Additional requirements for capital will be met through the completion of various equity financings, which will be relied upon to maintain an adequate liquidity base with which to support its operations. If such financing is unavailable for any reason, the Corporation may become unable to carry out its business plan. The Corporation intends to fund all future commitments with cash on hand, or through any other financing alternative it may have available to it at the time in question.

As noted above, the Corporation is now focused on precious metal resource exploration and development in Nevada, USA. There can be no assurance that such business undertaking will be profitable or otherwise successful. The Corporation's continued existence depends on its ability to raise further financing for working capital as the need

may arise. Mineral exploration is subject to numerous and substantial risks. See “Description of the Business”. The Corporation does not expect to receive any income in the foreseeable future.

The Corporation’s success is dependent on the knowledge and expertise of its management and employees and their ability to identify and advance attractive business opportunities.

Other than as discussed herein, the Corporation is not aware of any trends, demands, commitments, events or uncertainties that may result in the Corporation’s liquidity or capital resources either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in the Corporation’s liquidity and capital resources will be substantially determined by the success or failure of any new proposed business of the Corporation and its ability to obtain equity financing.

As at May 25, 2007, the Corporation has cash of approximately \$7,790,000.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Three Months ended March 31, 2007

(a) Included in accounts payable and accrued liabilities as at March 31, 2007 is \$Nil (December 31, 2006 -\$27,124) owing to a corporation controlled by a former officer and director of the Corporation for certain expenditures incurred by the corporations on behalf of the Corporation.

(b) Officers, directors and related person of the Corporation subscribed for 8,090,000 shares for gross proceeds of US\$297,000 (CDN\$351,067) pursuant to the private placements described under “Financings”.

(c) Included in accounts payable and accrued liabilities as at March 31, 2007 is \$45,358 (December 31, 2006 -\$NIL) owing to certain directors and officers of the Corporation.

The above transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Critical Accounting Estimates

Critical accounting estimates used in the preparation of the financial statements include the Corporation’s estimate of recoverable value of its mineral properties and related deferred exploration expenditures as well as the value of stock-based compensation.

Both of these estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Corporation's control.

The factors affecting stock-based compensation include estimates of when stock options and compensation warrants might be exercised and stock price volatility. The timing for exercise of options is out of the Corporation's control and will depend on a variety of factors, including the market value of the Corporation's shares and financial objectives of the stock-based instrument holders. The Corporation used historical data to determine volatility in accordance with the Black-Scholes option-pricing model. However, the future volatility is uncertain and the model has its limitations.

The Corporation's recoverability of the recorded value of its mineral properties and associated deferred exploration expenses is based on current market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Corporation operates in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, the ability of the Corporation and its subsidiaries to obtain necessary financing to complete the development, and future profitable production or the proceeds of disposition thereof. These are more extensively outlined under "Risk Factors".

Financial Instruments and Other Instruments

The Corporation's financial instruments consist of cash, amounts receivable and accounts payable and accrued liabilities. Risk management of the cash instrument, consists of placing cash only with institutions of high credit worthiness.

Risk Factors

An investment in the securities of the Corporation is highly speculative and involves numerous and significant risks and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors described below.

Development Stage Company and Exploration Risks

The Corporation is engaged in the business of exploration for, and development of, precious and base metals deposits in North America. The properties of the Corporation have no established reserves. There is no assurance that any of the properties can be mined profitably. Accordingly, it is not assured that the Corporation will realize any profits in the short to medium term, if at all. Any profitability in the future from the business of the Corporation will be dependent upon developing and commercially mining an economic deposit of minerals, which in itself is subject to numerous risk factors. Exploration and development of mineral deposits involves a high degree of financial risk over a significant period of time of which even a combination of careful evaluation, experience and knowledge of management may not eliminate. While discovery of ore-bearing structures may result in substantial rewards, few properties which are explored

are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration, development and production programs of the Corporation will result in profitable commercial mining operations. The profitability of the Corporation's operations will be, in part, directly related to the cost and success of its exploration and development programs which may be affected by a number of factors. Substantial expenditures would be required to establish reserves sufficient to commercially mine mineral deposits on the Corporation's properties and to construct, complete and install mining and processing facilities in those properties that are actually mined and developed.

No History of Profitability

The Corporation is a development stage Corporation with no history of profitability. There can be no assurance that the operations of the Corporation will be profitable in the future. The Corporation has limited financial resources and will require additional financing to further explore, develop, acquire, retain and engage in commercial production on its property interests and, if financing is unavailable for any reason, the Corporation may become unable to acquire and retain its mineral concessions and carry out its business plan.

Government Regulations

The Corporation's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Corporation to carry out its mining activities, the Corporation's mining licences must be kept current. There is no guarantee that the Corporation's mining claims will be extended or that new mining claims will be granted. In addition, such mining claims could be changed and there can be no assurances that any application to renew any existing claims will be approved. The Corporation may be required to contribute to the cost of providing the required infrastructure to facilitate the development of its properties. The Corporation will also have to obtain and comply with permits and claims which may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Corporation will be able to comply with any such conditions.

Market Fluctuation and Commercial Quantities

The market for minerals is influenced by many factors beyond the control of the Corporation such as changing production costs, the supply and demand for minerals, the rate of inflation, the inventory of mineral producing Corporation's, the international economic and political environment, changes in international investment patterns, global or regional consumption patterns, costs of substitutes, currency availability and exchange rates, interest rates, speculative activities in connection with minerals, and increased production due to improved mining and production methods. The metals industry in general is intensely competitive and there is no assurance that, even if commercial quantities and qualities of metals are discovered, a market will exist for the profitable sale

of such metals. Commercial viability of precious and base metals and other mineral deposits may be affected by other factors that are beyond the Corporation's control including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure and the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions, exchange controls, restrictions on production, as well as environmental protection. It is impossible to assess with certainty the impact of various factors, which may affect commercial viability so that any adverse combination of such factors may result in the Corporation not receiving an adequate return on invested capital.

Mining Risks and Insurance

The Corporation is subject to the risks normally encountered in the mining industry, such as unusual or unexpected geological formations, cave-ins or flooding. The Corporation may become subject to liability for pollution, damage to life or property and other hazards of mineral exploration against which it or the operator of its exploration programs cannot insure or against which it or such operator may elect not to insure because of high premium costs or other reasons. Payment of such liabilities would reduce funds available for acquisition of mineral prospects or exploration and development and would have a material adverse affect on the financial position of the Corporation.

Environmental Protection

The mining and mineral processing industries are subject to extensive governmental regulations for the protection of the environment, including regulations relating to air and water quality, mine reclamation, solid and hazardous waste handling and disposal and the promotion of occupational health and safety, which may adversely affect the Corporation or require it to expend significant funds.

Capital Investment

The ability of the Corporation to continue exploration and development of its property interests will be dependent upon its ability to raise significant additional financing hereafter. There is no assurance that adequate financing will be available to the Corporation or that the terms of such financing will be favourable. Should the Corporation not be able to obtain such financing, its properties may be lost entirely.

Conflicts of Interest

Certain of the directors and officers of the Corporation may also serve as directors and officers of other companies involved in gold and precious metal or other natural resource exploration and development and consequently, the possibility of conflict exists. Any decisions made by such directors involving the Corporation will be made in accordance with the duties and obligations of directors to deal fairly and in good faith with the Corporation and such other companies. In addition, such directors declare, and refrain from voting on any matters in which such directors may have a conflict of interest.

Disclosure Controls

The Corporation's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Corporation's disclosure controls and procedures, including adherence to the Disclosure Policy adopted by the Corporation. The Disclosure Policy requires all staff to keep the Disclosure Committee fully apprised of all material information affecting the Corporation so that they may evaluate and discuss this information and determine the appropriateness and timing for public release. Access to such material information by the Disclosure Committee is facilitated by the small size of the Corporation's senior management team and regular communication between them.

The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Corporation's disclosure controls and procedures as of March 31, 2007, have concluded that the Corporation's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Corporation and its subsidiaries would have been known to them.

Change in Accounting Policies

In January 2005, the CICA issued Handbook Sections, "Financial Instruments, Recognition and Measurement", "Comprehensive Income", and "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis. The Company has adopted these new standards effective January 1, 2007. The Financial Instruments Section prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

All financial assets be measured at fair value on initial recognition and certain financial assets are measured at fair value subsequent to initial recognition;

All financial liabilities are measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method;

All derivative financial instruments are measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

The Comprehensive Income Section introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations. For the period ended March 31, 2007, the Company did not have other comprehensive income or loss, therefore the comprehensive loss for the period was equal to the net loss for the period.

The Hedges Section provides alternative treatments for entities, which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in the section for "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

The Company has determined that the adoption of these new policies had no material impact on its consolidated financial statements as at and for the period ended March 31, 2007.

Internal Controls Over Financial Reporting

The Corporation's Chief Executive Officer and Chief Financial Officer are also responsible for the design of internal controls over financial reporting. The fundamental issue is ensuring all transactions are properly authorized and identified and entered into a well designed, robust and clearly understood system on a timely basis to minimize risk of inaccuracy, failure to fairly reflect transactions, failure to fairly record transactions necessary to present financial statements in accordance with generally accepted account principles, unauthorized receipts and expenditures, or the inability to provide assurance that unauthorized acquisitions or dispositions of assets can be detected. The relatively small size of the Corporation makes the identification and authorization process relatively efficient and a process for reviewing internal controls over financial reporting has been developed. To the extent possible given the Corporation's small size, the internal control procedures provide for separation of duties for receiving, approving, coding and handling of invoices, entering transactions into the accounts, writing cheques and wire requests and also require two signers on all payments. As of March 31, 2007, the Corporation's Chief Executive Officer and Chief Financial Officer conclude that the Corporation's system of internal controls is adequate and comparable to those of issuers of a similar size and nature. There have been no changes during the most recent quarter, being the quarter ended March 31, 2007, in the Corporation's internal controls over financial reporting that have affected or would reasonably be expected to affect its financial reporting.