

# Ontex Resources Limited

## Management's Discussion and Analysis of Financial Statements

For the six months ended June 30, 2007

July 26, 2007

### Forward-Looking Statements

This MD&A contains forward-looking statements relating to future events. In some cases, forward-looking statements can be identified by such words as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe" or similar expressions. These statements represent management's best projections, but undue reliance should not be placed upon them as they are derived from numerous assumptions. These assumptions are subject to known and unknown risks and uncertainties, including the business risks discussed in the MD&A and in the AIF for the year ended December 31, 2006, which may cause actual performance and financial results to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

### Overall Performance

Ontex Resources Limited (the "Company") is involved in the exploration of mineral properties in Ontario and Quebec, through direct ownership and participating interests with third parties. Ontex also has an investment in a gas exploration company in Ontario. The financial statements presented include the Company's subsidiary Cherboung Gold Inc. (85.7% owned), and, on an equity basis, Echo Energy Canada Inc., ("Echo") (13.3% owned). The company's interest in Echo arose from the merger of Pifher Resources Inc. ("Pifher") and Echo Energy Inc. ("Energy") as discussed below.

The Company recorded a comprehensive loss of \$250,642 for the six month period ended June 30, 2007 compared to a loss of \$176,131 for the same period in 2006. The increase in the loss is primarily due to the impact of the legal cost recovery of \$190,000 recorded in 2006 mitigated by the impact of gains on sales of securities in 2007. Unrealized gains of \$25,991 were recognized in accordance with new CICA Handbook Section 3861, "Financial Instruments" adopted by the Company effective January 1, 2007. The new recommendations require the use of fair value in recognizing and measuring certain financial assets and liabilities.

Cumulative exploration expenses as at June 30, 2007 were \$9,889,774 including capitalized expenditures during the six month period of \$125,931 primarily relating to planning for a drilling program on the Brookbank gold deposit.

### Selected Annual Information

	December 31, 2006	December 31, 2005	December 31, 2004
	\$	\$	\$
Total revenues	43,565	11,890	42,840
Net income (loss)	(801,390)	(473,518)	(1,005,974)
Basic income (loss) per share	(0.01)	(0.01)	(0.02)
Diluted income (loss) per share	(0.01)	(0.01)	(0.02)
Total assets	11,158,848	10,178,046	10,112,310

The above selected information and the summary of quarterly results presented below have been drawn from the Company's audited consolidated financial statements prepared by management and from interim consolidated statements, also prepared by management, in Canadian currency, in accordance with Canadian generally accepted accounting principles and following the same accounting principles and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2006 unless otherwise disclosed. The disclosures provided below are incremental to those included with the annual and interim consolidated financial statements. This discussion and analysis should be read in conjunction with the consolidated financial statements and the notes thereto for the year ended December 31, 2006.

### **Results of Operations**

The Company's total revenue for the six month period ended June 30, 2007 was \$127,400 compared to \$25,988 for the same period in 2006. The increase is due to increased interest income and to the increased gain on sale of investments in 2007.

The Company's overall expenses before legal cost recovery decreased by 14.7% for the six month period ended June 30, 2007 from \$370,711 in 2006 to \$316,233 in 2007. The decrease is primarily a result of legal fees incurred in 2006 to obtain a favourable judgement in the claims and counterclaims with Mr. Ross McGroarty. Net expenses for 2006 were offset by a legal cost award of \$190,000 resulting from the judgement. Management and professional fees decreased by 24.2% for the six month period ended June 30, 2007 from \$294,348 in 2006 to \$223,167 in 2007. General and administrative expenses increased by 22.1% from \$74,057 in 2006 to \$90,413 in 2007 for the respective six month periods ended June 30 primarily due to expenses incurred for maintenance of rights under claims.

The Company recorded an equity loss from Echo for the six month period ended June 30, 2007 of \$6,459, due to reduced operating income in Echo attributable to increased depletion rates per unit compared to 2006 resulting from a re-evaluation of gas flow rates. This compares to an equity loss from Echo of \$21,408 for the six month period ended June 30, 2006, due to an equity loss on its investment in Echo Power Generation.

### **Summary of Quarterly Results**

	For the three month period ending,							
	June 30, 2007	Mar 31, 2007	Dec 31, 2006	Sept 30, 2006	June 30, 2006	Mar 31, 2006	Dec 31, 2005	Sept 30, 2005
Revenues	83,044	44,356	5,138	12,439	13,217	12,771	7,519	2,007
Income from continuing operations	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Net income (loss)	(80,592)	(126,300)	(498,807)	(126,452)	(42,827)	(133,304)	(79,259)	(97,931)
Comprehensive income (loss)	(178,639)	(72,003)						
Net income per share - basic (loss)	-	-	-	-	-	-	-	-
Net income per share - fully diluted (loss)	-	-	-	-	-	-	-	-

During the third and fourth quarters of 2005, royalty income and earnings from the equity interest in Echo led to a reduction in the net loss.

In the first quarter of 2006, the net loss was adversely impacted by a loss in the equity interest in Echo resulting from its equity loss in Echo Power Generation.

In the second quarter of 2006, the decrease in the loss is primarily a result of a net legal cost recovery on successful challenge to the counterclaim discussed below.

In the third quarter of 2006, the net loss was adversely impacted by legal costs to complete the counterclaim and costs related to the rights offering completed in October 2006.

In the fourth quarter of 2006, the net loss was impacted by an increased loss in the equity interest in Echo relating to an equity loss and write-down in Echo's equity investment in Echo Power Generation Inc. and to increased depletion charges resulting from a re-evaluation of gas reserves. The net loss was also impacted by share compensation expense for stock options issued to certain officers, directors and employees of the Company.

In the first and second quarters of 2007, the net loss was decreased by gains on sale of portfolio investments.

For more detailed information, please refer to the previous public filings of the Company on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Liquidity**

### **[a] Shareholder financing**

On October 20, 2005, 300,000 directors and officers options expired and, consequently, there were 9,621,154 options available under the approved plan but no outstanding options as at December 31, 2005. During October 2006, 8,800,000 options were granted to directors, officers and contractors. Each option is exercisable in whole or in part at any time prior to October 13, 2008 at the exercise price of \$0.115 per common share. On October 25, 2006, 200,000 of the options were exercised and on April 19, 2007, a further 1,600,000 of the options were exercised for total proceeds of \$184,000.

On December 1, 2006, 330,000 options, exercisable at any time from November 30, 2007 to the expiry date of November 30, 2008 at a price of \$0.12, were granted to the Company's investor relations firm under an investor relations agreement with vesting of one-quarter of the options on each of February 28, 2007, May 31, 2007, August 31, 2007 and November 30, 2007. The fair values of the option compensation which vested on February 28, 2007 and May 31, 2007 were estimated at \$1,100 and \$1,000, respectively, and the fair value of the remaining options will be recognized on the vesting dates. On June 29, 2007, 300,000 options, exercisable in whole or in part at any time prior to June 29, 2009 at a price of \$0.25, were granted to a director. 191,154 options remain available for issuance under the plan as at June 30, 2007.

On March 16, 2006, the Company issued 4,509,833 common shares to Echo at a price of \$0.18 per share pursuant to a debt to shares conversion agreement under which Ontex settled an \$811,770 debt owed to Echo. The debt comprised a number of cash advances made by Echo to Ontex. The shares were subject to a four month hold period which expired on July 16, 2006.

On October 6, 2006, the Company issued 13,377,505 common shares at an issue price of \$0.10 per share pursuant to a rights offering raising gross proceeds of approximately \$1,337,750.

On December 29, 2006, the Company issued 928,569 common shares at an issue price of \$0.14 per share pursuant to flow through share subscription agreements for gross proceeds of approximately \$130,000.

**[b] Working capital**

As at June 30, 2007 the Company had a cash balance of \$647,091 and working capital of \$705,524 compared to a working capital deficiency of \$48,350 as at June 30, 2006.

In October 2006 the Company raised additional funds in order to reduce current liabilities and to continue to meet its operating requirements of approximately \$143,000 per quarter or \$572,000 per year which includes general and administrative expenses and property care and maintenance expenses. Additionally, the Company expects to incur exploration costs of up to \$220,000 for further work on a 1200 meter diamond drill program as discussed below.

In January and February of 2007, the Company sold 2,800 Metalore Resources Limited (“Metalore”) shares for proceeds of \$43,570 resulting in a gain of \$33,770. During the second quarter of 2007, the Company sold 6,200 Metalore shares for proceeds of \$90,253. On July 3, 2007, the Company sold 500 Metalore shares for proceeds of \$6,605.

The Company has a royalty interest in certain oil and natural gas leases as described below which will provide the Company with cash flow during 2007 on the anniversary date of production commencement. In addition, the Company has investments in publicly traded securities which could be sold to raise funds.

**[c] Legal costs recovery**

In 2002, the Company entered a claim for outstanding lease payments from Bioforest Pacific Inc. and Mr. Ross McGroarty in the amount of approximately \$16,250. Subsequently Mr. McGroarty filed a counterclaim against the Company for unpaid Officers and Directors fees from 1993 to 1999 and for severance fees payable subsequent to 1999 in the amount of \$1,016,497. Mr. McGroarty then amended his counterclaim to rely on the doctrine of quantum meruit in support of his damages claim.

On March 9, 2006, the Ontario Superior Court of Justice awarded judgment in favour of the Company dismissing Mr. McGroarty’s counterclaim with costs payable to the Company. The amount of costs to be recovered were fixed by the Court at \$190,000 in July 2006 and received by the Company in August 2006. In addition, the Company obtained judgment on its claim for rental arrears plus interest and costs. Mr. McGroarty’s motion for leave to appeal was dismissed November 24, 2006 with costs.

**[d] Contractual obligations**

<b>Executive Compensation</b>	<b>Payments due by period</b>		
	<b>Total</b>	<b>Next 12 months</b>	<b>13 to 24 months</b>
Agreements with Officers	\$312,000	\$208,000	\$104,000

The Company has ongoing commitments to compensate its Chairman and the President in the total amount of \$208,000 per year for management services provided by them under contracts expiring in December 2008. In March 2007, the Company reached a mutual agreement to terminate its contractual obligation to a company owned by its Chief Operating Officer for services to identify a suitable joint venture partner for its Brookbank property but remains contingently obligated for a \$100,000 bonus in the event that the Company enters into a formal joint venture agreement in 2007 with a party introduced by the Chief Operating Officer.

## **Capital Resources**

### **[a] Mineral Exploration Properties**

Exploration expenses incurred during the six month period ended June 30, 2007 totaled \$134,636 [2006 - \$34,047]. The expenses were incurred for planning a drill program and maintenance of rights under claims.

In October 2006, the Company raised financing to support a drill program expected to cost up to \$600,000 for up to 20 holes totaling about 4,200 meters to evaluate its Brookbank deposit and try to increase the Brookbank resource base. On January 18, 2007 the Company announced the successful completion of 14 holes totalling 2,999 meters. All holes intersected gold mineralization and eight of the fourteen drill holes intersected mineralization above 3.0 grams gold per tonne over core widths greater than 1.5 meters. The Brookbank Gold deposit has now been extended an additional 200 meters to the east at a shallow depth and the company is currently conducting a 1200 meter diamond drill program on an area above the main deposit in preparation for a bulk sample that would be taken via decline into the main zone.

The Brookbank property comprises 681 mining leased and staked claims located in Irwin, Sandra, Walters, Leduc and Legault Townships in the Beardmore - Geraldton camp of Northern Ontario. The property has been under explored and the potential exists to find more significant mineralization that could be developed into a gold mine. More field work is required to properly evaluate the targets and the potential of the area. There are potentially significant areas with grades in the 3.0 to 4.5 g/t range that should be drilled to firm up a mineral resource. As of yet there has been no attempt by the Company to consider a mining operation on the property. The focus going forward is to explore the property with a view to increasing the known resources on the property before considering development and production.

The Company expects the cost of maintaining its rights under its mineral claims to continue at between \$32,000 and \$36,000 per year.

### **[b] Investment in Echo**

As at June 30, 2007, Ontex had a net investment in Echo of \$463,680. The decrease in the investment in Echo from the December 31, 2006 balance of \$470,139 is a result of the Company's proportionate share of losses for the six month period ended June 30, 2007 of \$6,459, as discussed above.

The investment comprises 7,037,436 shares of Echo beneficially owned and controlled by the Company.

Pursuant to a requirement of the TSX Venture Exchange ("Exchange") (which was imposed as a condition to the Exchange's approval of the amalgamation of Echo and Energy in 2004), the Company entered into a Tier 2 Value Escrow Agreement under which the Company deposited 2,829,375 common shares (943,125 pre-split shares) of Echo into escrow with the escrow agent. Under the terms of the agreement, 10% of the escrowed shares were released upon the Exchange issuing the bulletin ("Exchange Bulletin"), dated October 15, 2004, confirming the Exchange's final acceptance of the Amalgamation, and further, 15% of the original number of escrowed shares were to be released from escrow every 6 months following the date of the Exchange Bulletin. As a result of Echo's graduation to Tier 1 on May 30, 2005, common shares deposited in escrow under escrow agreements were governed by the release provisions of a Tier 1 Value Escrow which accelerated final release to April 15, 2006.

On March 7, 2007, Echo received Gas Reserve Estimations in respect of lands in southwestern Ontario subject to gas leases held by it. The reserve estimations were prepared by Jim McIntosh Petroleum Engineering Ltd. ("McIntosh"), Echo's consulting engineer. According to McIntosh's Reserve Estimation the estimated net proved gas reserves on leased acreage in Ontario are 15.00 bcf (billion cubic feet) and the estimated net probable reserves are 23.78 bcf, for a total estimated gas reserve of 38.79 bcf.

For more detailed information, please refer to Echo's public filings.

In 2002, Ontex purchased a royalty interest in respect of 2,000 acres of natural gas and oil leases in Bayham Township, in Southwestern Ontario, from Southern Ontario Natural Gas Limited. The royalty purchased under the transaction consisted of a gross overriding royalty of 5% until Echo had recovered all capital costs relating to the drilling on and development of the land affected by the said leases and, immediately following the earlier of the payout of the capital costs or five years from the date of the purchase and sale agreement, the royalty would be increased to 10%. The increased interest occurred in August 2005, being the five year anniversary of the purchase. The overriding royalty applies to 8 Echo operated gas wells which, based on the reserves data discussed above, is estimated by McIntosh to have a net present worth of \$746,000 at a discount rate of 10 percent. Six wells were in production by June 30, 2007 and timing of production from the remaining two is uncertain.

### **Transactions with Related Parties**

During the period ended June 30, 2007, the Company paid certain of its directors and executive officers \$133,600 [2006 - \$138,400] in consulting fees. All related party transactions have been recorded at the exchange amount. The amount due from Echo of \$65,862 [2006 - \$35,906] is non-interest bearing and payable on demand. The amounts due from Echo Power Generation Inc. of \$6,095 [2006 - \$6,095] are non-interest bearing, unsecured and repayable on demand.

The Company has contractual obligations in the aggregate amount of \$208,000 per year under agreements expiring December 15, 2008 to compensate its Chairman and its President for management services provided by them. In March 2007, the Company reached a mutual agreement to terminate its contractual obligation to a company owned by its Chief Operating Officer for services to identify a suitable joint venture partner for its Brookbank property but remains contingently obligated for a \$100,000 bonus in the event that the Company enters into a formal joint venture agreement in 2007 with a party introduced by the Chief Operating Officer.

On March 16, 2006, the Company issued 4,509,833 common shares to Echo Energy Canada Inc. ("Echo") at a price of \$0.18 per share pursuant to a debt to shares conversion agreement under which Ontex settled a \$811,770 debt owed to Echo, as discussed above.

### **Second Quarter**

During the second quarter, the Company reclassified \$68,553 of previously unrealized gains on its portfolio investments to income in accordance with new CICA Handbook Section 3861, "Financial Instruments" adopted by the Company effective January 1, 2007. The new recommendations require the use of fair value in recognizing and measuring certain financial assets and liabilities. In accordance with these new standards, the Company recorded net unrealized losses of \$43,750 in other comprehensive income for the period offsetting an adjustment to opening equity for an unrealized gain of \$69,741 to reflect an increase in carrying value of portfolio investments as at January 1, 2007.

On April 19, 2007, 1,600,000 options were exercised by a director for total proceeds of \$184,000. On June 29, 2007, 300,000 options, exercisable in whole or in part at any time prior to June 29, 2009 at a price of \$0.25, were granted to a director.

### **Critical Accounting Estimates**

The Company makes accounting estimates in its financial statements in order to provide timely information to users. A critical accounting estimate is one that requires management to make assumptions about matters that are highly uncertain at the time the estimate is made and, if a different estimate was used, financial results would be materially different.

The Company must estimate its mineral reserves and that estimate is considered critical. Reserves are evaluated and reported on from time to time by an independent consulting geologist and engineer who uses various subjective factors and assumptions, including interpretation of geological sampling and testing information, assumptions regarding geological and grade continuity and estimates of in-ground values.

Although reserves are estimated, management believes the estimates are reasonable based on information available at the time the estimates were prepared. Management and the Reserve Committee of the Board of Directors review the estimates reported by the independent consulting geologist.

As new information becomes available, changes are made to the reserve and value estimates. Historically, the Company has had no significant changes to these estimates, with the exception of adjusting reserves for the results of new drilling. Future actual results could vary greatly from the estimates made, resulting in material changes to the asset impairment test.

### **Significant Accounting Policies**

#### *Mineral exploration properties*

The Company considers its exploration costs to have the characteristics of property, plant and equipment. As such, the Company defers all exploration costs, including acquisition costs, field exploration and field supervisory costs relating to specific properties until those properties are brought into production, at which time, they will be amortized on a unit-of-production basis based on proven and probable reserves or until the properties are abandoned, sold or considered to be impaired in value, at which time, an appropriate charge will be made.

The recoverability of the amounts shown for mineral exploration properties is dependent on the existence of economically recoverable reserves, the ability to obtain financing to complete the development of such reserves and meet its obligations under various agreements and the success of future operations or dispositions.

#### *Measurement Uncertainty*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant areas requiring the use of management estimates relate to the determination of impairment of mineral property costs. Actual results will differ from those estimates.

### **Changes in Accounting Policies**

As discussed above, effective January 1, 2007, the Company adopted a series of new standards released by the Canadian Institute of Chartered Accountants, which establish guidance for the recognition and measurement of financial instruments. Section 1530 "Comprehensive Income", Section 3855 "Financial Instruments – Recognition and Measurements", and Section 3865 "Hedges" were released in April 2005 and are effective for interim and annual financial statement years beginning on or after October 1, 2006. To accommodate these new sections, there have been a number of amendments to other existing accounting standards. These new standards require that certain financial instruments be included on the Company's balance sheet and measured either at their fair value or, in limited circumstances when fair value may not be considered most relevant, at cost or amortized cost. These standards also specify when gains and losses as a result of changes in fair value are to be recognized in net income or other comprehensive income.

In accordance with these new standards, the Company has designated its investments as available for sale and has measured these financial assets at fair value determined with reference to published price quotations in an active market.

Prior periods have not been restated. The unrealized gain of \$69,741 determined on January 1, 2007, resulting from the increase in value of investments, was recognized as an adjustment to shareholder's equity at the beginning of the period through accumulated other comprehensive income. Subsequent unrealized gains and losses are recorded directly in other comprehensive income.

The new rules require presentation of a new Consolidated Statement of Comprehensive Income, which is comprised of net income and changes in unrealized gains or losses related to available-for-sale securities. Gains and losses on investments are reclassified to the statement of income (loss) from other comprehensive income when realized.

### **Risks and Uncertainties**

Various laws and regulation, licensing procedures and permits affect the Company's exploration projects. Existing legislation and regulations are subject to change; however, the Company endeavors to be in compliance with these at all times.

The business of exploration for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines.

The Company has limited experience in the development and operation of mines and has relied on and may continue to rely upon consultants and others for exploration and operating expertise. The economics of developing gold and other mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced.

The success of the Company is dependant, among other things, on obtaining sufficient funding to enable the Company to explore and develop its properties. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties. The Company will require new capital to continue to operate its business and to continue with exploration on its mineral properties, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

The operations of the Company may require licenses and permits from various local provincial and federal governmental authorities, as the case may be. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, or mining operations, at its projects. Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. The prices of mineral products have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for the recruitment and retention of qualified employees.

The Company's operations are subject to environmental regulations promulgated by local, provincial and federal government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, and fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

The Company does not have a track record of operating history upon which investors may rely. Consequently, investors will have to rely on the expertise of the Company's management. Further, the Company's properties are in the exploration stage and may not be commercially viable at this time. The Company does not have a history of earnings or the provision of return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

The Company may, in the future, be unable to meet its share of costs incurred under option or joint venture agreements to which it is a party and the Company may have its interest in the properties subject to such agreements reduced or terminated as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

#### **Disclosure Controls and Procedures**

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. The Company's disclosure controls and procedures provide reasonable assurance that material information related to the Company is made known to management.

It should be noted that, while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the Company's disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

#### **Internal Control over Financial Reporting**

The Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting for the Company and have designed such controls to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

It should be noted that, while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's internal controls over financial reporting provide a reasonable level of assurance that they are effective, they do not expect that the Company's internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

#### **Outstanding Share Data**

The Company's outstanding share capital comprises common shares. An unlimited number of common shares are authorized and, as at the date hereof, 69,616,090 common shares were issued and outstanding. Further information on the Company's outstanding share capital is provided in Note 3(a) to the Consolidated Financial Statements.

**Additional Information**

Additional information relating to the Company, including the Company's Annual Information Form for the year ended December 31, 2006, is available on SEDAR at [www.sedar.com](http://www.sedar.com).