

SUR AMERICAN GOLD CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS FOR THE FINANCIAL PERIOD ENDED SEPTEMBER 30, 2006

Background

This discussion and analysis of financial position and results of operation is prepared as at November 22, 2006, and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2005 and 2004, of Sur American Gold Corporation (the "Company"). Those financial statements have been prepared in accordance with Canadian generally accepted accounting policies ("GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following management and discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the activities of the Company can be found on SEDAR at www.sedar.com.

In order to assist shareholders and other potential investors learn more about the Company and keep abreast of developments, the Company has also created a completely new website providing maps and details of its principal Philippine and Colombian gold and copper-gold projects, as well as new exploration targets.

Readers are highly encouraged to visit the site at www.surgold.com. The new corporate Logo represents the gold rich mountains of Mindanao, Philippines, with the red curved interior "S" representing "SUR". Copper is known as the "red metal".

Company Overview

The Company is a junior mineral exploration company engaged in the exploration and development of precious and base metals in projects located in the Philippines and Colombia with the aim of developing them to a stage where they can be exploited economically. The Company is currently focusing its financial resources in conducting an exploration program for gold-silver and gold-copper-silver in its Comval and T'Boli Projects in the Philippines and is preparing a second stage exploration program at its Mina Rica gold-silver project in Colombia where earlier drilling by the Company in the late 90's was successful in outlining a large area containing potentially economic gold grades.

As of the date of the MD&A, the Company has not earned any production revenue nor has found any proven reserves.

The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange ("TSXV") under the symbol "SUR".

Passing Away of Company Director

During the period Company Director Garry J Clark, passed away in Brisbane, Australia.

Garry, aged 65 years, joined the Board of SUR in 2003 when SUR acquired the Philippine assets of Sabena Limited and was instrumental in the ongoing corporate and technical direction of the company and its exploration activities.

Garry was a geology graduate of New England University, NSW, Australia, and had more than 40 years' experience in the Australian mining industry including more than 12 years' experience in Malaysia and the Philippines.

Garry, despite his long illness, remained steadfastly immersed and focused on the Company, and it is this that manifested the man and reinforced the strong and enduring spirit of this genuine human being. This spirit will continue to provide a huge incentive for the Company's team to realize Garry's dream of, and confidence in, the discovery of major ore deposits in the Company's gold-silver and copper-gold-silver project areas.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Exploration Projects Update

T'boli Gold-Silver Project, South Cotabato, Philippines.

The T'boli gold-silver deposit is a typical epithermal quartz-carbonate hot spring system in which high grade gold and silver mineralization occurs within continuous diatreme related breccias often with grades in excess of 100g/t gold and 500g/t silver.

T'boli has an inferred resource of 2.4 million tonnes grading 5.5g/t gold and 21g/t silver which is National Policy 43-101 compliant.

No exploration work was conducted at T'boli during the period but a new exploration/production tunnel called the Clark Tunnel in recognition of the contribution of Garry Clark to the geological understanding and development of T'boli progressed 10 metres towards the North Vein System in order for the Company to create new drill sites closer to the main vein sets. This is a key part of the corporate goal to expand the known resource by drilling and underground development to more than 1 million ozs and to increase the drill density of the known resource to permit a full feasibility study to commence.

Further exploration work at the nearby Lam Asam Epithermal gold-silver system, immediately south of the currently defined resource, is expected to resume in the next quarter. Average vein grades in this area are very high, often in excess of 1000 g/t silver and 30g/t gold.

A small pilot plant has also been acquired by the Company's Philippine affiliate TMC (Tribal Mining Corporation) and will be modernized to treat the mineralization obtained by the underground development program. A small laboratory will also be added.

Comval Gold-Silver-Copper Project

Diamond drilling program

The Company, through its Philippine affiliates Batoto Resources Corporation ("BRC") and Philco Mining Corporation ("PMC"), has yet to establish any resources or reserves at its Comval project.

An initial drilling program commenced in late September, 2005 and was temporarily suspended in August, 2006 mainly due to poor drilling performance. Upon completion of this drilling program, the Company may be in a position to commence a resource estimate.

Initial Drilling Program-Clark Area

Drilling Results to Date

Batoto#1 drill hole (-50 degrees to an azimuth of 225 degrees) is located in the eastern portion of the East Batoto Zone. The hole intersected a mined out void between 14-18 metres which from prior mapping by the Company is known to be a grade system of quartz veins known as the Agrix workings. A high grade vein grading 36 g/t gold over a one metre interval was intersected at 101 metres and the final 18 metres of the hole averaged 0.47g/t gold. Sporadic narrow intervals of between 0.5-1g/t gold were intersected throughout most of the hole.

Batoto #2 drill hole (-50 degrees to an azimuth of 160 degrees) was drilled 200 metres to the west of Batoto #1 and intersected 5 wide intervals of leached and oxidized quartz-sericite-pyrite related gold mineralization totaling 68 metres and containing a weighted average grade of 0.83 g/t gold with a range from 0.69g/t to 1.13g/t. Grades such as these are typical of some of the largest bulk mineable gold operations in the world.

BATOTO #2

Azimuth (degrees)	Declination (degrees)		From (m)	To (m)	Interval (m)	Grade (g/t gold)
160	-50		10	105	95	0.63
		Incl.	10	24	14	0.76
		and	27	37	10	0.69
		and	43	67	24	0.78
		and	72	79	7	1.13
		and	92	105	13	0.95

Little or no waste rock is present at Batoto and the mineralization encountered to date is largely oxidized with excellent metallurgy and appears suited to extraction by either CIP or heap leaching.

Even though the hole was not drilled at the optimum angle to test the entire 250-300 metre wide Clark Zone, the results are particularly encouraging.

Significantly, from the point of a potential large size deposit, the gold mineralization in Batoto #2 is particularly evenly distributed, with the highest assay of 2.8 g/t gold and more than 75% of the individual one metre intersections contain gold grades greater than 0.3g/t.

The hole penetrated a total of 95 metres of well mineralized diorite from 10-105 metres until a fault terminated the mineralization. Even though further zones were expected deeper, the Company decided to complete the hole and commence Batoto #3 150 metres to the south.

BATOTO #3

Azimuth (degrees)	Declination (degrees)		From (m)	To (m)	Interval (m)	Grade (g/t gold/t)
320	-50		0	21	21	0.48
		incl	9	19	10	0.65
		and	27	29	2	0.70
		and	101	118	17	0.59

Batoto #3 drill hole was drilled 150 metres to the south of Batoto #2 to a down hole depth of 118 metres and intersected two significant zones of gold mineralization totaling 38 metres. The hole was terminated prematurely due to technical problems whilst in strong gold mineralization and will, if possible, be extended at a later date. The last 11 metres of the hole returned 0.72g/t gold and was part of a longer interval which returned 0.59g/t gold.

The hole also obtained another significant intersection of 21 metres, from the surface to 21 metres, and several narrower zones between the major zones. The mineralization is evenly distributed which is particularly encouraging from a potential bulk mineable perspective.

As with Batoto #2 drill hole, which also returned long intervals of near surface potentially economic gold mineralization with grades similar to many of the bulk mineable gold operations in the world, the mineralization encountered in Batoto#3 is heavily leached and oxidized, thereby creating excellent metallurgical characteristics, and appears suitable for extraction using CIP or heap leaching.

As a result of the encouraging results obtained at this early stage of the large drilling program the Company added a second shift to the current Longyear 44 drill rig in order to accelerate the pace of the program. It is also anticipated that further rigs will be progressively added to the program. Drilling is now continuing around the clock 7 days per week.

BATOTO # 4 (-60 degrees to an azimuth of 030 degrees but finished at 010 degrees)

The hole was drilled to a down hole depth of 399.1 metres and intersected a total of significant mineralization mainly in the upper portions of the hole. From the surface to 136 metres a total of 5 zones totaling 50 metres and grading 0.42g/t gold were obtained. In addition, a further 28 metres of lower grade mineralization was obtained. Deeper in the hole, two narrow zones totaling 5 metres and grading 1.4g/t were also obtained in addition to a further 40 metres of lower grade mineralization.

BATOTO #5 (-50 degrees to an azimuth of 150 degrees).

The hole was drilled to a depth of 265.1 metres and results have been received for the first 200 metres. From 135 metres to 160 metres (25 metres) a zone of mineralization grading 0.72g/t gold (including 7 metres grading 1.22g/t gold) was obtained. In addition, a further 45 metres of lower grade mineralization was obtained.

BATOTO #6 (-65 degrees to an azimuth of 150 degrees)

The hole was drilled to a down hole depth of 297.2 metres and intersected a total of 91 metres of potentially economic gold mineralization grading 0.52g/t gold. The longest intersection was a 51 metre long zone from 234-285 metres and graded 0.53g/t gold (including 15 metres grading 1.17g/t gold-which in turn included 8 metres grading 1.72g/t gold). The additional 40 metres of potentially economic mineralization occurred in zones in the upper portions of the hole between 100-200 metres

with widths ranging from 2-11 metres. The highest grade interval was 2.95g/t gold at 263 metres. Significant zinc mineralization was also seen although no assays for zinc have yet been received.

DISCUSSION OF DRILLING RESULTS TO DATE

The test drilling to date has obtained “potentially economic mineralization” in all drill holes of the grade currently being mined by many large bulk mineable heap leach deposits in the world. The Company however cautions that as yet no resources or reserves have been established at Batoto and therefore no economic comparisons to low grade heap leaching operations other than grade similarities is possible at this time.

On-going geophysical modeling suggests that the area covered by the Batoto drilling program completed to date is only a small part of part of a minimum 1500 metre long and 100-300 wide SW-NE striking Clark structural zone characterized by prominent resistivity anomalies. Resistivity anomalies at Batoto are often associated by swarms of quartz veins. Other large zones of high resistivity, sub parallel to the Clark Zone have also been outlined by the geophysical program and occur to the north and south of the Clark Zone.

The strike length covered by the Batoto drilling program has to date covered approximately 200 metres of strike length and based on the geophysical evidence and known wide vein systems such as the yet to be drilled Patti Vein (15-20 metres wide vein grading 5-8g/t gold which occurs about 70 metres to the west of Batoto#6 drill hole, strongly suggests that the next phase of drilling should continue to systematically test the large Clark Structural Zone not only to the SW but also in a NE direction towards the old Batoto open cut gold mine.

The Company is currently conducting a major internal review of drilling results achieved, as well as all other surface trench data and geophysical information, prior to drilling the next phase of holes.

OTHER SIGNIFICANT EXPLORATION RESULTS

Surface exploration work in the form of trenching and mapping discovered further wide zones of high grade gold mineralization along strike from the initial Batoto drilling zone. During the period ended June 30, 2006 a new zone of 9.91g/t gold over 30 metres (including 20.5g/t gold over 14 metres) was discovered and this follows another high grade discovery in the Tarale area which is mentioned above. These new discoveries represent major new drilling targets for several hundred metres along strike.

High grades in vein systems obtained from extensive surface trenching for several hundred metres to the south west and north east of the current drilling area certainly indicate that drilling should extend into these adjoining areas, as well as new structural zones in the East Batoto area, such as the Tarale area, where very high grade vein systems are known to exist, e.g. 10.7g/t gold over 22 metres (including 54.7g/t gold over 4 metres).

During the period under review another very high grade vein structure immediately adjacent to the drill hole collars of Batoto # 3 and 4 drillholes was located. This structure returned 4 metres grading 69.2g/t gold. This prominent SW trending vein occurs to the west and outside the area drill tested to date. The vein has very similar characteristics to another strong vein intersected in the Batoto #1 drill hole which returned 1 metre grading 36g/t gold and is believed to be related to the same very high grade gold mineralizing phase.

The Batoto mine, which was in operation during 1980-1981 is known to host the "Main Vein, a 10 metre wide structure grading between 15-25 g/t gold over its width and other adjacent lower grade gold stockwork mineralization. This high grade structure was previously confirmed by the Company.

EXPLORATION DRILLING AT TAGPURA COPPER-GOLD SYSTEM

Whilst the Company undertakes a review of the Batoto drilling data obtained to date and awaits for the completion of the geophysical survey the Company commenced an initial 4-6 hole exploration drilling program at the Company's Tagpura copper-gold project in Compostela Valley, Eastern Mindanao.

Drilling commenced on August 7, 2006 and as of the date of this MD&A has already completed 5 holes for 2010m in only 3.5 months. This is a major turnaround from the drilling performance at Batoto where 1400 m was completed in 8 months mainly due to poor ground conditions.

In parallel with the drilling program, the Company is conducting a bench mapping program within the former Tagpura open cut and surrounding areas and has also completed a magnetic survey and a single geophysical IP line.

Initial results are highly encouraging and include 40 metres grading 1.62% copper, 0.85g/t gold and 4.1g/t silver, some 60-150 metres vertically above where the initial hole is being drilled.

TAGPURA COPPER-GOLD SYSTEM

Previous exploration in the Tagpura Belt consisted of about 24, 000 metres of core drilling carried out in the 1970's by a local Philippine company who established a reserve based on Philippine reporting methods of 1980 of 75.6 million tonnes grading 0.44% copper, 0.5g/t gold and 4g/t silver within three separate deposits.

These estimates are based on historical data, and even though several of the sources on which it was based have been reviewed by an independent qualified person, Mr. Ian Cooper of Cooper Geological Services, the estimate does not comply with CIM standards. Mr. Cooper, in January, 2003, completed a National Instrument 43-101 compliant report in order to support these historical resources. This report was published on www.sedar.com.

Mr. Cooper was recently appointed the position of Exploration Manager-Philippines for the Company.

Until drilling and other detailed exploration is conducted within these deposits, the above mentioned "reserve" estimate is highly speculative, and should only be considered as indicative of the mineralization potential.

Two of the three known copper-gold deposits in the Tagpura belt and the new geophysical discovery at West Batoto have coincident IP and magnetic signature. In the Philippines and elsewhere, a high IP signature invariably indicates a high sulphide content either as pyrite (iron sulphide) and/or chalcopyrite/bornite (copper iron sulphides), whilst high magnetite content usually indicates hydrothermal magnetite, which is often associated with elevated gold values.

The full extent of the three deposits was never determined, and the Company is optimistic that it can significantly add to the existing size of the various deposits, and discover new large zones.

In addition to the three known deposits, at least three further large targets were identified by historical exploration, mainly by geophysical surveys conducted in the 1970's. Details of the results of this work are provided in the Company's new website.

Apart from the principal goal of creating National Policy 43-101 compliant resources and to significantly expand known resources, the Company will be systematically testing for gold mineralization around the copper-gold zones where it has noted the presence of wide intervals (e.g. 65 metres @1.5g/t gold) of gold mineralization in surface trenches in both quartz veined stockworks and in large iron rich skarn bodies.

TAGPURA DRILLING PROGRAM

Assay results have been received for the first 97 metres of the Tagpura #1 drill hole. Strong copper-gold mineralization commenced at 42 metres and continued until 97 metres with the 55 metres so far received averaging 0.78% copper and 0.26g/t gold for a copper equivalent of 0.91% copper and gold equivalent of 1.75g/t gold.

The last 23 metres for which assays have been received averaged an impressive 1.55% copper, 0.52g/t gold and 2.6g/t silver for a copper equivalent of 1.82% copper and gold equivalent of 3.48g/t gold. Similar mineralization to the last 23 metres was observed for at least the next 50 metres of drill core with other intervals further down the hole.

Full results of trenching across the surface trace of the Tagpura #1 drill hole have now been received. The same zone of mineralization intersected in Tagpura #1 drill hole also occurs in the trench and this averaged 0.74% copper and 0.36g/t gold over an impressive interval of 132 metres. This included a higher grade zone of 46 metres which averaged 1.59% copper, 0.81g/t gold and 3.96 g/t silver.

DRILLING RESULTS OF TAGPURA #1 DRILL HOLE RECEIVED TO DATE

Drill Hole	Declination (degrees)	Azimuth (degrees)	From	To	Intercept (m)	Intercept (ft)	Cu (%)	Au (g/t)	Cu Eq%	AuEq g/t
Tag#1	-60	310	2	97	95	299	0.50	0.17		
	including		42	97	55	173	0.78	0.26	0.91	1.75
	Including		74	97	23	72	1.55	0.52	1.82	3.48

- Copper and gold equivalent calculations use metal prices of \$US 1.25/lb for copper and \$US 450/oz for gold. Further adjustments to account for the relative metallurgical recoveries for gold and copper will be made upon the receipt of planned metallurgical testing. Current formulas used are $CuEq = Cu\% + (Au\ g/t \times 14.47/27.56)$ and $AuEq = (Cu\ \% \times 27.56/14.47) + Au\ g/t$

As of the date of this report the Company has completed four further holes TGD #2, 3, 4 and 5 for a total of 2010m. An analysis of direct drilling costs by the Company operated rig is approximately \$US 70/m. Most drilling contractors in SE Asia charge between \$US 140-200/m.

CERTIFICATE OF PRECONDITION

In order to commence detailed exploration, including diamond drilling, the Company required a "Certificate of Precondition" from the National Commission on Indigenous Peoples ("NCIP") Central Office. This certificate was completed and released in early February and confirms earlier agreements between the Company's Philippine affiliates and the local indigenous peoples-the Mandaya-Mansaka tribes.

SAMPLE PREPARATION AND ANALYSIS

All sample preparation is undertaken at the Intertek Ltd Laboratory in Surigao, Northern Mindanao. Intertek is a 9002 Certified Laboratory. Pulverized 200 gram core samples are then sent to 9002 Certified Laboratory of Genalysis in Perth, Western Australia, for analysis for copper, gold and silver. Gold is analysed by the FA 50/SAAS method (fire assay with atomic absorption finish) and copper and silver are analysed by conventional wet chemical methods. Surface trench samples are sent to Intertek's analytical laboratory in Jakarta, Indonesia.

Geophysical Program

West Batoto

The large induced polarization/resistivity geophysical program being undertaken over the West Batoto Zone has now completed 170 line km and is about 90% complete. Following the completion of this program, and the subsequent magnetic survey, and a complete review of the modeled results, planning of further drill sites will be undertaken. The geophysical program is being undertaken under the supervision of Elliot Geophysics International Ltd headed by Dr. Peter Elliot MSc. PhD. M.AusIMM.

In March, 2006, the Company announced the discovery of a near surface major and intense induced polarization (IP) geophysical anomaly at its Batoto Gold Project in Eastern Mindanao, Philippines. A strong magnetic anomaly appears to surround the IP anomaly.

Strong IP anomalies in the Philippines, and elsewhere, invariably indicate a high sulphide content either as pyrite (iron sulphide) and/or chalcopyrite/bornite (copper iron sulphides), whilst a high magnetite content usually indicates hydrothermal magnetite, which is often associated with elevated gold values, with perhaps one of the best example being Freeport's Grasberg copper-gold porphyry deposit in Irian Jaya, Indonesia.

This IP/magnetite association also exists at the Company's Tagpura and Ma-angob copper-gold deposits 4km to the southeast of Batoto, both of which have many similarities to Phelps Dodge's Candelaria copper-gold project in Chile.

The new discovery is located about 2400 metres to the SW of where the Company is undertaking an initial 12,000 metre, 50 hole, core drilling program at East Batoto.

The anomaly is now known to extend for at least 1200 metres in an E-W direction, and 1000 metres in a north-south direction, and is open to the west, southwest, south and perhaps southeast.

The survey also indicates that it extends to at least 500 metres in depth, which is the limit of penetration by the survey and is therefore likely to extend deeper.

The current geophysical survey, which is very large by world standards, commenced in August, 2005, and followed another similar sized geophysical program undertaken by the Company in 2004 to the north of Batoto. The 2004 survey was also successful and was highlighted by the discovery of one large induced polarization anomaly and several smaller anomalies. These have yet to be drill tested.

The on-going IP and magnetic surveys, which are particularly detailed, are being undertaken on a line spacing of only 100 metres, which will greatly assist in the accurate selection of drill targets.

As a result of the discovery of the anomaly, the geophysical team under the supervision of Dr Peter Elliot (MSc. PhD, M.Aus.IMM) principal of Elliot Geophysics International Pty. Ltd, is now concentrating on defining the full extent of the anomaly, so that planning can proceed for further evaluation by geological mapping, trenching, sampling and initial drilling.

East Batoto

By contrast to the new anomaly in the West Batoto Zone, the gold mineralization at East Batoto is defined by much lower IP response, moderate magnetic readings and higher resistivity. The Company believes that the higher resistivity readings may indicate an increase in silica (quartz) concentrations in this area, which certainly appears to be borne out by deeper drilling now taking place.

This is consistent with what has been observed to date in the numerous tunnels, trenches and drill cores at East Batoto where the gold mineralization is associated with a later intense alteration event which appears to have deposited silica and gold and minor sulphides. In addition, the gold mineralizing event appears to have destroyed much of the original magnetite, which is preserved in some of the less mineralized and altered zones.

Community, Environment and Feasibility Study

In order to achieve one of its corporate goals, a feasibility study for an initial small scale CIP plant at Comval was completed during the March quarter, 2005, and submitted to the Philippines Government.

In addition, during the same period, a Memorandum of Agreement (“MOA”) granting “Free and Informed Prior Consent” (“FPIC”) for mineral exploration, development and production at Comval has been signed with local Indigenous Peoples under the auspices of the National Commission on Indigenous Peoples (“NCIP”). The granting of the FPIC is an essential prerequisite to being granted permission to proceed to mining in the Philippines.

An Environmental Impact Study (“EIS”) was completed in 2005.

Finally, a Certificate of Precondition granted to the Company’s Philippine affiliates, Philco Mining Corporation and Batoto Resources Corporation, in March, 2006.

Following a review of this final EIS, an ECC was issued to Company affiliate Batoto Resources Corporation in November, 2006 and this will be followed by an MPSA (Mineral Production Sharing Agreement).

The source of the mineralization for the small operation will be the numerous high grade gold veins within the Comval project, many of which have returned local grades in excess of 100g/t gold. Timing for construction will depend on the ability to identify sufficient resources to justify construction. The estimated cost of each operation has been estimated at approximately \$Can 700,000, which will be provided by the treasury of the Company.

As stated above, whilst the high grade operation is an important objective and will assist the Company financially, the major corporate goal of the Company is to aggressively explore and delineate the ultimate extent of its gold-silver-copper.

INVESTMENT RELATIONS ADVISORS

The Company has engaged **Paradox Public Relations Inc (“Paradox”)** to provide proactive investor relations services to the Company for a period of 12 months. Paradox has, subject to regulatory

approval, been granted 360,000 stock options at a price of \$0.35 and will be paid \$4,000.00 per month.

Selected Financial Data

(CDN \$ in 000, except per share data)

The following selected financial information is derived from the audited annual consolidated financial statements of the Company prepared in accordance with Canadian GAAP.

	Years ended December 31,		
	2005 \$	2004 \$	2003 \$
Operations:			
Revenues	-	-	-
Income (loss)	(2,638)	(1,442)	(1,227)
Income (Loss) per share	(0.04)	(0.03)	(0.03)
Dividends per share	-	-	-
Balance Sheet:			
Working capital	2,774	1,857	188
Total assets	10,000	5,740	2,855
Total Long-term liabilities	-	-	-

The following selected financial information is derived from the unaudited consolidated interim financial statements of the Company prepared in accordance with Canadian GAAP

	2006			2005			2004		
	Sep 30 \$	Jun 30 \$	Mar.31 \$	Dec 31 \$	Sept 30 \$	Jun 30 \$	Mar.31 \$	Dec.31 \$	Sept.30 \$
Operations:									
Revenues	-	-	-	-	-	-	-	-	-
Net income (loss)	(519)	(192)	(130)	(2,042)	(220)	(263)	(113)	109	(75)
Income (loss) per share	(0.01)	(0.00)	(0.00)	(0.03)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Dividends per share	-	-	-	-	-	-	-	-	-
Balance Sheet:									
Working capital	893	1,577	2,294	2,774	2,875	895	1,498	1,857	1,366
Total assets	9,641	9,728	9,997	10,000	10,248	4,828	5,097	5,740	4,688

Total long-term liabilities	-	-	-	-	-	-	-	-	-
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Results of Operations

During the period ended September 30, 2006, the Company recorded a loss of \$840,320 compared with a loss of \$596,236 for the comparable 2005 period.

The difference of \$244,084 was due to decreases in regulatory and shareholders costs of \$53,525, office and miscellaneous \$2,502, rent \$6,900, telephone and fax \$1,615, interest on loans payable \$8,686, foreign exchange loss \$229,642, and non-controlling interest of \$80,269. These decreases were offset by increases in salaries and benefits of \$55,870, legal and professional of \$43,479, travel and accommodation of \$2,746, depreciation and amortization of \$1,871, bank charges and interest of \$4,960, stock based compensation expense \$372,319 and interest income of \$14,560.

The increase in interest income is the result of the Company having more funds in its treasury, as compared to the prior year. The increase in salaries and benefits is the result of an increase in salary of the CEO and CFO. The increase in legal and professional is the result of services paid to a consultant to bring our Colombian projects up to date and for professional services paid by our Australian subsidiary. The increase in travel and accommodation is the result of an additional trip taken by a director during the period as opposed to last year, when he did not travel. The increases in, depreciation and amortization is the result of the additional fixed assets purchased, which result in increased depreciation, increases in bank charges and interest is the result of increased activity resulting in more wire transfer costs, increase in stock based compensation is the result of stock options issue during the period as opposed to no stock options issued during the comparative period. Non- controlling Interest is the result of increase in the loss for the period.

The decrease in regulatory and shareholders' costs is due to a reduction in investor relation's expenditures. The decrease in office and miscellaneous, rent, telephone and fax is the result of decreased costs compared to last year. Interest on loans payable was reduced as a result of the Company having fully repaid a loan it had. Foreign exchange results from translation of Philippine Pesos, Colombian Pesos and Australian dollars into Canadian dollars upon consolidation.

Share Capital Transactions

During the period ended September 30, 2006, the Company completed the following share capital transactions:

- 53,738 Warrants were exercised by a director for total cash proceeds of \$34,930
- 100,000, Stock options were exercised by a Director for total cash proceeds of \$40,000.

Financial Condition and Capital Resources

As at September 30, 2006, the company had a working capital of \$893,940, as compared to a working capital of \$ 2,774,185 (December 31, 2005) and \$ 2,875,212 (September 30, 2005).

The decrease in working capital is mainly the result of drilling and exploration and administration expenditures incurred during the period.

Anticipated capital and exploration expenditures, as well as administration costs during the next 6 months are anticipated to total \$850,000. The Company currently has sufficient working capital to

fulfill its planned budgeted work programs. These expenditures would include drilling expenditures and field work on the Philippine Properties, as well as normal administration costs of running the Companies.

Changes in Accounting Principles

Stock-based Compensation

Effective January 1, 2003, the Company adopted the fair value method of accounting for all employee and non-employee stock-based compensation under the amended recommendations of the Canadian Institute of Chartered Accountants Handbook, Section 3870, Stock-based Compensation and Other Stock-based Payments.

Under the fair value method, stock-based compensation expense is recognized at the time of award with an offsetting increase in contributed surplus.

Consolidation of Variable Interest Entities

In June 2003, the Canadian Institute of Chartered Accountants issued Accounting Guideline 15, *Consolidation of Variable Interest Entities*, which addresses the consolidation of interests in variable interest entities by the enterprise that is the primary beneficiary. A variable interest entity is an entity that does not have sufficient equity investment at risk to permit it to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest. The primary beneficiary of a variable interest entity is the enterprise that is obligated to absorb the majority of the expected losses, if any, the expected residual returns, or both.

Accounting Guideline 15 applies to interim periods beginning on or after November 1, 2004. The Company has adopted this guidance as of January 1, 2005, and as such, the Company's December 31, 2005 and subsequent periods, consolidated financial statements, include the financial position and operations of the Philippine corporations in which the Company holds a 40% equity interest, as the Company has determined that it holds variable interests in these corporations and is the primary beneficiary.

The effect on the Company's financial statements is material as the investments in and advances to affiliates, as well as any interest income on the advances, were eliminated upon consolidation. As of January 1, 2005, the assets and liabilities of the Philippine corporations are reflected in the Company's consolidated financial statements.

Transactions with Related Parties

Included in amounts receivable and advances is \$ 0 (December 31, 2005 - \$1,519) due from a director.

Included in accounts payable and accrued liabilities is \$82,086 (Dec 2005 -\$139,614) payable to directors of the Corporation and a director of the Corporation's Philippine subsidiaries.

During the period ending September 30, 2006, gross rent of \$ 18,000 (December 31, 2005 - \$24,000) was paid to directors of the Company.

Risks and Uncertainties

The company is in compliance with all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations, and actions, could cause additional expense, capital expenditures, restrictions, and delays in the activities of the Company, the extent of which can not be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company's mineral properties are located in the Philippines, and consequently are subject to certain risks, including currency fluctuations and possible political and economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations to the mining industry.

Investor Relations Activities

During the period ended September 30, 2006, the Company's expenditures for investors' relations amounted to \$ 19,909. They are included in regulatory and shareholders costs and relate to expenditures for updating the website and the wire distribution of the Company's news releases and costs associated with designing and printing of Company brochures.

Outstanding Share Data

The Company's authorized share capital is an unlimited number of shares without par value. As at September 30, 2006, there were 81,410,352 compared to 81,256,614 shares outstanding at December 31, 2005. The increase is the result of the exercise of warrants and stock options. As at September 30, 2006, there were 8,092,500 stock options outstanding, which were outstanding and exercisable, with exercise prices ranging from \$0.11 to \$0.60 per share. In addition, there were 6,250,000 warrants outstanding, which will expire on August 16, 2007, with an exercise price of \$0.75 per share.