

ASIAN MINERAL RESOURCES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

QUARTER ENDED MARCH 31, 2006

The following discussion of the operating results and financial position of Asian Mineral Resources Limited (the "**Company**") should be read in conjunction with the Company's unaudited consolidated financial statements and related notes for the quarter ended March 31, 2006. Amounts are in Canadian dollars unless otherwise stated.

This Management Discussion and Analysis has been prepared as of May 19, 2006 with reference to National Instrument 51-102 "Continuous Disclosure Obligations" of the Canadian Securities Administrators.

BUSINESS

The Company was originally incorporated pursuant to the New Zealand Companies Act 1993. Effective December 31, 2004, it was continued as a British Columbia corporation under the British Columbia Business Corporations Act. The Company owns 100% of AMR Nickel Limited ("**AMR Nickel**") and 100% of Asian Nickel Exploration Limited, both of which are incorporated pursuant to the laws of the Cook Islands.

The Company's principal assets are its interest in the Ta Khoa Concession (the "**Concession**") and related assets in the Socialist Republic of Vietnam held pursuant to a Joint Venture Agreement made in January 1993 (the "**JVA**") whereby AMR Nickel and Mineral Development Company ("**Mideco**"), an agency of the Ministry of Heavy Industry of Vietnam, formed Ban Phuc Nickel Mines Limited ("**BPNML**"), as an incorporated joint venture pursuant to the laws of Vietnam to facilitate a joint venture between the Company and Mideco to jointly explore and develop the Concession (the "**Ban Phuc Nickel Project**" or the "**Project**"). Ownership of BPNML is held by AMR Nickel (as to 70%), Mideco (as to 20%) and Son La Mechanical Engineering Company ("**Coxama**"), a company owned by the People's Committee of the Province of Son La (as to 10%) (acquired from Mideco out of its original 30%). BPNML was granted Foreign Investment License 522/GP (the "Investment License") which gave it certain exploration rights (currently the subject of an extension application - see "EXPLORATION AND MINING APPROVALS" over what is now a 150 km² property located approximately 160 km west of Hanoi in Son La Province, and being the balance of what was originally a 600 km² property.

BPNML's mandate is to carry out mineral exploration, feasibility studies, development, mining, smelting and refining of nickel, copper and associated metals located within the Concession. AMR Nickel is obligated (a) to contribute US\$7.0 million to BPNML for expenditures to be carried out on the Concession and (b) to fund BPNML at the minimum rate of US\$200,000 per year with any excess funding in any year to be credited to subsequent years' requirements. AMR Nickel has funded BPNML to the extent of approximately US\$6.9 million and therefore has credits for several years of required future funding for the Project.

Coxama and Mideco are deemed to have collectively contributed US\$3.0 million to BPNML, the parties are obligated to make future contributions to BPNML. Any profit earned or losses incurred by the JV shall be apportioned in accordance with the then participating interests of the participants.

Pursuant to the terms of the Investment License, BPNML was required to carry out sufficient work on the Concession to enable it to be in a position to apply for a mining license by July 31, 2005. See "EXPLORATION AND MINING APPROVALS" for a discussion of the status of the mining license application.

Asian Nickel Exploration Limited has applied for certain prospecting licenses within the Suoi Can-Dong Nghe region consisting of a 200-km² area located directly east of the Concession.

THE QUARTER IN REVIEW

Corporate Activities

- The Company appointed Grove Communications Inc. as Investor Relations consultant to the company in the areas of corporate communications, investor relations and market awareness. Grove Communications Inc. will support the work of AMR's management team through improved and increased communications to the public markets, current shareholders and prospective investors.
- The Company relocated its Canadian corporate offices to 144 Front Street West, Suite 780, Toronto, Ontario, M5J 2L7
- The Company granted 100,000 options to purchase common shares with an exercise price of \$0.50 and term of one year as part of the compensation for Grove Communications Inc.
- The Company granted options to purchase 50,000 shares exercisable at \$0.385 a share to a Company executive in accordance with the terms of his revised employment contract. The options vested immediately on January 26, 2006.
- The Company granted options to purchase 300,000 shares exercisable at \$0.35 a share to a Company consultant in accordance with the terms of his revised contract of which 37,500 options vest immediately; 112,500 vest progressively as to 25% every 6 months commencing January 26, 2006; and 150,000 will vest on the date on which BPNML receives a mining license.
- The Company granted options to purchase 300,000 shares exercisable at \$0.385 a share to a Company consultant in accordance with the terms of his revised contract, of which 100,000 vest progressively as to 25% every 6 months commencing January 26, 2006; 50,000 will vest on the date on which BPNML receives a mining license; 50,000 will vest on the date on which BPNML receives full project finance funding; and 100,000 will vest on the date on which BPNML commences commercial production at its Ban Phuc Project

Operational Activities

The Company continued to focus its efforts and resources on the required permitting, financing and other activities related to the development of the Ban Phuc Project.

EXPLORATION AND MINING APPROVALS

In July 2005, BPNML (i) submitted to the Vietnamese Ministry of Planning and Investment ("MPI") a request for a two-year extension (to July 31, 2007) of exploration rights within the 115² km area comprising the remainder of the originally granted exploration area, less the 35² km area on which the initial project will be developed, and (ii) advised MPI and the Son La Peoples Committee of its intention to proceed with a project on the 35² km mining area within the Concession. Subsequently, BPNML was advised that the required mining approvals would be dealt with through a process which involves the following linear steps:

- a determination by the Vietnamese Resource Council of resources and reserves parameters;
- the issue by the Resource Council of a resources and reserves report;
- submission of the Environmental and Social Impact Assessment and obtaining approval for Vietnamese environmental law purposes; and
- submission of a mining license application to the Ministry of Natural Resources and Environment ("MONRAE") and the issue of a license by that body.

BPNML was also advised that the application for the exploration license extension will also be dealt with by MONRAE. Considerable time and effort were expended subsequently in dealing with the Resource Council's requirements, including those related to the disseminated material and its status for the purpose of mining approval. The Company believes that BPNML will be able to obtain the required Resource Council approvals on the basis that the massive sulfide material will be categorized as C1 (measured) and the disseminated material as C2 (inferred), thereby providing a basis for the issue of a mining license covering the 35 km² mining area. It is also anticipated that the exploration license extension will be issued under guidelines which permit an initial two-year period extendible for a further two-year period.

Based on progress to date and taking into account the linear nature of the approval process, it is anticipated that mining approval and the exploration license extension will be granted before the end of 2006.

SUBSEQUENT EVENTS

Subsequent to March 31, 2006, the following events occurred:

The Company issued Cdn. \$42,059.90 of Series C Notes in full payment of the interest payable for the quarter ended March 31, 2006 under its outstanding Convertible Notes.

The Company issued 706,875 shares on the exercise of previously granted options under its Stock Option Plan.

On May 3 2006, the Company announced that BPNML had received approval from the Vietnamese Mineral Resource Evaluation Council ("Council") establishing the Company's resource estimation parameters for the Ban Phuc Nickel Project. As described above, the approval is the first in a series of sequential steps required for the issue of a mining license to BPNML.

The Council's approval recognises the geological significance of both the Company's high grade massive sulfide and large disseminated resource inventory at Ban Phuc (previously reported November 14, 2005). The massive sulfide mineralisation is the subject of the Feasibility Study ("Study") completed in November 2005 by independent engineers, Ausenco Limited (Brisbane). The Study supports the economic development of a 200,000 tonne per year underground mining operation and conventional sulfide flotation plant to produce a nickel and copper bulk concentrate.

The base case Study reported the massive sulfide resources and reserves at Ban Phuc as follows:

Ban Phuc Resources:

| <u>RESOURCE CATEGORY</u> | <u>Tonnes</u> | <u>Ni %</u> | <u>Cu %</u> | <u>Co %</u> | <u>Ni Tonnes</u> | <u>Cu Tonnes</u> | <u>Co Tonnes</u> |
|-------------------------------------|------------------|-------------|-------------|-------------|------------------|------------------|------------------|
| Measured | 610,000 | 2.66 | 1.09 | 0.09 | 16,190 | 6,630 | 560 |
| Indicated | 620,000 | 2.88 | 1.16 | 0.09 | 17,900 | 7,220 | 570 |
| Measured and Indicated Total | 1,230,000 | 2.77 | 1.13 | 0.09 | 34,090 | 13,850 | 1,130 |
| Inferred | 260,000 | 2.43 | 1.16 | 0.09 | 6,260 | 2,990 | 230 |

Ban Phuc Reserves (as a subset of resources):

| Mineral Reserve Category | Ore Tonnes | Nickel Head Grade | Copper Head Grade | Contained Nickel Tonnes | Contained Copper Tonnes |
|--------------------------|------------|-------------------|-------------------|-------------------------|-------------------------|
| Proved | 0.46 | 2.5% | 1.0% | 11,640 | 4,750 |
| Probable | 0.55 | 2.3% | 1.0% | 12,600 | 5,350 |
| Total | 1.01 | 2.4% | 1.0% | 24,240 | 10,100 |

Ban Phuc also contains considerable disseminated sulfide resources and ASN is committed to further evaluation work on this stage-2 potential expansion project once construction of the stage-1 massive sulfide Project is underway.

Disseminated Resources:

Indicated: 9,600,000t @ 0.58% Nickel for 55,520 tonnes of contained nickel,

and,

Inferred: 6,100,000t @ 0.52% Nickel for 31,570 tonnes of contained nickel.

The Company expects to receive its mining license by the end of 2006 and is directing its Project implementation efforts accordingly. Negotiations with project financiers and smelter groups continue.

FINANCIAL SUMMARY

SELECTED QUARTERLY INFORMATION

The following table sets out selected financial information for and as of the end of the quarterly periods as shown in the table. Information for the quarter ended March 31, 2006 is derived from management-prepared unaudited financial statements of the Company.

| | Mar 31, 2006 | Dec 31, 2005 | Sept 30, 2005 | Jun 30, 2005 | Mar 31, 2005 | Dec 31, 2004 |
|------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|
| Revenues | \$19,512 | \$8,278 | \$1,891 | \$3,895 | \$26,000 | \$12,5845 |
| Net Loss | 881,676 | 851,535 | 1,202,307 | 1,246,167 | 778,546 | 1,734,325 |
| Loss per share (non-diluted) | 0.01 | 0.01 | 0.03 | 0.03 | 0.02 | 0.04 |
| Loss per share (diluted) | 0.01 | 0.01 | 0.02 | 0.03 | 0.02 | 0.04 |
| Total Assets | 2,914,383 | 3,617,158 | 1,281,091 | 1,044,113 | 2,100,502 | 2,639,756 |

RESULTS OF OPERATIONS

Revenues

The Company currently has no sales and no material sources of revenue. Revenue in the first quarter of 2006 and in previous years was from interest income.

Expenses

The costs for the quarter ended March 31, 2006 were higher than for the same period last year mainly due to an increase in stock based compensation costs (\$228,854 in 2006 compared with \$125,001 for the three month period to March 31, 2005) and interest expense of \$42,060 (\$Nil for the three month period ended March 31, 2005).

General and administrative expenses for the quarter were \$325,110 compared with \$274,330 for the three-month period to March 31, 2005. The main increase was in consultancy fees.

The loss for the three months ended March 31, 2006 was \$881,676 (compared with a loss of \$778,546 for the three months ended March 31, 2005).

For the last four completed fiscal years, the Company has not paid cash dividends to shareholders. The Company does not anticipate paying cash dividends during fiscal 2006.

Cash Flows

Cash used in operating activities decreased from \$912,032 for the quarter ended March 31, 2005 to \$651,230 in the first quarter of 2006. Financing activities, net of costs and repayment of a short-term loan, resulted in a net cash inflow of \$42,060 for the quarter ended March 31, 2006 (March 31, 2005 - \$Nil).

Additional Disclosure for Venture Issuers Without Significant Revenue (all figures relate to the Ban Phuc Property)

| | Qtr to Mar 31 2006 | Qtr to Mar 31 2005 | Year ended Dec 31 2005 |
|--|-----------------------|-----------------------|---------------------------|
| Expensed exploration and development costs | \$252,086 | \$404,318 | \$2,138,235 |
| Expensed research and development costs | nil | nil | nil |
| Deferred development costs | nil | nil | nil |
| Other material costs | nil | nil | nil |

Detailed Analysis of Exploration Expenditure

| | Qtr to Mar 31 2006 | Qtr to Mar 31 2005 | Year ended Dec 31 2005 |
|--|-----------------------|-----------------------|---------------------------|
| Drilling and Assaying | 13,438 | 100,933 | 205,785 |
| Engineering, Environmental and Reporting | 91,455 | 140,917 | 1,145,722 |
| Geological and Surveys | 17,610 | 92,225 | 189,490 |
| Site Activities and Miscellaneous | 129,583 | 70,243 | 597,237 |
| Total | \$252,086 | \$404,318 | \$2,138,235 |

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2006, the Company had cash and cash equivalents of \$2,427,371 (31/3/05 - \$1,430,172).

The Company's principal operational objectives for 2006 are: to progress the granting of the mining licence, the exploration licence extension and other governmental approvals for the Ban Phuc Nickel Project, the sourcing of finance for the project and further the commencement of detailed engineering and related activities.

Budgeted expenditures for 2006 comprise operating costs of \$2.5 million; project development costs of \$5.8 million; capital costs of \$400,000; and exploration costs of \$800,000. The timing of incurring project development and exploration costs is largely dependent on the timing of receipt of the required approvals. Irrespective of such timing, the Company currently does not have sufficient financial resources to complete its objectives, fund its operations, and acquire the Mideco shareholding in BPNML and, accordingly, will be required to arrange additional equity financing in order to achieve these objectives. The amount and timing of such financing will depend on a number of variables and there can be no assurance of its availability on acceptable terms.

CHANGES IN ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“**Canadian GAAP**”). The consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries, AMR Nickel and Asian Nickel Exploration Limited and its 70% owned BPNML joint venture which is fully consolidated by virtue of its status as a Variable Interest Entity in accordance with Canadian Institute of Chartered Accountants (“CICA”) Accounting Guideline 15 (“ACG 15”), which was adopted effective January 1, 2005. See Note 3 to the financial statements. All material intercompany balances and transactions have been eliminated upon consolidation.

In April 2004, the Company became a TSX.V listed company and, in December of the same year, became a British Columbia incorporated and registered company. These events required the Company to change the basis of preparation of its consolidated financial statements from New Zealand GAAP to Canadian GAAP. Previously, as a New Zealand domiciled company, Asian Mineral Resources was required to report in accordance with New Zealand GAAP.

Stock-based compensation

The Company grants stock options in accordance with TSX-V policies, as described in note 6 to the financial statements. Effective January 1, 2004, the Company adopted the fair value method of accounting for all stock-based transactions as required under the recommendations of CICA with respect to stock-based compensation. The Company adopted the fair value method to ensure that, as a TSX.V listed company and Canadian incorporated reporting issuer, it was conforming with Canadian reporting requirements. Prior to 2004 the Company was neither incorporated in Canada nor a TSX.V listed company and, therefore, reported in accordance with New Zealand GAAP. New Zealand GAAP does not incorporate the fair value method of accounting for stock based transactions.

Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measurable and are amortized over the vesting period. The offset to the recorded cost is to contributed surplus. Consideration received on the exercise of stock options is recorded as share capital and the contributed surplus related to the measurement date fair value of options exercised is transferred to share capital. In prior years, the Company accounted for stock-based compensation by the settlement method whereby no compensation expense was recorded for options granted. The new recommendations were applied retroactively with restatement of prior periods to option grants after January 1, 2002. There was no prior period impact of this retroactive adoption as the Company granted no stock options during fiscal 2002 or 2003.

Asset retirement obligations

The Company recognizes statutory, contractual or other legal obligations related to the retirement of tangible long-lived assets when such obligations are incurred, if a reasonable estimate of fair value can be made. These obligations are measured initially at fair value and the resulting costs are capitalized to the carrying value of the related asset. In subsequent periods, the liability is adjusted for any changes in the amount or timing and for the discounting of the underlying future cash flows. The capitalized asset retirement cost is amortized to operations over the life of the asset.

Exploration costs

Exploration expenses incurred prior to determination of the feasibility of mining operations and issuance of a mining license are expensed as incurred. Mineral property acquisition costs and exploration and development expenditures incurred subsequent to the determination of the feasibility of mining operations and issuance of a mining license are deferred until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. Mineral property acquisition costs include the cash consideration and the fair market value of common shares, based on the trading price of the shares, issued for mineral property interests, pursuant to the terms of the agreement. These costs will be amortized over the estimated life of the property following commencement of commercial

production, or written off if the property is sold, allowed to lapse or abandoned or when an impairment of value has occurred.

TRANSACTIONS WITH RELATED PARTIES

The Company transacts with related parties for services in the normal course of business. All transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. For the three-month period ended March 31, 2006 the amounts paid or accrued with regards to related party transactions were as follows:

(1) \$42,500 to certain directors of the Company for the quarterly instalment of directors' fees (\$42,500 for the three months ended March 31, 2005); and

(2) \$25,193 certain directors of the Company on account of consulting services rendered (\$19,063 for March 31, 2005).

As at March 31, 2006, \$15,000 in directors' fees were outstanding.

ENVIRONMENT

The Company is committed to a program of environmental protection at its development projects and exploration sites. The Company was in compliance with government regulations in 2005.

RISK FACTORS

Because of the nature of its business, the operations of the Company are subject to a number of risks, including the following, any one or all of which could have a material adverse effect on the Company and its business.

Nature of mineral exploration and mining

At the present time the Company does not hold any interest in a mining property in production. The Company's viability and potential success lie in its ability to develop, exploit and generate revenue from mineral deposits. The exploration and development of mineral deposits involve significant financial risk over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mine 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 site. It is impossible to ensure that the current or proposed exploration programs on exploration properties in which the Company has an interest will result in a profitable commercial mining operation.

The operations of the Company are subject to all of the hazards and risks normally incident to exploration and development of mineral properties, any of which could result in damage to life and property, environmental damage and possible legal liability for any and all damage. The activities of the Company may be subject to prolonged disruptions due to weather conditions depending on the location of the operations in which the Company has interests. Hazards, such as unusual or unexpected formation, rock bursts, pressure, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or associated with compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and, potentially, its financial position.

Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit, such as size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The effect of these factors cannot be accurately predicted, but in combination they may result in the Company not receiving an adequate return on invested capital.

Fluctuating Prices

Factors beyond the control of the Company may affect the marketability of nickel, copper, cobalt, gold or any other minerals discovered. Commodity prices fluctuate widely and are affected by numerous factors beyond the Company's control whose effect cannot accurately be predicted.

Permits and Licenses

The operations of the Company require licenses and permits from various governmental authorities. The Company believes it presently holds all necessary licenses and permits required to carry on with activities which it is currently conducting under applicable laws and regulations and the Company believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in regulations and in various operating circumstances. There can be no assurance that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations at its projects.

Competition

The mineral exploration and mining business is competitive in all its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and acquisition of attractive mineral properties. The ability of the Company to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable properties or prospects for mineral exploration. There can be no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects.

Environmental Regulation

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions or various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would 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 the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of future operations.

Estimates of mineral resources may not be realized

The mineral resource estimates published from time to time by the Company with respect to its properties are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions, among other things. Short-term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of operations. There can be no assurance that minerals recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions or in production scale operations. Material changes in resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. The estimated resources described herein should not be interpreted as assurances of mine life or of the profitability of future operations. The Company has engaged expert independent technical consultants to advise it with respect to mineral resources and project engineering, among other things. The Company believes that those experts are competent and that they have carried out their work in accordance with all internationally recognized industry standards. However, if the work conducted

by those experts is ultimately found to be incorrect or inadequate in any material respect, the Company may experience delays and increased costs in developing its properties.

Dependence on key personnel

The Company is dependent on the services of its senior management, including David Woodhouse, its President and Chief Executive Officer, and a small number of skilled and experienced employees and consultants. The loss of any such individuals could have a material adverse effect on the Company's operations.

Limited financial resources

The existing financial resources of the Company are not sufficient to bring any of its properties into commercial production. The Company will need to obtain additional financing from external sources in order to fund the development of the Ban Phuc Nickel Project. There is no assurance that the Company will be able to obtain such financing on favourable terms, or at all. Failure to obtain financing could result in delay or indefinite postponement of further exploration and development of the Company's properties.

Health and safety matters

The Company's development and exploration projects are affected by various laws and regulations, including those which cover health and safety matters. Existing legislation and regulations are subject to change, the impacts of which are difficult to measure. It is the policy of the Company to maintain safe working conditions at all its work sites, comply with health and safety legislation, maintain equipment and premises in safe condition and ensure that all employees are trained and comply with safety procedures.

Forward-looking statements

This management's discussion and analysis contains "forward-looking information" which means disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action and includes future oriented financial information with respect to prospective results of operations, financial position or cash flows that is presented either as a forecast or a projection, and also includes, but is not limited to, statements with respect to the future financial and operating performance of the Company, its subsidiaries and its projects, the future price of nickel, the estimation of mineral resources, capital and exploration expenditures, costs and timing of the development of new deposits, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of pending litigation and regulatory matters. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, general business, economic, competitive, political and social uncertainties; the actual results of current exploration activities; conclusions of economic evaluations and studies; fluctuations in the value of United States dollars relative to the Vietnamese dong or Canadian dollar; changes in project parameters and returns as plans continue to be refined; future prices of nickel; accidents, labour disputes and other risks of the mining industry; political instability; insurrection or war; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk Factors" in this management's discussion and analysis. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this management's discussion and analysis and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future

events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements due to the inherent uncertainty therein.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, investment in and advances to its 70% owned joint venture company, Ban Phuc Nickel Mines Limited, accounts payable and accrued liabilities and income taxes payable. The fair values of these financial instruments are not materially different from their carrying values.

It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The Company mitigates its risk by holding its short-term investments with large financial institutions.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com.

SHARE DATA

As at May 15, 2006, the Company has 49,681,381 common shares outstanding, as well as: (a) warrants to purchase an aggregate of 7,466,001 common shares expiring between May 22 and July 19, 2006 and exercisable at various prices between \$0.60 and \$1.00 per share; and (b) options to purchase an aggregate of 3,096,292 common shares expiring at various dates between April 19, 2009 and January 26, 2011 and exercisable at various prices between \$0.15 and \$0.50 per share. On a fully diluted basis, therefore, the Company has 60,243,674 common shares outstanding.