MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2007

Change in Fiscal Year-End

In August, 2006, Fortuna Silver Mines Inc. ("Fortuna" or the "Company") changed its fiscal year-end from September 30th to December 31st. The Company's year-end now matches that of its Peruvian subsidiary which owns the Caylloma Mine, resulting in an increase in the efficiency of the Company's accounting operations. A Notice of Change in Fiscal Year End was filed on sedar.com.

Therefore, the accompanying consolidated financial statements are for the 12 month period ended December 31, 2007, with comparatives to the transitional 15 month period ended December 31, 2006 (further referred to as "2006").

General

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2007 and fifteen month period ended December 31, 2006, prepared in accordance with Canadian generally accepted accounting principles. This MD&A is prepared as of March 21, 2007. All amounts are expressed in Canadian dollars unless otherwise indicated.

Business of the Company

Fortuna Silver Mines Inc. is a mining company focused on producing silver and developing silver projects in Latin America. The Company's principal assets are the Caylloma poly metallic Mine in southern Peru and the San Jose Silver-Gold Project in southern Mexico.

Recent Developments and 2007 Highlights

Financial and Operating Results

In 2007 the Company generated a net loss of $2.79 million compared to a net loss of $4.35 million in 2006. For the fourth quarter of 2007 the Company generated a net profit of $1.41 million compared to $0.02 million in the corresponding period of 2006. Cash generated by operating activities for 2007 was $13.24 million compared to cash outlfow $0.78 million in 2006, and $5.86 million for the fourth quarter of 2007.

The Company´s Caylloma mine had its first full year of operations in 2007. In the twelve months 250,913 tonnes of ore were treated, and metal production amounted to 486,465 ounces of silver, 6,300 MT of zinc, and 3,771 MT of lead. Cash production cost per tonne for the year was US$48 and the corresponding unit net smelter return (NSR) was US$118 (cash production cost is a non-GAAP measure. See page 8 for reconciliation of cash production cost to the cost of sales in the consolidated statement of operations).

San Jose project – resources and project update

On March 12, 2007 Fortuna published an updated resource estimate for San Jose property based on an 11,000 meter drilling program conducted during the first half of 2006. The results significantly exceeded management's expectations, reporting:

Indicated Mineral Resource: 1.47 million tonnes grading 262.6 g/t Ag and 2.19 g/t Au containing 17.7 million Ag equivalent ounces.

Inferred Mineral Resources: 3.9 million tonnes grading 260.6 g/t Ag plus 2.57 g/t Au containing 49.1 million Ag equivalent ounces.

Silver equivalency estimates were derived using US$10.30/oz for silver and US$525/oz for gold yielding a Ag:Au ratio of 51:1. Metallurgical recoveries and net smelter returns are assumed to be 100%.

This represented nearly a five fold increase in the inferred resource and the addition of 17.7 million indicated Ag equivalent ounces compared to the previously estimated resource. During 2007, the Company executed a 26,605 meter drilling campaign. Based on this work a new resource estimate is expected to be produced in the second quarter of 2008.

In late 2007 the engineering phase started at San Jose project. The Company expects to conclude its permitting process and a pre-feasibility study in 2008 and based on existing information it plans to go directly into detailed engineering and construction upon conclusion of the pre-feasibility.

Financing

During the past year, the Company was successful in raising significant funding by way of an equity financing; in January 2007 the Company completed a brokered private placement of 18.0 million units at a price of $1.90 per unit, providing gross proceeds of $34.20 million. Each unit consists of one common share and one-half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company for 18 months at a price of $2.30.

Management Additions

On October 25, 2007 the Company announced the appointment of Mark Moseley-Williams to the new position of Vice President of Project Development, and on February 6, 2008 the Company announced the appointment Manuel Ruiz-Conejo to the new position of Vice President of Business Development. Mr. Moseley-Williams is based in Oaxaca at the San Jose project site, and Mr. Ruiz Conejo is based out of Fortuna´s Lima office.

Selected Annual Information

		Twelve month period ended Dec. 2007	Fifteen month period ended Dec. 2006
Sales	$ 000	31,667	3,372
Income (loss) before income taxes and non-controlling interest	$ 000	1,380	(3,854)
Net loss	$ 000	(2,789)	(4,348)
per share, basic and diluted	$	(0.04)	(0.12)
Total assets	$ 000	124,446	59,194
Total long-term financial liabiliites	$ 000	433	97

Quarterly Information

The following table provides information for the eight fiscal quarters ended December 31, 2007:

		Quarters Ended							
		31-12-07	30-09-07	30-06-07	31-03-07	31-12-06	31-09-06	31-09-06	31-03-06
Revenues	$ 000	7,930	9,201	8,797	5,739	3,370	0	0	0
Net Income (loss)	$ 000	1,411	(3,391)	947	(1,756)	21	(1,745)	363	(2,371)
Net Income (loss) per share, basic	$	0.02	(0.05)	0.01	(0.03)	0.00	(0.04)	0.01	(0.09)
Net Income (loss) per share, diluted	$	0.02	(0.05)	0.01	(0.03)	0.00	(0.04)	0.01	(0.09)

Financial Results

During 2007 the Company generated $31.67 million of sales compared to $3.37 million in 2006. The previous period included only two months of commercial production. During 2007 mine operating income was $13.11 million and operating income was $0.11 million after deducting $6.97 million of stock based compensation charges. These results reflect the healthy margins of the Company´s operating Caylloma mine. Operating income attributable to Caylloma for the year was $8.97 million.

For the last quarter of 2007 the Company recorded record net income of $1.41 million compared to $0.02 million in the corresponding quarter of 2006. With respect to previous quarters this increase was achieved in spite of lower zinc prices through increased concentrate sales. The losses of the first and third quarters of 2007 were driven by stock-based compensation charges of $2.31 million and $4.12 million respectively.

Total **cost of sales** for 2007 was $18.45 million, of which $5.77 million was depletion, depreciation, and accretion (2006: $2.18 million and $0.92 million respectively). This corresponds entirely to production and sales from Caylloma mine.

Sales and administrative expenses for 2007 totalled $6.13 million compared to $2.03 million for the fifteen months ended December 31, 2006. The increase was largely due to the fact that 2007 was the first full year of operations of Caylloma mine, as well as due to higher total corporate expenses associated to the growth of the company. The stock based compensation charge totalled $6.97 million for the year ended December 31, 2007, compared to $4.13 million for the fifteen month period ended December 31, 2006.

Interest and other income and expenses amounted to net income of $1.53 million compared to net income of $0.47 million for the fifteen months ended December 31, 2006. In 2007, this amount included $1.29 million of interest earned, and the increase was due to the Company holding a significantly larger average cash balance for 2007 compared to 2006.

Net gain on commodity contract for 2007 was $1.56 million and was comprised of a $0.01 million realized loss on forward lead and zinc contracts entered into with a bank to fix the final settlement price of metal delivered in concentrates, where the final settlement price is yet to be set at a future quotational period according to contract terms, a realized gain of $0.10 million on lead and zinc derivative contracts (Asian style options) entered into with a bank as part of a medium-term price protection program, and $1.45 million unrealized gain on derivative positions outstanding at year end associated with the same price protection program.

Interest and finance expenses for 2007 were $0.09 million compared to $0.02 million in 2006. These interest expenses relate to short-term loans taken in the last quarter of 2006 and paid off in the first quarter of 2007.

Foreign exchange loss recorded for the year was $1.67 million, compared to a gain of $0.67 million for the fifteen months ended December 31, 2006. The Company holds its foreign assets in US and local currencies which have depreciated against the Canadian dollar throughout 2007. Under the temporal method for translation of financial statements which the Company currently uses, the losses arising from the translation to the stronger Canadian dollar are included in the statement of operations.

Write-off of deferred exploration costs was $0.01 million in 2007 compared to $0.04 million for the fifteen months ended December 31, 2006. This consisted mainly of regional exploration expenses.

In 2007, the Company recognized a **loss on disposal of capital assets** of $0.06 million in connection with disposition of minor equipment at Caylloma mine.

The $4.26 million **Income tax provision** recorded in 2007 (2006: $0.49 million) consisted of current and future income tax expense. Current income tax for the period, including the worker profit sharing plan regulated by Peruvian law was $0.54 million (2006: nil). Future income tax expense, amounting to $3.7 million (2006: $0.49 million) mainly related to temporary differences arising on amounts of mineral properties at Peruvian operations.

Results of Operations

Peru – Caylloma Poly metallic Mine

Caylloma Mine

	Mar-31	Jun-30	Sep-30	Dec-31	Total
Tonnes milled	52,687	63,806	65,806	68,615	250,913
Grade per tonne					
Silver (oz)	2.23	2.29	2.45	2.43	2.36
Lead (%)	1.39	1.67	1.80	1.87	1.70
Zinc (%)	2.65	2.92	3.01	3.09	2.93
Recoveries					
Silver (%)	71.39	73.28	75.75	77.74	74.75
Lead (%)	88.59	89.22	88.50	87.51	88.43
Zinc (%)	84.16	86.22	86.51	85.09	85.56
Production (metal contained)					
Silver (oz)	95,473	119,110	132,450	139,433	486,466
Lead (tonnes)	646	952	1,049	1,124	3,771
Zinc (tonnes)	1,178	1,605	1,712	1,805	6,300
Unit cash production cost (US$/tonne)	42.62	46.65	49.15	52.41	48.04
Unit Net Smelter Return (US$/tonne)	90.26	123.65	133.70	118.41	117.84

The 100% owned Caylloma mine had its first full year of production in 2007 with total ore milled at 250,914 tonnes. The mill started the year at a 500 tpd throughput rate and closed the year at an average monthly rate of 750 tpd. Overall, design parameters like metal recovery and concentrate grades were achieved in a shorter period than originally planned and production ramp up to design capacity was achieved faster than expected. In the fourth quarter of 2007 metal production increases with respect to the first quarter of 2007 for silver, lead, and zinc, were 46.1%, 53.2%, and 74% respectively.

Mine production throughout the year took place principally on the poly metallic Animas vein which provided 76% of ore sourced to the mill in 2007. Other sources of ore were: Santa Cata vein (9%), old stockpiles fed into the mill during the first 5 months of operations (5%), and ore from developments (10%). Head grades also increased steadily throughout the year as expected reflecting the exhaustion of old low grade stockpiles and an increased production from the Animas Central ore shoot, where the Company focused its development and preparation efforts, in line with the 2007 mine plan.

Through a continuous optimization process in the crushing and grinding circuit during 2007 the processing plant has delivered a greater throughput capacity than the 700 tpd originally contemplated in the plant design for this first phase of production. Currently the plant is achieving up to 830 tpd. Silver metal recovery in the lead concentrate was taken from an average of 71% for the first quarter of 2007 to 78% in the fourth quarter of 2007, well above the expected 74%. This was achieved by re-circulating the underflow of the lead-silver circuit flotation cells for regrinding with negligible additional investment.

Cash production cost per tonne of treated ore evolved from US$42.95 for the first quarter of 2007 to US$52.41 for the fourth quarter of the year, and the average for 2007 was US$48.46. Out of this unit cash production cost for the year, the increase in 8,910 tonnes of ore stock piles carried in inventory accounts for US$1.4 and approximately 16,000 tonnes of broken ore held in shrinkage stopes not shown in inventory accounts for

approximately another US$1.0. This accumulation in ore stock took place mainly during the second semester of the year which contributes to the upward trend in unit costs during this period. In particular, during the fourth quarter of 2007 the main driver of the sharp increase in unit costs has been increased mine preparation as the mine is being prepared for higher throughput.

Based on upward cost trends in mine supplies, particularly steel and metallurgical reagents, as well as the expected impact of strong local currency appreciation in the last months of 2007 the Company is expecting cash production costs to remain around US$50 per tonne for 2008 (cash production cost is a non-GAAP measure. See page 8 for reconciliation of cash production cost to the cost of sales in the consolidated statement of operations).

The processing plant is permitted and practically ready to accommodate production increments up to 1,050 tonnes per day as a yearly average. Management has been accelerating development and preparation of stopes on the Ag-Zn-Pb Animas vein with the objective of achieving full throughput capacity by 2008. During the third quarter of 2007 the Company embarked on an investment plan designed to address infrastructure requirements associated with the expansion at Caylloma, and which consisted mainly of a tailings dam expansion, a main extraction level for the Animas vein, and connection to a new power line for increased energy access. The first two items are well underway, but the energy project is currently delayed due to ongoing negotiations including neighboring mines and the energy company owner of the main power line in the area. As a result of this, a minimum increase to 900 tpd has been planned for 2008, where the timing for full achievement of 1,050 tpd will depend on the resolution of factors currently out of management's control.

A total of 15,318 meters were drilled testing various targets during 2007. The Company is expecting a new updated resource estimate, based on the drilling conducted through the year on the Animas vein, for the second quarter of 2008.

It is important to note the discovery of Bonanza silver grades on the north-east extension of the Bateas vein, as published on a March 10, 2008 news release. Highlights of the drilling on Bateas included 1.6 meters at 6,000 g/t Ag. The Company has initiated the necessary underground development to incorporate Bateas mineralization in the production plan for 2008. The Company has an exploration budget of US$ 1.7 million and will be drill-testing multiple targets in 2008.

Mexico – San Jose Silver-Gold Project

On March 12, 2007 the Company announced the latest resource estimate for the San Jose project, the details of which are noted above. Subsequent to this, the Company executed a 26,605 meter drilling campaign which concluded on December 2007. 17,694 meters were drilled in the San Jose area and 8,910 meters were drilled on San Ignacio, the southern extension of the mineralized structure, looking to discover a new high grade shoot. The results obtained in the San Jose area have been consistent and were made public through six news releases dated May 30, July 16, August 21, and September 6, 2007, and January 16, and February 21, 2008. Based on these results a new resource estimate is expected during the second quarter of 2008. Drilling conducted in the southernmost San Ignacio area is still pending assay results and an interpretation that will allow follow up work recommendations.

On the greater 40,000 hectare land package a generative exploration program is being conducted. Already over 17,000 geochemical soil and stream sediment samples have been collected. Up to date this exploration work has allowed to delineate 4 areas of interest that are receiving follow up detailed exploration.

During the last quarter of 2007 the Company awarded several studies as part of the engineering phase that has initiated at the project. These include a hydrologic study awarded to Water Management Consultants, the environmental impact study awarded to Clifton Associates Ltd., mill and tailings dam site selection awarded to

AMEC, and a scoping study awarded to AMEC as well. A pre-feasibility study, as well as additional metallurgical tests is expected to be awarded early in the second quarter of 2008.

The excavation of an underground ramp commenced at the end of the second quarter of 2007. Up to March 15, 2008, 284 meters of decline had been completed. Poor rock conditions and surface weathering in the initial segment of the ramp have caused a slower advance then the initially projected 170 meters per month. Rock conditions have now normalized. The ramp has been designed based on the existing geologic model and will provide the main access for future underground operations.

The Company expects to conclude its permitting process and the pre-feasibility study in 2008 and based on existing information it plans to go directly into detailed engineering and construction upon conclusion of the pre-feasibility.

Acquisitions

Fortuna is constantly evaluating new mining opportunities in order to meet our corporate objective of building significant silver inventory and cash flow, by acquiring advanced projects or operating mines from private parties in Latin America.

Cash cost per tonne (non-GAAP measures)

Cash cost per tonne is a key performance measure that management uses to monitor performance. These performance measures have no meaning within Canadian Generally Accepted Accounting Principles ("Canadian GAAP"), and, therefore, amounts presented may not be comparable to similar data presented by other mining companies.

The following table presents a reconciliation of cash production costs per tonne of processed ore to the cost of sales in the consolidated statement of operations:

	CAD$ $'000	US$ $'000 @ 0.9308
Cost of sales	**18,447**	**17,170**
Change in inventory (ore and concentrate stock piles)	**382**	**355**
Depletion, depreciation, and accretion	**(5,766)**	**(5,367)**
Total cash production cost	**13,063**	**12,159**
Total processed ore (tonnes)		**250,914**
Cash production cost per tonne of processed ore (US$)		**48.46**

Liquidity and Capital Resources

The Company's cash resources and liquid investments increased during the year ended December 31, 2007 by $45.60 million to $47.24 million.

For 2007 operating activities generated a net cash amount of $13.24 million.

During 2007 the Company invested a total amount of $10.52 million in mineral properties, where investments in Caylloma and San Jose accounted for $6.21 million and $4.31 million respectively. Total amount invested in 2007 in plant and equipment was $5.80 million, where Caylloma and San Jose accounted for $2.20 million and $3.60 million respectively. Additionally, the investments in mining properties and projects in Mexico demanded total value added tax disbursements of $1.03 million. This value added tax is refundable and is included as part of current assets as at December 31, 2007.

During 2007, Caylloma was successful in self-funding its capital expenditure needs and generating free cash flow. Moving forward management expects ongoing and expansion capital needs for 2008 to continue to be self-financed by internally generated cash from operations. In net terms over the past fiscal year our corporate funding needs were met with the issuance of common shares for total net proceeds of $55.53 million. This was comprised of $1.96 million from the exercise of stock options, $21.06 million from the exercise of warrants, and $32.51 million of net proceeds from January 2007 private placement.

Also during 2007 the Company paid back short term debt of US$5.55 million raised in 2006.

With regards to San Jose project, management expects investments of up to US$19 million over the next 12 months (Fortuna´s cost share is 76% of this amount) on advanced engineering and further exploration of the surrounding area. These investments will be funded through internal cash reserves.

As at December 31, 2007, the Company had working capital of $51.16 million compared to working capital of $0.11 million at December 31, 2006.

As at March 21, 2008 the Company has 9.68 million warrants outstanding with expiry date of July 11, 2008 and a strike price of $2.30. The exercise of these warrants could potentially bring in cash to the Company in the amount of $22.26 million.

Management believes the Company's financial position after the closing of its January financing as well as results of its ongoing operation in Caylloma is sufficient to support the Company's operating and capital requirements on an ongoing basis. Actual funding requirements may vary from those planned due to further acquisition opportunities. Management believes it will be able to raise equity capital or access debt facilities as required in both the short and long term, but recognizes the uncertainty attached thereto.

Related Party Transactions

The Company incurred charges from directors, officers, and companies having a common director or officer as follows:

		Year ended December 31, 2007	15 Months ended December 31, 2006
Mineral property costs – geological fees	$ 000	45	174
Consulting fees	$ 000	188	75
Salaries and wages	$ 000	108	16
Management fees	$ 000	266	146

These charges were measured at the exchange amount, which is the amount agreed upon by the transacting parties.

At December 31, 2007, due to related parties consists of $0.01 million (December 31, 2006 - $0.03 million) owing to an officer and to companies with a common director. These amounts were incurred as a result of shared administrative costs. These amounts are unsecured, non-interest bearing and payable in the normal course of business.

Critical Accounting Estimates

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 and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the fair values of financial instruments and derivatives, determination of mineral reserves, the carrying amount of mineral property, plant and equipment, assay grades of metal concentrates sold, valuation of inventories and future income taxes, recoverability of receivables, provisions for asset retirement obligation and reclamation, fair value estimation of acquisitions and stock-based awards. Actual results could differ from those estimates.

Financial Instruments

The carrying value of cash and cash equivalents, receivables, due from/to related parties and accounts payable and accrued liabilities approximate their fair value because of the short-term maturity of those instruments.

The Company enters into derivative contracts to manage its exposure to fluctuations in base metal prices. These contracts are marked-to-market at the end of each period, and the changes in estimated fair value are recorded as an unrealized gain (loss) on commodity contracts in the statement of operations. As at December 31, 2007 the Company estimated the fair value of the outstanding contracts at $1.47 million, which was recorded as unrealized gain in the consolidated statements of operations, with corresponding derivative asset recognized in the consolidated balance sheet. The estimated fair value was determined based on using applicable valuation techniques for commodity options with reference to the published marked prices for underlying commodities quoted at London Metal Exchange.

The net amount of settled positions in 2007 which were recorded in the statement of operations under net gain on commodity contract was $0.09 million.

The long-term investments into marketable securities are classified as available-for-sale and are measured at fair value at the end of each period. Fair value of these investments is determined based on published market prices of underlying securities. Change in fair values of available-for-sale marketable securities is recognized in other comprehensive income. During 2007, the Company recorded other comprehensive loss of $0.05 million relating to change in fair value of marketable securities, which offset other comprehensive gain of $0.05 million for measurement of these securities at fair value on adoption of financial instrument standards on January 1st, 2007. The amounts are net after tax.

Other Data

Additional information related to the Company is available for viewing at www.sedar.com.

Share Position and Outstanding Warrants and Options

The Company's outstanding share position at March 21, 2008 is 85,321,659 common shares. In addition, a total of 19,071,779 share purchase warrants and incentive stock options are currently outstanding as follows:

Type of Security	Number	Exercise Price	Expiry Date
Warrants	9,681,424	$2.30	July 11, 2008
	862,117	$0.345	June 27, 2010
	1,613,238	$0.345	November 17, 2010
	12,156,779		
Options	39,000	$0.37	December 2, 2009
	30,000	$0.80	July 24, 2010
	250,000	$2.82	October 9, 2010
	270,000	$1.35	February 5, 2016
	451,000	$2.29	March 30, 2016
	60,000	$1.75	May 8, 2016
	200,000	$1.75	May 22, 2016
	280,000	$1.55	July 5, 2016
	860,000	$1.66	July 10, 2016
	225,000	$1.61	September 13, 2016
	20,000	$1.90	November 20, 2016
	50,000	$1.96	November 23, 2016
	1,385,000	$2.22	January 11, 2017
	80,000	$2.75	February 6, 2017
	15,000	$3.09	April 22, 2017
	50,000	$3.10	May 31, 2017
	50,000	$3.10	June 17, 2017
	50,000	$3.05	June 27, 2017
	2,025,000	$3.22	July 2, 2017
	250,000	$2.97	September 23, 2017
	25,000	$3.10	October 24, 2017
	250,000	$2.52	February 5, 2018
	6,915,000		

Change in Accounting Policy

On January 1, 2007, the Company adopted the provisions of CICA Sections 1530 “Comprehensive Income”, 3251 “Equity”, 3855 “Financial Instruments – Recognition and Measurement”, 3861 “Financial Instruments – Presentation and Disclosure”, and 3865 “Hedges”. These sections address the classification, recognition and measurement of financial instruments and hedges in the financial statements and inclusion of other comprehensive income.

Comprehensive income is the change in the net assets of a company arising from transactions, events and circumstances not related to shareholders. It consists of net income and other comprehensive income, which includes items that would not normally be included in net income such as unrealized gains and losses on available-for-sale securities.

As a result of adopting these new standards at January 1, 2007, the Company recorded an unrealized gain of $0.45 million relating to the change in accounting for financial assets classified as “available-for-sale”. As a result of change in accounting policy, these financial assets are measured at fair value instead of cost. This increase was reported as a one-time cumulative effect to other comprehensive income.

Additional detail relating to changes in accounting policy with regards to financial instruments can be found in Note 4 of the consolidated financial statements as at and for the twelve months ended December 31, 2007.

Forward Looking Information

Certain statements contained in this MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, and performance of achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

Risks and Uncertainties

The most significant risk affecting the profitability and viability of the Company’s mining operations is the fluctuation of metal prices. Volatility of metal prices is high by historic measures and strong downturns on these prices can have significant adverse effects on the continuity of the Company’s operations. In order to mitigate this risk in the medium term, the Company has put in place price protection strategies for approximately 50% of its zinc and lead metal production during twelve months from the original contract dates up to January 2009.

The Company´s reporting currency is the Canadian dollar, however the Company’s foreign assets as well as most of its commercial transactions are held and take place in US and local currencies. As a consequence, the financial results of the Company´s operations as reported in Canadian dollars are subject to changes in value of the Canadian dollar relative to US and local currencies.

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are in the exploration stage ultimately become producing mines. The Company’s mineral properties are located in

emerging nations and consequently may be subject to a higher level of risk compared to developed countries. Operations, the status of mineral property rights, title to the properties and the recoverability of amounts shown for mineral properties in emerging nations can be affected by changing economic, regulatory, and political situations.

Internal Disclosure Controls and Procedures

The Company evaluated the effectiveness of the design and operation of the disclosure controls and procedures as of December 31, 2007 under the supervision of the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"). Based on the results of this evaluation the CEO and the CFO have concluded that such disclosure controls are sufficiently effective to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with the applicable securities laws.

Management is responsible for establishing a system of internal control over financial reporting to provide reasonable assurance regarding the reliability and integrity of the Company´s financial information and the preparation of its financial statements in accordance with Canadian generally accepted accounting principles. Management of the Company has evaluated design of internal control over financial reporting as of December 31, 2007 and has concluded there are no material weaknesses. Management continues to review and refine its internal controls and procedures.

In 2006 the Company reported material weaknesses in the design of internal control over financial reporting. Throughout 2007 management has addressed this by ensuring adequate advice on Canadian GAAP is available to account for complex transactions.