

# **SIMBERI GOLD CORPORATION - MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **FIRST QUARTER ENDED MARCH 31, 2005**

This management discussion and analysis ("MD&A") of results of operations and financial condition of Simberi Gold Corporation ("Simberi" or "the Corporation", formerly Alive International Inc.) describes the operating and financial results of the Corporation for the three months ended March 31, 2005 ("first quarter 2005"). The MD&A supplements, but does not form part of the financial statements of the Corporation and should be read in conjunction with Simberi's consolidated financial statements and related notes for the first quarter 2005 and fiscal 2004. The Corporation prepares and files its financial statements in accordance with Canadian generally accepted accounting principles.

### **Forward-looking Statements**

Some statements contained in this MD&A are forward-looking, and therefore involve uncertainties or risks that could cause actual results to differ materially. Such statements include comments regarding mining and milling operations, mineral resources and exploration program performance. Factors that could cause actual results to differ materially include metal price volatility, economic and political events affecting metal supply and demand, fluctuations in mineralization grade, geological, technical, mining or processing problems, future profitability and production. The Corporation disclaims any obligation to update forward-looking statements.

### **Date of MD&A**

This MD&A was prepared on May 5, 2005.

### **Overall Performance**

Simberi is a Canadian junior mineral resource corporation exploring and developing properties in Oceania. To increase shareholder value, the Corporation is working to place the Simberi oxide gold deposit into production on Simberi Island, the northernmost island of the Tabar Island Group, which is 500 kms east of Papua New Guinea.

### **Reverse Takeover Transaction ("RTO")**

In 2004, Simberi entered into an amalgamation agreement with 2034879 Ontario Limited ("203") and PNG Pacific Resources Inc. ("PPR"). 203 was a wholly-owned subsidiary of PGM Ventures Corporation ("PGM") and held PGM's joint venture interest in the Simberi Gold property in Papua New Guinea, and PPR is a wholly-owned subsidiary of Simberi Gold incorporated solely to effect the amalgamation under the RTO Transaction. 203 and PPR amalgamated and continued as one corporation ("Amalco"). Amalco is a wholly owned subsidiary of Simberi. The amalgamation is considered a reverse takeover. All of the outstanding 203 securities were exchanged for the corresponding securities of the Corporation on a one-to-one basis.

On March 22, 2004, the Corporation changed its name to Simberi Gold Corporation from Alive International Inc. pursuant to the closing of the RTO agreement. An aggregate of 60,000,000 common shares were issued to the holders of common shares and Class A Special Shares of 203, an aggregate of 20,000,000 common share purchase warrants ("Purchase Warrants") to the holders of Class A Special Share purchase warrants of 203 and an aggregate of 2,000,000 compensation options ("Compensation Options") to holders of compensation options of 203. Each Purchase Warrant entitles the holder to acquire at any time up to December 8, 2005 one common share at an exercise price of \$0.40 per share. Each Compensation Option entitles the holder to acquire at any time until December 8, 2005 one common share and one purchase warrant at an exercise price of \$0.25 per Compensation Option.

In accordance with RTO accounting, the consolidated balance sheet is a continuation of 203 in that the capital structure reflects that of Simberi and the stated value of the share capital is that of 203. The purchase price was allocated to Simberi as follows:

GST recoverable	\$10,370
Reorganization costs	242,713
Simberi gold project acquisition costs	885,870
	<b>1,138,953</b>
Total Liabilities	(256,132)
Net assets acquired	<b>882,821</b>
Allocated as follows:	
62,000,000 common shares	882,821
20,000,000 purchase warrants	0
2,000,000 compensation options	0
	<b>882,821</b>

### Consolidation

Pursuant to the RTO transaction, Simberi also successfully acquired all of the shares of Novaking Pty Limited in exchange for the issuance of 16,000 common shares of the Corporation. The purchase price was allocated to Novaking assets and liabilities at their fair values on the date of acquisition (March 22, 2004) as follows:

Cash	\$102,823
Receivables	208
Mineral properties and deferred exploration expenditures	25,648
	<b>128,679</b>
Total Liabilities	(106,609)
Net assets acquired	<b>22,070</b>
Allocated as follows: 16,000,000 common shares	<b>22,070</b>

As of September 30, 2004, Simberi's principal mineral asset consisted of a 50% interest in the Simberi Mining Joint Venture (SMJV) that owns the exploitation rights to a mining permit on Simberi Island, which it earned through the expenditures of US\$1.5 million. The other 50% of SMJV is owned by Nord Pacific Limited ("Nord"), a wholly owned subsidiary of Allied Gold Limited ("Allied"). The SMJV has identified gold resources totalling 1.5 million ounces within the mining lease.

		Million tonnes of resources	Ounces
Oxide resources	Measured, indicated and inferred (free milling-type, 0.5g/t Au cut-off)	19.7 at 1.17g/t Au	740,000
Sulphide resources	Inferred (refractory-type, 1.0g/t Au cut-off)	9.3 at 2.5g/t Au	750,000

Simberi has a 1% interest in a Tabar Island exploration joint venture and a right to own a further 50% interest by spending US\$2.0 million prior to December 31, 2005.

In the third quarter 2004, Simberi and its joint venture partner undertook a 52-hole drilling program on the Sorowar pit. The objectives of the program were to (1) better identify pit limits by exploring for extensions along strikes and on the flanks of the known oxide gold resource, and (2) further interrogate the extent and area of influence of interpreted high-grade feeder zones within the Sorowar deposit.

During that period, Simberi carried out negotiations with venture capital groups with a view to sourcing production funds to complete the development of the Simberi deposit. Finalization of a production finance agreement would allow the Corporation to earn an additional 1% in the SMJV, giving Simberi operational control. Although Simberi has fulfilled all of its obligations under agreements to date, there can be no guarantee that the Corporation will be able to secure the required financing.

In November 2004, Simberi announced that it entered into an agreement with Allied to sell its interests in the Tabar Islands gold project. Subject to various terms and approvals, Simberi

would reduce its holding to a 12.5% carried interest in the SMJV (ML 136) and no interest in the EL 609 asset. Allied would purchase a 37.5% interest in the SMJV and 1% interest in the EL 609 asset for a total cash consideration of \$4 million, and Allied would transfer to Simberi the 14% interest held by Nord Pacific Ltd. in the Young Shannon Mine in Canada.

On February 3, 2005, Simberi announced that it had completed the agreement with Allied described above, subject to regulatory approval and approval of shareholders at a special meeting on March 16, and on that date, the Corporation announced that the transaction was approved by a majority of shareholders present.

### **Subsequent Events**

On April 13, 2005, Simberi announced that it completed the Allied transaction and received \$3,838,031, and is investigating the potential for investing in a number of gold projects.

On April 14, 2005, Simberi announced that it had completed, through its wholly owned Australian subsidiary Renaissance Corporation (“Renaissance”), a joint venture agreement with Korab Resources Limited (“Korab”) on its Mt Elephant gold prospect in Western Australia, subject to regulatory approval. Korab can earn a 70% interest in the Mt Elephant properties by spending a minimum A\$40,000 in the next 12 months and a total A\$500,000 in exploration over three years. Korab will be the manager of the joint venture and undertake the exploration in cooperation with Renaissance. The Mt Elephant project comprises two contiguous exploration licenses covering 72 square kilometres in the Ashburton Mineral Field. The underlying geology is considered prospective to host Carlin-type gold deposits and volcanic massive sulphide base metal mineralization. An independent report of the Mt. Elephant property by A.J. Maynard, BappSC (Geol), MAusIMM, MAIG, dated May 16, 2003 is accessible at [www.SEDAR.com](http://www.SEDAR.com).

### **Results of Operations**

Simberi’s financial results for the fiscal year 2005 are not comparable to those of fiscal 2004 due to the RTO.

### ***First Quarter 2005***

The Corporation’s operations have been focused on exploration projects, and as a development stage exploration corporation, Simberi has not generated revenues from commercial operations. The corporation’s expenses increased compared to the same quarter the previous year due to Simberi’s shift from a dormant to an active Corporation and the resultant stock option compensation paid. Net income was \$980,466 in the first quarter 2005 as a result of the unusual sale of an interest in mining property.

As of March 31, 2005 Simberi’s had sufficient capital to cover the costs of the Corporation’s current corporate development, promotion and marketing, as well as the further planning for mine development. The Corporation’s increased activities will require new financial resources, which Simberi intends to obtain through junior equity markets, debt instruments or a combination of both.

### ***Summary of Quarterly Results***

The following tables set out financial performance highlights for the last eight quarters, prepared in accordance with Canadian GAAP.

	<b>First Quarter</b> Mar. 31, 2005	<b>Fourth Quarter</b> Dec. 31, 2004	<b>Third Quarter</b> Sept. 30, 2004	<b>Second Quarter</b> June 30, 2004
Unusual sale of property (net of costs)	\$2,733,253	0	0	0
Revenues	\$ 0	\$ 1,866	\$ 0	\$ 0
Expenses	286,281	656,702	335,989	199,416
Net income (loss)	980,466	(654,836)	(335,989)	(199,416)
Net income (loss) per share	0.01	(0.01)	(0.01)	(0.01)
Cash flow from (used in) operations	(161,469)	(967,742)	(288,796)	(495,797)
Cash & cash equivalents, end of year	76,769	267,066	817,465	1,677,364
Assets	5,285,691	4,217,838	4,712,960	5,045,297
Long-term liabilities	0	0	0	0
Dividends	0	0	0	0

	<b>First Quarter</b> Mar. 31, 2004	<b>Fourth Quarter</b> Dec. 31, 2003	<b>Third Quarter</b> Sept. 30, 2003	<b>Second Quarter</b> June 30, 2003
Revenues	\$ 0	\$ 900	\$ 0	\$ 0
Expenses	215,542	380,160	0	0
Net income (loss)	(215,542)	(379,260)	0	0
Net income (loss) per share	(0.01)	(0.01)	0	0
Cash flow from (used in) operations	(347,088)	431,601	0	0
Cash & cash equivalents, end of year	3,198,007	532,234	0	0
Assets	6,127,362	5,624,235	0	0
Long-term liabilities	0	0	0	0
Dividends	0	0	0	0

### Liquidity and Capital Resources

During the second quarter 2004, Simberi resumed trading on Tier 2 of the TSX Venture Exchange. This has provided access to junior resource equity markets and the financial resources to pursue the Corporation's business objectives.

Simberi reported working capital of \$4,198,012 (\$520,019 as at December 31, 2004), and cash & cash equivalents of \$76,769 (\$267,066 at fiscal year end 2004). Based on assumptions about future business development, revenues and costs, Simberi expects to have sufficient cash reserves to maintain and expand operations throughout 2005.

Simberi currently does not have any credit facilities with financial institutions. At this time, the Corporation is not anticipating an operating profit from mining activities, therefore it will rely on its ability to obtain equity or debt financing for growth.

Since Simberi has no long-term debt, and no significant capital expenditures are planned, management believes that it can continue operations in the short term with the Corporation's current capital resources. Thereafter, the Corporation will need additional capital.

### Off-Balance Sheet Arrangements

The Corporation has no off-balance sheet arrangements.

### Transactions with Related Parties

During the first quarter 2005, Simberi paid \$60,000 (2004 - \$60,000) in management fees to a Director of Novaking Pty Ltd, a Director of Simberi, and was charged by Simberi's parent company PGM as a reimbursement of management fees charged to it by two Directors of Simberi. Recipients were also reimbursed for expenses. On March 31, 2005 the balance due from related parties was \$387,538 and the balance due to related parties was \$29,880 (\$428,857 and \$29,880 respectively at year end 2004).

## **Proposed Transactions**

Other than the transactions described under *Subsequent Events* above, there is no imminent decision by the board of directors of the Corporation with respect to any transaction(s).

## **Critical Accounting Estimates**

Simberi did not rely on any critical accounting estimates in most recent quarter.

## **Changes in Accounting Policies**

There were no changes to accounting policies in the most recent quarter.

### ***Stock-Based Compensation***

The Corporation adopted the new recommendations of the CICA handbook Section 3870 with respect to stock based compensation awards to employees of the Corporation. This Section establishes standards requiring that compensation for all awards be measured and recorded in the consolidated financial statements at fair value for fiscal years beginning on or after January 1, 2004.

## **Financial and Other Instruments**

The Corporation has not made use of any hedging or other financial instruments, and is not exposed to significant interest rate nor credit risks arising from its financial instruments.

## **Risks**

Simberi's business of exploring mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Corporation attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Corporation will be profitable in the future, and Simberi common shares should be considered speculative.

There can be no assurance that any funding required by the Corporation will become available to it, and if so, that it will be offered on reasonable terms, or that the Corporation will be able to secure such funding through third party financing or cost sharing arrangements. Furthermore, there is no assurance that the Corporation will be able to secure new mineral properties or projects, or that they can be secured on competitive terms.

## **Additional Information**

Additional information relating to the Corporation is available on the Internet at the SEDAR website located at [www.sedar.com](http://www.sedar.com) and at [www.simberigold.com](http://www.simberigold.com).

## **Additional Disclosure for Venture Issuers Without Significant Revenue**

### ***Exploration***

During the third quarter 2004, Simberi and its joint venture partner initiated a drilling program at the Sorowar pit on Simberi Island. No further expenses were incurred in relation to maintenance of the Corporation's projects in western Australia.

### ***Mine Development***

No mine development work program was carried out during the most recent quarter other than stand-by care and maintenance of the site and its facilities and limited activities related to the on-going environmental monitoring required under the Memorandum of Agreement for the Simberi project. See note 2 Mineral Interests in the first quarter 2005 financial statements.

## **Disclosure of Outstanding Share Data**

Simberi is traded on the TSX Venture Exchange under the symbol SAU. The Corporation is authorized to issue an unlimited number of common shares. On May 5, 2005 there were 94,381,831 shares outstanding with a stated value of \$5,961,052, 10 million stock options outstanding at an exercise price of \$0.15 expiring in 2008 and 2009, and 22 million warrants outstanding expiring in December 2005.