

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

## **SECOND QUARTER ENDED JUNE 30, 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.) of the Corporation for the three months ended June 30, 2005 ("second 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 second 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 August 22, 2005.

### **Overall Performance**

Simberi is a Canadian junior mineral resource corporation that has interests in exploring and developing properties in Western Australia, Papua New Guinea and Mongolia. The Corporation recently entered into a letter of intent ("LOI") to purchase an initial 22% in the Olon Ovoot gold project in Mongolia. In addition, the Company is investigating the potential for investing in a number of gold projects.

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

In 2004, Simberi completed an amalgamation 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 a wholly-owned subsidiary of Simberi Gold. The amalgamation was 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.

### **Consolidation**

Pursuant to the RTO transaction, Simberi also successfully acquired all of the shares of Novaking Pty Limited in exchange for the issuance of 16,000,000 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) was \$22,070.

At September 30, 2004, Simberi's principal mineral asset was of a 50% interest in the Simberi Mining Joint Venture (SMJV) that owns the exploitation rights to a mining permit on Simberi Island. The other 50% of SMJV is owned by Nord Pacific Limited ("Nord"), a wholly owned subsidiary of Allied Gold Limited ("Allied").

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 November 2004, Simberi entered into an agreement with Allied to sell a 37.5% interest in the Simberi mining project (ML 136) and its interest in EL 609 the Tabar Islands gold project for a total cash consideration of \$4 million, and a 14% interest held by Nord Pacific Ltd. in the Young Shannon Mine in Canada. Simberi retained a 12.5% carried interest in the SMJV.

### **Results of Operations**

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

### **Six Months Ended June 30<sup>TH</sup>, 2005**

During this quarter, the Corporation announced that it had completed the agreement with Allied, as described above, and the Corporation held a special meeting where the transaction with Allied was approved by a majority of the shareholders present.

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.

### **Three Months ended June 30<sup>TH</sup>, 2005**

During the second quarter, Simberi received \$3,838,031 from Allied for the sale of the SMJV.

On April 14, 2005, Simberi also 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).

During this period, Simberi also announced that it had completed a Letter of Intent ("LOI") with Mongal Gazar Resources Limited ("MGH") of Mongolia to acquire an initial 22% interest in the Olon Ovoot gold project in the South Gobi district of Mongolia. MGH will form a new company Mongolian Gold Mines Company ("MGMC") that will hold all the Olon Ovoot assets. Simberi will be the manager of the joint venture pertaining to the LOI and MGH will be the on-site operator, however, the exploration programs will be conducted through joint cooperation of the two parties. Simberi will invest US\$ 0.5 million in MGMC and pay MGH US \$1.85 million and 9.3 million shares to earn its 22% interest. Simberi will also pay a finders fee of 700,000 shares to The Balloch Group of Beijing. Simberi will have an option to purchase up to a 100% interest in Olon Ovoot project from MGH with the purchase price being a discounted value based on the resources delineated at the time of the purchase.

As of June 30, 2005 Simberi 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.

In connection with the sale by PGM of a block of shares of Simberi as set out below, Mr. Peter Miller and Mr. Peter Gleeson resigned as directors and officers of the corporation.

Additionally, on June 13, 2005 Mr. Geoff Farrar was elected by the Board of Directors of the Corporation as President. Mr. Farrar is the retired president of Barclays Bank of Canada and has extensive experience in international business. His experience and knowledge of international business in developing countries will be of assistance to the Company as it proceeds with seeking new mining investment opportunities.

#### **Transactions with Related Parties**

During the first quarter 2005, Simberi paid an aggregate \$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).

During the second quarter 2005, the Corporation paid an aggregate amount of \$89,000 to directors of the Corporation, \$40,000 of which was paid to a former director. No director fees were paid in 2004.

Consulting fees for the second quarter 2005 totalled an aggregate amount of \$40,000, which was paid to officers of the Corporation. These officers were also reimbursed for out-of-pocket expenses incurred during the period. During the same quarter 2004, the total fees paid to officers and directors of the Corporation amounted to \$237,000.

During this quarter, an officer, who is also a director of the Corporation (the "Purchaser"), entered into an agreement to acquire from PGM Ventures Inc. ("PGM"), through a private transaction, 10,000,000 common shares (the "Purchased Shares") representing 10.6% of the issued and outstanding common shares of Simberi. The Purchaser agreed to acquire the common shares at a price of \$0.04 per Purchased Share for an aggregate purchase price of \$400,000. The Purchaser is acquiring the Purchase Shares on behalf of the Purchaser and five other persons (the "Joint Participants").

PGM also agreed to sell to Porphyry Inc. ("Porphyry"), a private Ontario corporation controlled by the Purchaser, at any time during the next 12 months, an additional 30,000,000 common shares (the "Additional Shares") of Simberi at a price of \$0.045 per share (aggregate \$540,000) for the first 12,000,000 Additional Shares and \$0.04916 (aggregate \$885,000) to acquire the ensuing 18,000,000 Additional Shares. These Additional Shares represent 31.8% of the issued and outstanding common shares of Simberi. Until the purchase of the Additional Shares is completed, PGM has agreed to enter into a voting trust granting Porphyry the right to exercise all voting rights attached to the Additional Shares.

Upon completion of the acquisition of the Purchase Shares, Porphyry, together with those who may be considered to be acting jointly or in concert with the Purchaser, will own or control an aggregate of 10,000,000 common shares of Simberi representing 10.6% of the outstanding common shares of Simberi. Upon completion of the acquisition of the Additional Shares, Porphyry, together with those persons who may be considered to be acting jointly or in concert with Porphyry, will own or control an aggregate of 40,000,000 common shares of Simberi representing 42.4% of the outstanding common shares of Simberi.

## Subsequent Events

On August 10, 2005, the Purchaser completed the agreement, as set out above, whereby the Purchaser acquired from PGM, through a private transaction, the Purchased Shares (10,000,000 shares) of Simberi representing 10.6% of the issued and outstanding common shares of Simberi.

## Summary of Quarterly Results

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

	<b>Second Quarter</b> June 30, 2005	<b>First Quarter</b> Mar.31, 2005	<b>Fourth Quarter</b> Dec. 31, 2004	<b>Third Quarter</b> Sept. 30, 2004
Unusual sale of property (net of costs)	\$0	\$2,733,253	\$0	\$0
Revenues	13,019	0	1,866	0
Expenses	221,355	286,281	656,702	335,989
Net income (loss)	(222,957)	980,466	(654,836)	(335,989)
Net income (loss) per share	0.00	0.01	(0.01)	(0.01)
Cash flow from (used in) operations	3,589,834	(161,469)	(967,742)	(288,796)
Cash & cash equivalents, end of year	3,604,933	76,769	267,066	817,465
Assets	5,121,742	5,285,691	4,217,838	4,712,960
Long-term liabilities	0	0	0	0
Dividends	0	0	0	0

	<b>Second Quarter</b> June 30, 2004	<b>First Quarter</b> Mar.31, 2004	<b>Fourth Quarter</b> Dec. 31, 2003	<b>Third Quarter</b> Sept. 30, 2003
Revenues	\$0	\$0	\$900	\$0
Expenses	199,416	215,542	380,160	0
Net income (loss)	(199,416)	(215,542)	(379,260)	0
Net income (loss) per share	(0.01)	(0.01)	(0.01)	0
Cash flow from (used in) operations	(495,797)	(347,088)	431,601	0
Cash & cash equivalents, end of year	1,677,364	3,198,007	532,234	0
Assets	5,045,297	6,127,362	5,624,235	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 \$3,990,925 (\$4,198,012 as at March 31, 2005 and \$520,019 as at December 31, 2004), and cash & cash equivalents of \$3,604,933 (\$76,769 as at March 31, 2005 and \$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.

#### **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, consultants and directors 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 is exploring for mineral resources that 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***

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.

**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 August 22, 2005 there were 94,381,831 shares outstanding with a Float Quoted Market Value of \$2,075,225, 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.