

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

## **QUARTER ENDED March 31, 2006**

*Set out below is a discussion of the activities, results of operations and financial condition of Simberi Gold Corporation ("Simberi" or the "Corporation") for the quarter ended March 31, 2006 compared to the quarter ended March 31, 2005. Management's Discussion and Analysis (MD&A) was prepared as of May 19, 2006 and should be read in conjunction with the audited consolidated financial statements of the Corporation for the quarters ended March 31, 2006 and 2005 and the notes thereto. The Corporation's financial statements and financial data have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). Unless otherwise denoted all amounts discussed herein are denominated in Canadian dollars.*

*Additional information relating to the Corporation is also available on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com) under the name Simberi Gold Corporation.*

### **OVERVIEW**

Simberi is a mineral exploration and development company focused on the acquisition, exploration and development of properties for the mining of precious and base metals internationally. The Corporation is currently conducting exploration work on a copper/cobalt property located in the African copper belt in the Democratic Republic of the Congo ("DRC").

### **MINERAL PROPERTIES**

Simberi is a Canadian junior mineral resource corporation that is engaged in the acquisition and exploration of metal mining properties internationally. The Corporation's main exploration focus is in the Saba Province of the DRC where the Corporation holds, through a subsidiary, a 51% interest in the Kakanda copper/cobalt properties. In addition the Corporation has interests in three joint venture properties in Australia through a subsidiary of Novaking Pty. Ltd, a subsidiary of Simberi.

In June 2005, the Corporation entered into 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. Pursuant to the terms of the LOI, MGH was to form a new company Mongolian Gold Mines Company ("MGMC") that would hold all the Olon Ovoot assets. Simberi would be the manager of the joint venture pertaining to the LOI and MGH would be the on-site operator. The exploration programs, however, would be conducted through joint cooperation of the two parties. Simberi would invest US\$0.5 million in MGMC and pay MGH US \$1.85 million and 9.3 million common shares to earn its 22% interest. Simberi would also pay a finder's fee of 700,000 common shares to The Balloch Group of Beijing. Simberi would 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. During the Third Quarter, Simberi announced its decision to suspend investigations on the Olon Ovoot gold project and, as a result, the project was written off.

During the First Quarter Simberi announced it was ceasing discussions with Mongol Gazar.

In October 2005, Simberi completed its agreement with Allied Gold Limited ("Allied") pursuant to which Simberi sold a 37.5% interest in the SMJV and its interest in the Tabar Island gold exploration project to Allied in consideration for a net cash amount of \$3,838,031. In addition Simberi also received a 14.0% interest in the Chester Property.

On October 21, 2005, the Corporation completed an Agreement with Allied to sell its remaining 12.5% interest in the SMJV. In consideration for this interest, Simberi received: (i) 2 million common shares of Allied; (ii) 2 million options exercisable at AUS\$0.25 per share on or before December 31, 2006; (iii) 2 million options exercisable at AUS\$0.50 per share on or before December 31, 2008; and (iv) \$200,000 cash in Canadian currency. At April 24, 2006 the common shares of Allied were trading for AUS\$0.52 per share.

In December 2005, the Corporation completed the acquisition of 400,000 common shares of New Congo Resources Development Company Inc. (New Congo), representing 66.67% equity ownership (on a fully diluted basis) of the company, for \$100,000 cash from Firebird Global Master Fund Ltd. and Kershner, Grosso & Co. In addition Simberi took over the obligation to provide funding for up to US\$900,000 in exploration expenditures.

New Congo, a Canadian private corporation, was established in 2004 as a mineral exploration and development business to exploit initially certain copper and cobalt tailings dumps located in Kakanda and Kambove in the DRC (the "Kakanda Project"). PTM Minerals (Cayman) Ltd. ("PTM Minerals"), a Cayman Islands domiciled mineral exploration and development company, explored the Kakanda Project in 1997. New Congo acquired all of the outstanding shares of PTM Minerals in 2004. Pursuant to an agreement between PTM Minerals and Gecamines, the state owned copper mining company in the DRC, the parties agreed to enter into a joint venture to operate the Kakanda Project. Currently, PTM Minerals and Gecamines each have the right to participate in the joint venture on a 51% and 49% basis, respectively.

The previous operator of the Kakanda Project, International Panorama Resource Corp., engaged Bateman Minerals & Industrial Limited ("Bateman") in conjunction with Steffen Robertson Kirsten (SRK) and other experts to complete a feasibility study for the Kakanda Project in 1997. The study was completed in October 1997 and concluded that the Kakanda Project was technically feasible and economically viable based on the costs and metal prices prevalent at that time. The resource estimate for the study was completed by SRK. SRK estimated the defined tailings resource at 18.4 million tonnes containing 1.22% copper and 0.15% cobalt. The study also delineated a mineable open pit resource of 11.3 million tonnes containing 3.14% copper and 0.19% cobalt. Both of these resources were incorporated in Bateman's operating plan.

The feasibility study and related resource estimate described above is based on historical data and reports and as such the classification of the mineral resource estimates for the study was completed prior to National Instrument 43-101 ("NI 43-101"). Therefore, the resource estimates cannot be treated as 43-101 compliant until verified by a Qualified Person. While the historical estimates were not 43-101 compliant the management of Simberi, however, believes that Bateman and SRK are technically competent and has comfort in the reliability of this study

The Corporation has engaged MPH Consultants to prepare a NI 43-101 compliant technical report on the property and expects that the report will be completed in sometime in June 2006.

The balance of the outstanding shares of New Congo is held by Quartern Holdings Ltd. ("Quartern"). In April 2006 the Corporation entered into a definitive agreement with Quartern to acquire those shares. Pursuant to the terms of the agreement, Simberi has agreed to purchase from Quartern and Quartern has agreed to sell to Simberi the remaining 33.3% of the outstanding shares of New Congo and Quartern has agreed to continue its role in the development of the Kakanda Project in exchange for the following:

- a) payment by Simberi to Quartern of \$100,000 in cash; and
- b) the issuance by Simberi to Quartern of eight million common shares of Simberi.

In addition, Quartern has agreed to enter into a consulting agreement with Simberi and New Congo pursuant to which Quartern will be, amongst other things, providing in country office and other local support as well as being responsible for assisting the continuing development of the Kakanda Project. Pursuant to the terms of the consulting agreement, Quartern will be entitled to receive an additional 3.9 million common shares of Simberi upon successfully increasing PTM Minerals' interest in the Kakanda Project from 51% to 75% or more. Closing of the transaction is subject to receipt of final approval from the TSX Venture Exchange.

During the Quarter Simberi sold 1 million shares @ A\$0.46 and exercised 1 million options @ A\$ 0.25.

During 2005, the Corporation completed, through its wholly owned Australian subsidiary Renaissance Corporation ("Renaissance"), a joint venture agreement with Korab Resources Limited ("Korab") on the Corporation's Mt. Elephant gold prospect in Western Australia. Korab can earn a 70% interest in the Mt. Elephant properties by spending a minimum AUS\$40,000 in the next 12 months and a total AUS\$500,000 in exploration over three years.

During the Quarter Korab continued the exploration of the property in order to earn its interest.

During 2005, the Corporation completed, also through Renaissance, a joint venture agreement with Domo Pty Ltd ("Domo"), pertaining to Simberi's Zanthus property. Domo has the opportunity to earn an initial 25% interest in Zanthus, with the option to acquire the remaining 75%. To acquire a 100% interest, Domo must incur an initial AUS\$125,000 in expenditures and other financial requirements and AUS2.5 million in exploration expenditures over a 4 year period. Simberi will retain a 1% royalty on the project.

During the Quarter Domo continued its work to assemble and review all the information on the property in order to earn its interest.

### Summary of Quarterly Results

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

	First Quarter Dec. 31, 2006	Fourth Quarter Dec. 31, 2005	Third Quarter Sept 30, 2005	Second Quarter June 30, 2005
Revenues		\$ 17,641	\$12,430	\$13,019
Expenses	293,401	342,989	\$308,235	221,355
Net income (loss)	(151,062)	(436,942)	(308,235)	(222,957)
Net income (loss) per share	0.00	(0.01)	0.00	0.00
Cash flow from (used in) operations	(11,653)	(269,900)	(140,946)	3,589,834
Cash & cash equivalents, end of period	4,445,141	5,426,357	3,391,417	3,604,933
Assets	7,116,050	7,212,514	4,968,118	5,121,742
Long-term liabilities		0	0	0
Dividends		0	0	0

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

### FOURTH QUARTER REVIEW

During the first quarter the Corporation continued its exploration of the Kakanda copper/cobalt project in the DRC and commenced a 43-101 report to be completed by MPH

In November 2005, the Corporation announced its intention to complete a private placement for gross proceeds of up to \$2.5 million. The Corporation announced that it would issue up to 25 million units at a price of \$0.10 per unit, each unit consisting of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to acquire one additional common share at an exercise price of \$0.20 for a period of two years following the closing date.

In December 2005, the Simberi completed the private placement by issuing 26,000,000 units at a price of \$0.10 per unit. The proceeds from this financing are currently being utilized to advance the Corporation's projects in the DRC.

The Corporation also continued to complete documentation with Quartern to acquire the balance of New Congo.

## EXPENSES

During the First Quarter the Company incurred the following expenses:

ITEM	First Quarter 2006	% of Total Expenses	First Quarter 2005	% Change
Office and General	48,612	16.6 %	13,919	350 %
Accounting and Corporate services	6,315	2.2%	5,566	113.5%
Filing Fees	6,310	2.2%	2,938	214.8%
Professional and Consulting Fee and Management Fee	81,479	27.8 %	88,230	(7.7) %
Legal & Audit	20,778	7.1%	11,909	174.5 %
Investor Relations	20,996	7.2 %	8,638	(41.0)%
Stock Option Compensation	107,888	36.8 %	155,081	(69.0) %
Other	1,023	0.1%	0	NA
Total	293,401		286,281	102.5%

In total the expenses in the First Quarter were only 2.5% higher (\$7,120) than for the same period in 2005. However, some individual expenses increased from the First Quarter 2005 as the Company continued to actively conduct exploration on its DRC properties. Additional office staff was required to manage the Company and the increase in legal and audit was related to the acquisition of New Congo as well as the year end audit. Investor relations increased as the Company began an active campaign and attended the annual PDAC convention.

## LIQUIDITY AND CAPITAL RESOURCES

Simberi had working capital of \$5,065,196 at March 31, 2006 (\$6,082,960 at December 31, 2005) and had cash and cash equivalents of \$4,445,141 at March 31, 2006 (\$5,426,357 at December 31, 2005) Based on assumptions about future business development, revenues and costs, Simberi expects to have sufficient cash reserves to operate according to its proposed budget throughout 2006.

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.

The Corporation's current cash position is considered sufficient for planned exploration expenditures on the Corporation's properties and for general and administrative expenses until the end of 2006.

#### **OFF BALANCE SHEET ARRANGEMENTS**

There are no off-balance sheet arrangements nor are there any contingent liabilities or other obligations other than as disclosed in the audited financial statements and herein.

#### **CONTRACTUAL OBLIGATIONS**

Currently, the Corporation has no significant long term contractual obligations and no long term debt.

#### **2006 OUTLOOK**

The Corporation has a proposed exploration and general and administrative budget for 2006 of approximately \$1.52 million in the aggregate, allocated as follows:

<b>Project</b>	<b>Proposed Spending</b>
Kakanda project	\$1,250,000
Tarawarra project	\$15,000
Zanthus project	\$15,000
Mt Elephant project	\$15,000
Administration and office support	225,000
Total	\$1,520,000

The actual expenditures incurred during 2006 at each project will be dependent on the exploration results achieved during 2006.

## CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates used in the preparation of the Corporation's financial statements include estimates used in the calculation of the fair value of stock-based compensation. The Corporation used the Black-Scholes option pricing model to determine the fair value of stock options granted during the year. This model requires the Corporation to make reasonable assumptions in order to derive parameters such as expected volatility of the Corporation's shares, the expected life of the option and interest rates, all of which are based on historical information. Future behaviors of these parameters are beyond the Corporation's control, and thus, may be significantly different from the Corporation's estimates.

## OUTSTANDING SHARE DATA

As at April 28, 2006 the outstanding common shares, options and share purchase warrants are as follows:

Common shares outstanding	<u>121,876,831</u>
Share purchase warrants	
Expiring December 30, 2007, exercisable at \$0.20 per share	<u>26,000,000</u>
Options	
Expiring June 30, 2008, exercisable at \$0.15 per share	2,345,000
Expiring May 13, 2009, exercisable at \$0.15 per share	5,735,000
Expiring August 24, 2010, exercisable at \$0.10 per share	5,250,000
Expiring November 23, 2010, exercisable at \$0.10 per share	300,000
Expiring January 30, 2011 exercisable at \$0.24 per share	1,000,000
Expiring April 11, 2011, exercisable at \$0.24 per share	<u>2,900,000</u>
	<u>17,530,000</u>
Fully diluted shares outstanding	<u>165,406,831</u>

## RELATED PARTY TRANSACTIONS

During the third quarter 2005, Michael Newbury (currently the CEO and a director of the Corporation), who at the time was a director of the Corporation (the "Purchaser"), completed an agreement (the "Share Purchase Agreement") to acquire from PGM Ventures Inc. ("PGM"), through a private transaction, 10,000,000 common shares (the "Purchased Shares") representing at the time 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 acquired the Purchased Shares on behalf of the Purchaser and five other persons.

In the fourth quarter 2005, pursuant to the terms of the Share Purchase Agreement, the Purchaser, through his holding company Porphyry Inc. ("Porphyry"), and eight other persons acquired from PGM an additional 12,000,000 common shares (the "Second Purchased Shares") of the Corporation, at a price of \$0.045 per share or an aggregate purchase price of \$540,000.

Pursuant to the terms of the Share Purchase Agreement, Porphyry has agreed to also purchase from PGM an additional 18,000,000 common shares (the "Additional Shares") of the Corporation at any time on or before June 30, 2006 at a price of \$0.049 per share. Until the purchase of the Additional Shares is completed, PGM has agreed, at all meetings of shareholders, to cast all votes in respect of the Additional Shares in accordance with the written direction of Porphyry.

## **ISSUANCE OF SHARES AND OPTIONS**

During the First Quarter 2006, the Corporation issued 3,900,000 million options at \$0.24 per share to consultants to the Corporation for services provided or to be provided under written agreements.

## **RISKS AND UNCERTAINTIES**

The Corporation is subject to a number of risks and uncertainties that could significantly impact its operations and future prospects. The following discussion pertains to certain principal risks and uncertainties but is not, by its nature, all inclusive.

Certain of Simberi's properties are located in the east of the DRC. The assets and operations of the Corporation are therefore subject to various political, economic and other uncertainties, including, among other things, the risks of war and civil unrest, expropriation, nationalization, renegotiation or nullification of existing licenses, permits, approvals and contracts, taxation policies, foreign exchange and repatriation restrictions, changing political conditions, international monetary fluctuations, currency controls and foreign governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in the DRC may adversely affect Simberi's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights, could result in loss, reduction or expropriation of entitlements. In addition, in the event of a dispute arising from operations in the DRC, the Corporation may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Corporation also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Corporation to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on the Corporation's operations. The DRC is a developing nation emerging from a period of civil war and conflict. Physical and, institutional infrastructure throughout the DRC is in a debilitated condition. The DRC is in transition from a largely state controlled economy to one based on free market

principles, and from a nondemocratic political system with a centralized ethnic power base, to one based on more democratic principles (presidential and parliamentary elections are scheduled to be held by the end of June 2006).

There can be no assurance that these changes will be effected or that the achievement of these objectives will not have material adverse consequences for Simberi and its operations. The east of the DRC continues to experience instability in parts of the region due to certain militia and criminal elements. While the government and United Nations forces are working to support the extension of central government authority throughout the region, there can be no assurance that such efforts will be successful.

HIV/AIDS, malaria and other diseases represent a serious threat to maintaining a skilled workforce in the mining industry in the DRC. HIV/AIDS is a major healthcare challenge faced by the Corporation's operations in the country. There can be no assurance that the Corporation will not lose members of its workforce or workforce manhours or incur increased medical costs, which may have a material adverse effect on the Corporation's operations.

The DRC has historically experienced relatively high rates of inflation.

The only sources of future funds for further exploration programs, or if such exploration programs are successful, for the development of economic ore bodies and the placing of them into commercial production, which are presently available to the Corporation are the sale of equity capital, or the offering by the Corporation of an interest in its properties to be earned by another party carrying out further exploration or development. There is no assurance that such sources of financing will be available on acceptable terms, if at all. In the event that commercial quantities of minerals are found on the Corporation's properties, the Corporation does not have the financial resources at this time to bring a mine into production.

All of the Corporation's properties are in the exploration stage only and none of the properties contain a known body of commercial ore. The Corporation currently operates at a loss and does not generate any revenue from operations. The exploration and development of mineral deposits involve significant financial risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. Major expenditures 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 Corporation's exploration programs will result in a profitable commercial mining operation.

There is a degree of uncertainty to the calculation of mineral resources. Until mineral resources are actually mined and processed, the quantity and grade of mineral resources must be considered as estimates only. In addition, the quantity and grade of mineral resources may vary depending on, among other things, metal prices. Any material change in quantity or grade of mineral resources may affect the economic viability of the deposit. In addition, there can be no assurance that metal recoveries in small scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

The Corporation's exploration and, if such exploration is successful, development of its properties is subject to all of the hazards and risks normally incident to mineral exploration and development, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage.

Copper prices are currently at historic highs. Copper prices have increased from US\$0.63/lb Cu to about US\$0.75/lb Cu in mid-2004 to above US\$3.00/lb in early 2006. Copper markets are cyclical, typically with periods of high copper prices that last for 4 to 7 years, followed by similar periods of low copper prices. The upswing in the current copper cycle commenced in late-2003. There is typically an inverse relationship between copper prices and copper stockpiles or inventories for sale in the metal warehouses such as the LME and Comex. These inventories are currently at record lows with about 100Kt in stockpile, compared to a peak of 1.5Mt in 2002, as consumption of copper has been rapidly increasing.

Consumption of copper is related to world growth. Global growth continues to be robust, largely driven by spectacular growth in China and reasonably buoyant growth in the US, notwithstanding relatively flat growth in Europe. The underlying Chinese consumption trend remains strongly positive and domestic metal availability is still very tight, driven by the key factors of industrialization, urbanization and consumerism. Such demand growth is still at an early stage in other major developing economies like India.

There are a limited number of major new copper projects coming on stream in the next few years. In the mature dominant copper producing regions such as the south western US and Chile, output growth is reducing into the future. The supply of new production has been severely constrained by the lack of exploration expenditure during the 1990s. It needs to be recognized that the lead time from discovery to development for a major project is typically at least 7 years in a positive metals cycle. Exploration spending has increased quite sharply over the last year; however it will take a substantial time for this to impact on new mine developments.

Some copper market analysts believe that we are experiencing a “super cycle” that represents a structural shift in the copper market. Most agree that there are at least several years of strong copper prices ahead, with long-term copper price projections typically ranging from US\$1.75/lb to 2.35/lb Cu.

The future direction of the price of copper will depend on numerous factors beyond the Corporation's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of copper, and therefore on the economic viability of the Corporation's property, cannot accurately be predicted. As the Corporation is only at the exploration stage, it is not yet possible for the Corporation to adopt specific strategies for controlling the impact of fluctuations in the price of copper.

## **EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Corporation's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at March 31, 2006, management of the Corporation, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Corporation's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of March 31, 2006, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Corporation's annual filings and interim filings (as

such terms are defined under Multilateral Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings of the Canadian Securities Administrators) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Corporation, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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.

### **SUBSEQUENT EVENTS**

Subsequent to the end of the Quarter the Corporation continued its progress with the Kakanda Property in the DRC. MPH Consultants has been engaged to prepare a NI 43-101 compliant report on the property. Engineers have visited the site and taken samples that are now being assayed. The report is expected some time in June.

Subsequent to the end of the Quarter, the Corporation continued to sell the shares and warrants it held in Allied to provide additional funds for the Corporation's ongoing exploration programs. The Corporation's holdings consisting of one million warrants exercisable at AUS\$0.25 and two million warrants at AUS\$0.50 were all sold for aggregate gross proceeds of AUS\$1.56 million.

In April 2006 the Corporation entered into a definitive agreement with Quartern to acquire its shares. Pursuant to the terms of the agreement, Simberi has agreed to purchase from Quartern and Quartern has agreed to sell to Simberi the remaining 33.3% of the outstanding shares of New Congo and Quartern has agreed to continue its role in the development of the Kakanda Project in exchange for the following:

- a) payment by Simberi to Quartern of \$100,000 in cash; and
- b) the issuance by Simberi to Quartern of eight million common shares of Simberi.

In addition, Quartern has agreed to enter into a consulting agreement with Simberi and New Congo pursuant to which Quartern will be, amongst other things, providing in country office and other local support as well as being responsible for assisting the continuing development of the Kakanda Project. Pursuant to the terms of the consulting agreement, Quartern will be entitled to receive an additional 3.9 million common shares of Simberi upon successfully increasing PTM Minerals' interest in the Kakanda Project from 51% to 75% or more. Closing of the transaction is subject to receipt of final approval from the TSX Venture Exchange.

The transaction closed May 17, 2006 after the end of the Quarter.

### **PROPOSED TRANSACTIONS**

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

## **CHANGES IN ACCOUNTING POLICIES**

There were no changes to accounting policies in 2005.

## **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, directors and officers 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.

## **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).

## **FORWARD LOOKING STATEMENTS**

*This Management's Discussion and Analysis contains certain forward-looking statements. All statements other than statements of historical fact that address activities, events or developments that the Corporation believes, expects or anticipates will or may occur in the future are forward-looking statements. Forward-looking statements are often, but not always, identified by use of words such as "seek", "anticipate", "contemplate", "target", "believe", "plan", "estimate", "expect", and "intend" and statements that an event or result "may", "will", "can", "should", "could", or "might" occur or be achieved and other similar expressions. These statements are based upon certain assumptions and analyses made by management in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. However, whether actual results and developments will conform with management's expectations is subject to a number of risks and uncertainties, including the considerations discussed herein and in other documents filed from time to time by the Corporation with Canadian security regulatory authorities, general economic, market or business conditions, the opportunities (or lack thereof) that may be presented to and pursued by management, competitive actions by other companies, changes in laws or regulations and other factors, many of which are beyond the Corporation's control. These factors may cause the actual results of the Corporation to differ materially from those discussed in the forward-looking statements and there can be no assurance that the actual results or developments anticipated by management will be realized or, even if substantially realized, that they will have the expected results on Simberi Gold Corporation. All of the forward-looking statements made herein are qualified by the foregoing cautionary statements. The Corporation expressly disclaims any obligation to update or revise any such forward-looking statements.*

May 20, 2006