

GHG RESOURCES LIMITED

***Management Discussion & Analysis
for the Three Months Ended
December 31, 2005
(Unaudited)***

1255 West Pender Street
Vancouver, B.C.
V6E 2V1

Tel: (604) 662-3230 / Fax: (604) 682-4309

**MANAGEMENT DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF
OPERATIONS FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2005**

FEBRUARY 28, 2006

OUR BUSINESS

GHG Resources Limited was incorporated under the laws of British Columbia on June 7, 1983 and its principal business activities include the acquisition and development of mineral properties. The Company is presently listed on the TSX Venture Exchange trading under the symbol GHG.

The Company's business and executive office is located at 1255 West Pender Street, Vancouver, B.C. V6E 2V1. Its registered and records offices are located at the offices of Maitland & Company, Barristers & Solicitors, 700 –625 Howe Street, P.O. Box 54, Vancouver, B.C. V6C 2T6.

The Company owns 100% of the issued and outstanding share capital of Tun Resources Ltd. ("Tun"), a British Columbia company. Tun Resources Ltd. holds an 82% interest in Yunnan Yuntong Exploration Ltd. ("YYE"), a Chinese joint venture company.

OVERALL PERFORMANCE

The principal business of the Company is the acquisition, exploration and development of natural resource properties. The Company, through its wholly owned subsidiary, Tun Resources Inc. owns interests in three mineral properties located in the Zhen Yuan Mining District, China (together, the "Yunnan Yuntong Properties"): the Shangzhai exploration licence area and mining concession, which has been in production since 2001; the Bianfushan exploration licence area and mining concession; and the Lanintang exploration licence area, which are in the exploration and development stage. As is the nature of exploring for minerals, there is a significant risk that no economic deposit of ore or metals will be found on any of the Company's properties.

Tun, the Company's wholly owned subsidiary, entered into a Joint Venture Agreement with the Yunnan Province Dianxi Geological Engineering, Exploration Development Company on the 8th August 1994 ("Dianxi"). Dianxi is the operating arm of the #3 Brigade. The joint venture was called the Yunnan Yuntong Exploration Company Limited Joint Venture (the "Yunnan Yuntong JV"). Tun's initial capital investment was US\$800,000, to earn a 60% interest in the Yunnan Yuntong JV. The term of the Yunnan Yuntong JV was to be for renewable 5 year terms. In 1999, the first extension of the Yunnan Yuntong JV, there were a number of amendments made to the agreement, which included that Tun's capital investment was increased to US\$1,400,000 to earn an 82% interest in the Yunnan Yuntong JV.

SELECTED ANNUAL INFORMATION

The following table sets forth selected audited financial information of the Company for the last three completed financial years:

	FISCAL YEARS ENDED		
	September 30, 2005	September 30, 2004	September 30, 2003
Net Income (Loss)	(6,939,657)	(6,752,962)	(6,235,976)
Loss Per Share	(0.02)	(0.06)	(0.02)
Total Assets	549,858	616,053	260,766

RESULTS OF OPERATIONS

For quarter ended December 31, 2005 compared to quarter ended December 31, 2004

Net loss for the quarter totalled \$77,261 (or \$0.01), versus loss of \$250,308 (or \$0.025) in 2004.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected (unaudited) quarterly financial information for each of the last eight most recently completed quarters:

	QUARTERS ENDED			
	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2004
(Loss)	(77,261)	114,401	102,952	(153,740)
(Loss) Per Share ⁽¹⁾	(0.01)	0.01	0.01	(0.014)
	December 31, 2004	September 30, 2004	June 30, 2004	March 31, 2004
(Loss)	(250,308)	(382,316)	39,472	(16,360)
(Loss) Per Share ⁽¹⁾	(0.025)	(0.06)	0.004	(0.00)

⁽¹⁾ Presented on an undiluted basis.

LIQUIDITY

During the period ended December 31, 2005 cash resources decreased by \$289,520 as Tun Resources undertook an exploration and drilling program on its China properties.

LIQUIDITY (cont'd)

Working capital items increased by \$91,217 and accounts payable decreased by \$128,648 during the first quarter ended December 31, 2005, leaving \$397,475 of liabilities on the balance sheet. Shareholders' deficiency stood at \$(85,674) at December 31, 2005, down from \$(134,002) at the end of December, 2004. Working capital (deficiency) totalled \$(251,282) at December 31, 2005, a decrease from \$(311,712) at December 31, 2004.

CAPITAL RESOURCES

GHG Resources relies on the issuance of share capital to raise capital. There can be no assurance, however, that GHG Resources will be able to obtain required financing in the future on acceptable terms.

The Company has sufficient working capital to continue operating for several months. General market conditions will have an impact on its ability to raise financings in the future.

TRANSACTIONS WITH RELATED PARTIES

During the quarter ended December 31, 2005, GHG Resources paid or accrued an aggregate of \$15,000 (2004 - \$15,000) for management fees to the President/Director of GHG Resources. GHG also paid or accrued \$900 (2004 - \$900) for accounting and office services to an officer/director of the Company. Amounts due to and from related parties are non-interest bearing, unsecured and have no fixed terms of repayment. These transactions were in the normal course of operations and were measured at the exchange amount which is the amount established and agreed to by the related parties.

CHANGES IN ACCOUNTING POLICIES

Asset retirement obligations

Please refer to the audited financial statements of September 30, 2005 for full explanation of the asset retirement obligations.

SHARE DATA

The Company is traded on the TSX Venture Exchange ("Exchange") under the symbol GHG. The share capital of the Company consists of an unlimited number of common shares without par value of which 10,673,633 are issued and outstanding. The following table outlines the shares outstanding at December 31, 2005.

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Balance as at September 30, 2003	5,689,201	\$ 6,048,529	\$ 9,460
Private placement	2,787,497	500,000	-
Finders' fee	174,182	30,659	-
Share issuance costs	-	(30,659)	-
Exercise of warrants	1,194,003	268,799	-
Stock-based compensation	-	-	177,387
Balance as at September 30, 2004	9,844,883	6,817,328	186,847
Private placement, net of issuance costs	770,000	77,000	-
Finders' fee	77,000	7,700	-
Share issuance costs	-	(7,700)	-
Exercise of warrants	106,750	13,879	-
Cancellation of escrow shares	(125,000)	-	-
Balance as at December 31, 2005	10,673,633	\$ 6,908,207	\$ 186,847

Stock Options

At December 31, 2005 the following stock options were outstanding:

	Number Of Options	Exercise Price	Expiry Date
Outstanding, beginning of year	420,000	\$ 0.38	March 29, 2009
Granted	600,000	\$ 0.10	September 2, 2010
Outstanding, at Dec, 31, 2005	1,020,000		

Warrants

At December 31, 2005, the following warrants were outstanding:

	Number of Shares	Exercise Price	Expiry Date
	600,000	0.30	June 28, 2006
	663,250	0.13	February 7, 2007
Outstanding, at Dec. 31, 2005	1,263,250		

SUBSEQUENT EVENT

Subsequent to December 31, 2005, the Company closed a private placement to issue 550,000 units at a price of \$0.13 per unit for gross proceeds of \$71,500. Each unit comprised of one common share and one share purchase warrant. Each warrant will entitle the holder to acquire one additional common share at a price of \$0.15 for a one year period.

OTHER

To view the public documents of the Corporation, please visit the Corporation's profile on the SEDAR website at www.sedar.ca.

Management discussion may contain forward looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of exploration or other risk factors beyond its control. Actual results may differ materially from the expected results.