

# **GHG RESOURCES LIMITED**

***Management Discussion & Analysis  
for the Three Month Period Ended  
December 31, 2006  
(Unaudited)***

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**MANAGEMENT DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF  
OPERATIONS FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2006**

**FEBRUARY 28, 2007**

**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 and registered and records offices at the offices of Maitland & Company, Barristers & Solicitors, 700 – 625 Howe Street, P.O. Box 54, Vancouver, B.C. V6C 2T6.

At December 31, 2006, the Company owned 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. At December 31, 2006, the Company, through its wholly owned subsidiary, Tun Resources Inc. owned 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 Jiazutian (formerly Lannitang) 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 August 8, 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.

On August 29, 2006, the Yunnan Yuntong JV sold three of its non-producing, exploration mineral properties in China to a branch of the Chinese government know as the Simao Municipal Bureau of Land and Resources in Yunnan Province. The net sale proceeds (after taxes and finder's fees) were approximately \$1,000,000. The three properties are located in Zhenyuan county, Yunnan province, and aggregate 30.89 square kilometres, and are known as the Lannitang (also known as the Juizutian), Shangzhai and Bianfushan gold and multi-metals prespects. None of these exploration properties were in production, and are not considered "material" by the Company. The Company has continued to mine, develop and explore its remaining Chinese properties, pursuant to government permit issued before the sale.

## RESULTS OF OPERATIONS

### *For quarter ended December 31, 2006 compared to quarter ended December 31, 2005*

Net loss for the quarter totalled \$762,131 (or \$0.07 per share), versus a loss of \$77,261 (or \$0.01 per share) in 2005. The increased loss was caused by additional resource taxes of \$640,564 recorded in the quarter ended December 31, 2006. These taxes were in connection with the sale of mineral properties by Yunnan Yuntong JV reported in the company's audited financial statement for the year ended September 30, 2006.

Subsequent to December 31, 2006, the Company completed a \$12 million non-brokered private placement and completed the acquisition from Global Copper Corp. ("Global") all the Global's interest in the Vizcachitas property located in Region V, Chile. Please refer to "Capital Resources" and "Subsequent Events" in this document.

## SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly financial information for the eight most recently completed quarters:

	QUARTERS ENDED			
	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2005
Income (Loss)	(762,131)	1,329,723	2,234	(120,111)
Income (Loss) Per Share <sup>(1)</sup>	(0.07)	0.11		(0.01)
	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2004
Income (Loss)	(77,261)	114,401	102,952	(153,740)
Income (Loss) Per Share <sup>(1)</sup>	(0.01)	0.01	0.01	(0.014)

<sup>(1)</sup> Presented on an undiluted basis.

## LIQUIDITY

During the period ended December 31, 2006 cash resources decreased by \$2,306,945 due to the payment of accrued liabilities incurred in connection with the sale of the three Chinese mineral properties. GHG will still keep the mining rights for Shangzhai and Bianfushan which will allow the Company to mine gold on the two properties until current mining rights expire in June, 2011.

Working capital decreased by \$1,142,014 and accounts payable by \$713,482 during the three-month period ended December 31, 2006, leaving \$668,346 of liabilities on the Company's Balance Sheet. During the quarter ended December 31, 2006, there was a decrease in inventory and an increase in receivables relating to the mining operations in China. The decrease in accounts payable resulted from payment to various creditors and to related parties.

The Company's accumulated deficit at December 31, 2006 was \$ 6,567,203, from an accumulated deficit of \$5,805,072 at September 30, 2006, due to a loss of \$762,131 in the quarter ended December 31, 2006, as explained above.

## **CAPITAL RESOURCES**

GHG Resources relies on the issuance of share capital to fund operations. There can be no assurance however, that GHG Resources will be able to obtain required financing in the future on acceptable terms to fund anticipated losses in upcoming periods. General financial market conditions will have an impact on the Company's ability to raise funds in the future.

Subsequent to December 31, 2006, the Company completed a \$12 million non-brokered private placement of 20 million units ("Units") at a price of \$0.60 per Unit. Each Unit was comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of \$1.00 for a period of one year from the date of issuance. Following issuance of the Units, if at any time after the expiration period of the four month holding period on the common shares issued as part of the Units, the closing price of the Company's common shares is at least \$1.25 per share for 10 consecutive trading days, the Company will have the right to notify the purchaser that the expiry date for the exercise of the warrants will be shortened to 30 days. The Company paid aggregate finders' fees of 1,382,383 Units in connection with the private placement.

Also subsequent to December 31, 2006, the Company completed the acquisition from Global Copper Corp. ("Global") all of Global's interest in the Vizcachitas property located in Region V, Chile. Global is listed on the TSX under the symbol GLQ. As consideration for the acquisition, the Company paid to Global out of the proceeds of the private placement a total of US\$10,400,000 and issued to Global 6,280,000 common shares and 3,900,000 common share purchase warrants in the capital of the Company. Each warrant entitles Global to acquire an additional common share at a price of \$1.00, exercisable for a period of three years from the date of issuance. A finder's fee of 1,500,000 common shares was paid by the Company in connection with the acquisition.

## **TRANSACTIONS WITH RELATED PARTIES**

During the quarter ended December 31, 2006, GHG Resources did not have related party transactions.

Amounts due to related parties are non-interest bearing, unsecured and have no fixed terms of repayment. Transactions with related parties are in the normal course of operations and are measured at the exchange amount which is the amount established and agreed to by the related parties.

## **CRITICAL ACCOUNTING ESTIMATES**

The most significant estimates are related to the physical and economic lives of mineral assets and their recoverability, and the Company's asset retirement obligations.

## **CHANGES IN ACCOUNTING POLICIES**

In April 2005, The Canadian Institute of Chartered Accountants (“CICA”) issued three new standards relating to financial instruments, applicable for fiscal years beginning on or after October 1, 2006, as follows:

a) Financial Instruments – Recognition and Measurements (Section 3855)

The standard prescribes when each of a financial asset, financial liability and non-financial derivative is to be recognized on the Balance Sheet and whether fair value or cost based measures should be used. It also specifies how financial instruments gains or losses should be presented.

b) Hedges (Section 3865)

The standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the existing Accounting Guideline 13 (acG-13) “Hedging Relationships” and Section 1650 “Foreign Currency Translation”, by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

c) Comprehensive Income (Section 1530)

This standard introduces new rules for the reporting and display of comprehensive income. Comprehensive income is currently reported under US generally accepted accounting principles to measure the change in shareholders’ equity of a company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period, except those resulting from investments by owners and distributions to owners. These items include holding gains and losses on certain investments, gains and losses on certain derivative instruments, and foreign currency, gains and losses related to self-sustaining foreign operations.

The Company’s adoption of these new standards did not have a material impact on its financial statements.

## **SHARE DATA**

The Company’s shares are 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 22,766,883 were issued and outstanding as of December 31, 2006. The following table outlines the shares outstanding at December 31, 2006.

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Balance as at September 30, 2005	10,673,633	6,908,207	\$ 186,847
Private placement	10,550,000	1,571,500	-
Finders' fee	750,000	112,500	-
Share issuance costs	-	(112,500)	-
Exercise of warrants	543,250	73,623	-
Exercise of stock options	250,000	55,758	(30,758)
Stock-based compensation	-	-	73,819
Balance as at September 30, and December 31, 2006	22,766,883	\$ 8,609,088	\$ 229,908

### Stock Options

At December 31, 2006 the following stock options were outstanding:

	Number Of Options	Exercise Price	Expiry Date
Outstanding, September 30, 2005	420,000	\$ 0.38	March 29, 2009
Granted	600,000	\$ 0.10	September 2, 2010
Exercised	<u>(250,000)</u>	\$ 0.10	
Outstanding, at September 30 and December 31, 2006	770,000		

### Warrants

At December 31, 2006, the following warrants were outstanding:

	Number of Shares	Exercise Price	Expiry Date
	10,000,000	0.20	July 5, 2007
	270,000	0.13	February 7, 2007
	400,000	0.15	January 11, 2007
	<u>10,670,000</u>		

## SUBSEQUENT EVENTS

Subsequent to December 31, 2006, the Company completed:

1. A private placement of 20,000,000 units, at \$0.60 per unit, for aggregate gross proceeds of \$12,000,000; and
2. The acquisition from Global Copper Corp. (“Global”) of all of Global’s interest in the Vizcachitas property located in Region IV, Chile. Global is listed on the TSX under the symbol *GLQ*.

As consideration for the acquisition, GHG paid US\$10,400,000 and issued to Global 6,280,000 shares and 3,900,000 share purchase warrants in the capital of GHG. Each warrant is exercisable for a period of three years from the date of issuance and entitles Global to acquire one additional share of GHG at a price of \$1.00 per share. A finder’s fee of 1,500,000 common shares was paid by GHG in connection with the acquisition.

Each unit issued under the private placement consisted of one common share and one common share purchase warrant exercisable at \$1.00 per share for a period of 12 months. If at any time following the expiration of the four-month hold period the closing price of GHG’s shares is at least \$1.25 per share for 10 consecutive trading days, GHG will have the right to notify the purchasers that the expiry date for the exercise of the Warrants will be shortened to not less than 30 days. In connection with the private placement, GHG paid aggregate finder’s fees of 1,382,383 units, each unit having the same terms and conditions as those sold in the private placement.

All securities issued as referenced above are subject to a four month hold period expiring June 8, 2007.

### Other MD&A Requirements

As of February 28, 2007, the Company has 52,649, 266 common shares outstanding.

Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company’s website at [www.ghgresources.com](http://www.ghgresources.com).

To view the public documents of the Corporation, please visit the Corporation’s profile on the SEDAR website at [www.sedar.ca](http://www.sedar.ca).

### Cautionary Statement on Forward Looking Information

This Report contains “forward looking statements”. These forward looking statements include, but are not limited to, statements regarding the Company’s strategic plans, property search and evaluation plans, estimated levels of expenditures, acquisition targets and commitments. Forward-looking statements express, as at the date of this Report, The Company’s plans, estimates, forecasts, projections, or beliefs as to future events or results and the Company does not intend, and does not assume any obligation, to update these forward-looking statements. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects”, or “does not expect”, “is expected”, “budget”, “schedule”, “estimates”, “intends”, “anticipates”, or “does not anticipate”, “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might”, or “will be taken”, “occur”, or “be achieved”. We caution that forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events may differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations

expressed or implied by the forward – looking statements include, but are not limited to the success of the Company's acquisition criteria, the success in completing further financing and closing on any target acquisitions, currency fluctuations, the ability of the Company to conduct its business in the Territory, risks inherent with the mining industry, unexpected regulatory changes, delays in the completion of critical activities and other risks inherent to the Company's activities.