BREAKWATER
RESOURCES LTD

FIRST QUARTER REPORT 2008

Management's Discussion and Analysis of Financial Condition and Results of Operations

This management's discussion and analysis of financial condition and results of operations ("MD&A") of Breakwater Resources Ltd. (the "Company") should be read in conjunction with the Company's unaudited consolidated financial statements for the three months ended March 31, 2008, and related notes thereto (the "first quarter 2008 financial statements") which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A should also be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2007, and related annual management's discussion and analysis, and the Annual Information Form on file with the Canadian provincial securities regulatory authorities. Unless otherwise indicated, this MD&A has been prepared as of May 7, 2008. The reporting currency is Canadian dollars ("C$" or "$") and all amounts disclosed are in Canadian dollars unless otherwise indicated. Unless the context indicates otherwise, a reference to the "Company" in this MD&A means Breakwater Resources Ltd. and its subsidiaries and other entities owned or controlled, directly or indirectly, by the Company.

The Company is a mining, exploration and development company which produces zinc, copper, lead and gold concentrates. The Company's concentrate production is derived from mines located in Canada, Chile and Honduras. The Langlois mine, located in Canada, began production in November 2006 and commenced commercial production for accounting purposes on July 1, 2007. The start-up of the Langlois mine affects all aspects of the Company's financial results which makes comparisons between periods difficult.

HIGHLIGHTS

The Company realized a loss of $6.9 million or $0.02 per share in the first quarter of 2008 compared with net earnings of $15.3 million or $0.04 per share in the first quarter of 2007. The main items affecting the drop in net earnings quarter over quarter were:

- $3.9 million higher gross sales revenue primarily due to the impact of Langlois sales and higher prices for copper, lead, gold and silver partially offset by a 30% reduction in the realized zinc price and a 14% appreciation in the C$ in 2008. In US$ terms, gross sales revenue were US$14.5 million higher
- Sales of concentrate in the first quarter of 2008 increased 51% to 59,210 tonnes from 39,333 in the first quarter of 2007 primarily due to 17,112 tonnes from Langlois and greater sales at Myra Falls and Toqui
- $24.4 million higher direct operating costs primarily due to increased concentrate sales, the addition of sales from Langlois and higher costs at Mochito and Myra Falls
- $3.1 million of decreased investment and other income primarily due to the lower valuation of conversion rights in certain convertible debentures held by the Company and lower interest income
- $1.8 million increased exploration expenses primarily due to $2.1 million increased exploration expenses at Langlois
- $5.4 million decreased income tax provision was primarily due to a reduction in tax expense by $2.2 million associated with flow through shares issued and a $1.9 million reduction in Mochito tax provision

Concentrate produced in the first quarter of 2008 increased by 10% to 73,481 tonnes from 66,895 tonnes primarily due to increased production at Langlois, Myra Falls and Toqui offset by lower production at Mochito.

The Company estimated that inventories shipped but not recognized for revenue purposes, at March 31, 2008, had earnings before tax of $14.4 million on 58,103 tonnes of concentrate compared with earnings before tax of $8.4 million on 51,100 tonnes of concentrate at December 31, 2007.

Subsequent to the quarter end, on April 10, 2008, the Company purchase a 3% net smelter royalty at the Myra Falls mine established in December 2007 in conjunction with the creation of a qualifying environmental trust for 13,518,739 Common Shares.

Additionally, on April 15, 2008, the Company issued 7.0 million Common Shares to acquire Metco Resources Inc. (“Metco”) to consolidate its land position in Lebel-sur-Quévillon and acquire a large under explored land package in the prolific Matagami camp.

OUTLOOK

Mochito

The ground control problems experienced in the first quarter have been addressed through the engineering, design and installation of the proper ground support systems and media. This initiative is ongoing throughout the mine and is expected to be completed during the third quarter. The mine is not revising its production forecast.

The Company continues to refine the exploration model for the Big Fuzzy target. Several initiatives are underway to improve the geological data base at Mochito which will generate new targets for exploration.

Construction work on increasing the capacity of the Pozo Azul tailings facility is on schedule and will provide the required tailings capacity while the Soledad facility is being repaired. These repairs are ongoing with completion scheduled for late 2009.

Toqui

The pre-feasibility study is on schedule to be delivered in the third quarter this year. Drill results continue to support the concept of a 1 million tonne per annum mill.

The new lead flotation circuit is expected to be operational in the second quarter. Engineering studies are on going for a thickened backfill plant which will allow for pillar recovery and paste deposition of tailings.

Myra Falls

The bumping provisions associated with announced layoffs will be finalized in early July. The completion of this process will result in a reduction in operating costs of $1.5 to $1.7 million per month.

The exploration drilling program on the Marshall zone was encouraging during the quarter and follow up drilling is on going.

Langlois

Ramp up of production continued during the first quarter of 2008. Production from Zone 97 has commenced and Langlois is expected to meet the 2008 production guidance.

STATEMENT OF OPERATIONS REVIEW – THREE MONTHS ENDED MARCH 31, 2008 AND 2007

Gross Sales Revenue

Sales of concentrate fluctuate period to period due to production levels, shipping volumes, ship schedules, price determination terms, and risk and title transfer terms with the Company's various customers. The Company has a relatively conservative revenue recognition policy (see below) and the recognition of sales can be as much as six months after the date of concentrate production. The Company's sales are primarily denominated in United States dollars ("US$").

Concentrate Sold *(tonnes)*	**First Quarter 2008**	First Quarter 2007
Zinc:		
Mochito	–	9,324
Toqui	**21,002**	18,623
Myra Falls	**9,708**	2,109
Langlois[1]	**15,454**	–
	46,164	30,056
Copper		
Myra Falls	**4,634**	5,651
Langlois[1]	**1,658**	–
	6,292	5,651
Lead		
Mochito	**5,603**	2,800
	5,603	2,800
Gold		
Toqui	**1,151**	823
Myra Falls	–	3
	1,151	826
All Metals	**59,210**	39,333

[1] Langlois entered commercial production on July 1, 2007. Net cash flow from concentrate produced at Langlois prior to July 1, 2007 reduced preproduction capital expenditures.

	First Quarter 2008				First Quarter 2007			
	Concentrate sold *(tonnes)*	**Payable metal[1]**	**Realized price[1]** *(US$)*	**Gross sales revenue** *($000s)*	Concentrate sold *(tonnes)*	Payable metal[1]	Realized price[1] *(US$)*	Gross sales revenue *($000s)*
Zinc	**46,164**	**19,487**	**2,409**	**46,945**	30,056	12,555	3,434	43,117
Copper	**6,292**	**1,298**	**7,176**	**9,314**	5,651	1,184	6,452	7,643
Lead	**5,603**	**3,441**	**3,056**	**10,517**	2,800	1,815	1,914	3,473
Gold	**1,151**	**8,190**	**931**	**7,625**	826	11,302	647	7,313
Silver	**n.a.**	**556,545**	**16.81**	**9,357**	n.a.	373,529	13.03	4,867
Other[2]	**n.a.**			**(2,507)**	n.a.			306
	59,210				39,333			
Gross sales revenue in US$				**81,251**				66,719
Exchange rate				**1.0074**				1.1683
Gross sales revenue in C$				**81,856**				77,947

[1] Payable metal and realized prices for zinc, copper and lead are per tonne and for gold and silver are per ounce.

[2] Other gross sales revenue represents revaluations of prior period concentrate receivables.

Concentrate sold increased 51% in the first quarter of 2008 compared with the three month period ended March 31, 2007 (the "first quarter of 2007"). The 19,877 tonne increase in 2008 was due to sales of 17,112 tonnes of concentrate at Langlois and increases of 85% at Myra Falls and 14% at Toqui respectively partially offset by a 54% decrease at Mochito.

In payable metal terms, zinc, copper, lead and silver increased by 55%, 10%, 90% and 49% respectively while gold sales decreased by 28% in the first quarter of 2008 compared with the first quarter of 2007.

Realized copper, lead, gold and silver prices, denominated in US$, increased by 11%, 60%, 44% and 29% respectively in the first quarter 2008 while zinc prices realized decreased by 30%.

Gross sales revenue increased by US$14.5 million or 22% in the first quarter of 2008. A stronger C$ resulted in a decrease in the average C$/US$ exchange rate of 14% in the first quarter of 2008 compared with the corresponding 2007 period. In C$ terms, gross sales revenue increased $3.9 million or 5% in the first quarter of 2008 compared with the first quarter of 2007.

The Company's revenue recognition policy requires that, among other things, final pricing of concentrate inventories be known prior to the recognition of revenue. Using commodity prices and exchanges rates prevailing at March 31, 2008, the following schedule provides details regarding inventories shipped but not recognized for revenue purposes and the related provisional payments.

	Concentrate (DMT)	Net smelter return *($000's)*	Inventory value *($000's)*	Earnings before taxes *($000's)*	Provisional payments *($000's)*	Weighted-average months to settlement
Zinc	49,971	34,875	25,236	9,639	22,405	1.7
Copper	5,100	11,198	10,774	424	9,443	2.2
Lead	1,876	5,308	2,614	2,694	–	2.0
Gold	1,156	3,108	1,515	1,593	1,151	2.0
	58,103	**54,489**	**40,139**	**14,350**	**32,999**	

At March 31, 2007, the Company estimated that inventories shipped but not recognized for revenue purposes, using the prevailing commodity prices and exchange rates at that date, had earnings before tax of $31.0 million consisting of $59.5 million of net smelter return less $28.5 million of inventory value on 40,959 tonnes of concentrate. As at December 31, 2007, the Company estimated that inventories shipped but not recognized for revenue purposes, using the prevailing commodity prices and exchange rates at that date, had earnings before tax of $8.4 million consisting of $47.8 million of net smelter return less $39.4 million of inventory value on 51,100 tonnes of concentrate.

The following table provides the average base and precious metal prices and exchange rates for the periods indicated.

Average Metal Prices & Foreign Exchange Rate	**First Quarter 2008**	First Quarter 2007
Zinc *(US$/tonne)*	**2,431**	3,456
Copper *(US$/tonne)*	**7,794**	5,930
Lead *(US$/tonne)*	**2,901**	1,785
Gold *(US$/ounce)*	**928**	650
Silver *(US$/ounce)*	**17.68**	13.31
C$/US$ exchange rate	**1.0048**	1.1716

Treatment and Marketing Costs

Despite 51% more tonnes of concentrate sold, treatment and marketing costs only increased by 6% to $21.0 million in the first quarter of 2008 from $19.9 million in the first quarter of 2007. Treatment and marketing costs for the first quarter of 2008 and 2007 were 26% of gross sales revenue. The nominal increase in aggregate treatment charges in the first quarter of 2008 was primarily due to the impact of new concentrate sales at Langlois, offset by a decrease in sales at Toqui, higher prices for copper and lead and higher zinc concentrate sales partially offset by lower zinc prices and the weakness of the US$ compared with 2007 and higher shipping costs. A decrease in zinc prices results in lower escalators (the upside price participation by smelters) and therefore lower treatment charges. Additionally, the escalators were reduced by a lower base zinc price used in the calculation of treatment costs in the first quarter of 2008 compared with 2007. Also refer to each mine's financial results section in this MD&A.

Direct Operating Costs

Direct operating costs were 103% higher in the first quarter of 2008 at $48.0 million compared with $23.6 million in the first quarter of 2007. The increased costs were primarily due to the impact of new production at Langlois and an 85% increase in concentrate sales at Myra Falls. Also see details of direct operating costs under each mine's financial results section in this MD&A.

Depreciation and Depletion

Depreciation and depletion increased $3.1 million in the first quarter of 2008 compared with the corresponding period in 2007. Langlois, which commenced commercial production effective July 1, 2007, was primarily responsible for the increase with depreciation and depletion of $3.1 million in the first quarter of 2008.

Reclamation and Closure

Reclamation and closure costs decreased by $1.2 million to a recovery of $0.2 million in the first quarter of 2008 compared with a cost of $1.0 million in the corresponding period in 2007. The decrease was due to a reduction of the estimated reclamation and closure cost obligations which resulted from a change in the timing of cash flows for reclamation due to the increased reserves at Toqui and Langlois which extended the life of the mines.

General and Administrative

General and administrative expenses decreased by $0.4 million to $3.6 million in the first quarter of 2008 compared with 2007. The decrease was primarily due to: over accrued bonuses in 2007 and reduced travel, donation and corporation development expenses partially offset by higher salaries, recruiting and public company costs.

Investment and Other Costs (Income)

Investment and other costs (income) increased by $3.1 million to a cost of $1.4 million in the first quarter of 2008 compared with a gain of $1.7 million in 2007. The change was primarily due to: a $1.9 million increase in unrealized loss on the valuation of conversion rights in certain convertible debentures held by the Company and mark-to-market losses on certain equities in public companies, primarily due to lower share prices; $0.9 million lower interest income on lower cash balances and $0.3 million of realized gains on the sale of securities in the first quarter of 2007 which did not recur in 2008.

Exploration Expenses

Exploration expenses increased by $1.8 million in the first quarter of 2008 compared with 2007. Increased expenses at the Company's joint ventures and at Langlois were partially offset by reduced expenses at Toqui, Myra Falls and Bouchard-Hébert. Refer to the exploration section of each mine and the project sections for details of the exploration activities in 2008. Refer to Note 1 of the Company's 2007 audited consolidated financial statements for the accounting treatment of exploration expenditures.

Exploration Expenditures *($ millions)*	**First Quarter 2008**	First Quarter 2007
Mochito	**0.4**	0.5
Toqui	**0.5**	1.2
Myra Falls	**0.4**	0.7
Langlois	**2.1**	–
Non-operating	**0.1**	0.3
Corporate	**1.0**	–
Total	**4.5**	2.7

Income and Mining Tax Provision

Income and mining tax provision in the first quarter of 2008 was $1.8 million compared with $7.2 million in the first quarter of 2007. The $5.4 million decrease was primarily due to a tax recovery of $2.2 million due to flow through shares issued, a reduced tax provision at Mochito of $1.9 million, an increased tax provision at Toqui of $1.2 million, a reduced Québec mining duties provision of $1.3 million and a reduced tax provision at Myra Falls of $0.7 million.

LIQUIDITY AND FINANCIAL POSITION REVIEW

Working Capital

Working capital at March 31, 2008 was $56.5 million compared with $82.6 million at December 31, 2007, a decrease of $25.4 million.

Current Assets

Total current assets decreased by $29.2 million to $164.4 million as at March 31, 2008 compared with $193.6 million at December 31, 2007. The main components of current asset change were:

- Cash and cash equivalents decreased by $47.9 million reflecting lower cash flow from operating activities, expenditures on mineral properties and fixed assets and changes in working capital as described in this section and in the current liabilities section below
- Other accounts receivable increased by $4.3 million primarily due to increased taxes recoverable at Langlois and Toqui
- Concentrate inventory increased by $5.3 million primarily due to 13,803 more tonnes of concentrate in inventory and higher inventory costs per tonne for copper concentrate inventory at Myra Falls at March 31, 2008
- Prepaid expenses and other current assets increased by $6.3 million primarily due to increases of $3.3 million of prepaid exploration for Coulon, $1.0 million of prepaid insurance and $1.3 million of prepaid freight

Current Liabilities

Current liabilities decreased by $3.2 million to $108.0 million at March 31, 2008 compared with $111.0 million at December 31, 2007. The main components of the current liabilities changes were:

- Accounts payable and accrued liabilities decreased by $7.6 million primarily due to a $6.1 million reduction of provisional payments returnable to customers compared with December 31, 2007
- Income and mining taxes payable increase by $3.1 million due to increased payables of $1.8 million and $1.3 million at Mochito and Toqui respectively

Long-term Investments

At March 31, 2008, long-term investments were $31.5 million, $1.4 million lower than $32.9 million at December 31, 2007. The decrease was primarily due to the marking to market of the conversion rights in certain convertible debentures. On April 2, 2008, the Company gave notice to convert the $17.0 million unsecured convertible debenture from Taseko Mines Limited ("Taseko") for 3,307,393 common shares at a conversion price of $5.14 per share. Taseko issued 2,612,971 freely tradable common shares valued at $13.4 million using the conversion price and withheld 694,422 common shares with a value of $3.6 million as a set off, as set out in a statement of claim, described in note 21(c) of the annual consolidated financial statements for the period ended December 31, 2007. On April 18, 2008, the Company filed an action with the Supreme Court of British Columbia seeking an order that Taseko release the 694,422 shares to the Company and pay any damages resulting from Taseko's failure to deliver all the shares required under the debenture agreement.

Restricted Reclamation Investments

At March 31, 2008 and December 31, 2007, the Company had restricted reclamation investments of $33.5 million. Restricted reclamation investments of $13.5 million and $20.0 million are held under a safe keeping agreement and a trust indenture respectively to fund future reclamation requirements at Myra Falls.

Restricted Promissory Note

The Company held two restricted promissory notes at March 31, 2008 and December 31, 2007 of $62.3 million related to the Red Mile transactions[1] in 2004 and 2005. The interest earned and a portion of the principal of these restricted promissory notes will be used to meet the Company's royalty obligations.

Royalty Obligations

The royalty obligations of $82.5 million relate to the royalty amounts received from the 2004 and 2005 Red Mile transactions and $20.0 million related to the qualifying environmental trust. See restricted promissory note and restricted reclamation investments above.

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[1] For further information on the Red Mile transactions please see the Company's most recent Financial Report filed on SEDAR or available at the Company's website at www.breakwater.ca.

Reclamation and Closure Cost Accrual

Reclamation and closure costs represent the Company's obligation for reclamation and severance costs accrued for its mine sites. At March 31, 2008, total accrued reclamation and closure costs were $38.7 million compared with $39.7 million at December 31, 2007.

Of the $38.7 million, $6.5 million is classified as current and is expected to be spent over the next 12 months at Nanisivik, Bouchard-Hébert, Myra Falls and Bougrine. The Company incurred expenditures of $0.5 million in reclamation and closure costs in the first quarter of 2008 compared with $1.2 million in the first quarter of 2007. As there is currently no law, regulation or contract in Honduras related to reclamation and closure costs, GAAP does not permit the Company to set up a liability for reclamation at the Mochito mine.

Reclamation and Closure Cost Accrual at March 31, 2008

($ millions)	Current	Long-term	Total
Myra Falls	1.8	26.8	**28.6**
Mochito	0.0	1.2	**1.2**
Toqui	0.0	2.5	**2.5**
Langlois	0.0	1.0	**1.0**
Bouchard-Hébert	1.8	0.1	**1.9**
Nanisivik	2.3	0.4	**2.7**
Bougrine	0.6	0.2	**0.8**
Total	**6.5**	**32.2**	**38.7**

Shareholders' Equity

Shareholders' equity at March 31, 2008 was $358.6 million compared with $364.4 million at December 31, 2007. The decrease of $5.8 million was primarily due to a loss of $6.9 million in the first quarter of 2008 and $2.2 million renunciation of flow through share value partially offset by $2.8 million other comprehensive income.

Shareholders' Equity

($000's)	Capital stock	Warrants	Contributed surplus	Retained earnings	Other comprehen-sive income	Total shareholders' equity
As at December 31, 2007	188,726	8,540	2,029	168,908	(3,817)	364,386
Value ascribed to options exercised under stock–based compensation	15	–	(15)	–	–	–
Adjustment to flow through share costs	(24)	–	–	–	–	(24)
Renunciation of flow through share value	(2,160)	–	–	–	–	(2,160)
Employee share option plan – proceeds of options exercised	26	–	–	–	–	26
Employee share purchase plan	81	–	–	–	–	81
Stock-based compensation	–	–	365	–	–	365
Other comprehensive income	–	–	–	–	2,773	2,773
Loss	–	–	–	(6,864)	–	(6,864)
As at March 31, 2008	**186,664**	**8,540**	**2,379**	**162,044**	**(1,044)**	**358,583**

In the first quarter of 2008, the Company issued the following Common Shares: 46,667 following the exercise of employee share options and 36,856 pursuant to the Company's employee share purchase plan.

Capital Expenditures

The Company invested $26.2 million in mineral properties and fixed assets in the first quarter of 2008. At mining operations, $4.5 million, $7.9 million, $2.1 million and $10.6 million were spent at Mochito, Toqui, Myra Falls and Langlois respectively. For details of these expenditures, please refer to the financial results discussion for each mine. Corporate capital expenditures of $1.1 million were primarily related to earn-in payments made on certain joint venture properties including $0.4 million and $0.3 million for Kaminak and Trieste respectively in Québec.

Financial Capability

With the existing working capital, the current metal prices and current US$/C$ exchange rate, the Company expects to be able to carry out its operating, capital, exploration and environmental programs in 2008. The Company's financial capability is sensitive to operating performance, metal prices, smelter treatment charges and the US$/C$ exchange rate.

PRODUCTION RESULTS

The table below contains the Company's production for periods presented. Production results include the production from Langlois since January 2007. For accounting purposes, production from Langlois was not recognized on the income statement until the commencement of commercial production – July 1, 2007.

All Mines	**First Quarter 2008**	First Quarter 2007
Ore Milled *(tonnes)*	**566,466**	547,415
Zinc *(%)*	**5.7**	5.7
Concentrate Production *(tonnes)*		
Zinc:		
Mochito	**12,880**	16,348
Toqui	**16,290**	15,992
Myra Falls	**17,439**	13,699
Langlois[(1)]	**13,922**	8,759
	60,531	54,798
Copper:		
Myra Falls	**5,383**	5,402
Langlois[(1)]	**2,027**	812
	7,410	6,214
Lead:		
Mochito	**4,079**	4,554
Toqui	**1,461**	–
	5,540	4,554
Gold:		
Toqui	**–**	1,329
C$ operating costs, production basis *($000s)*	**58,410**	33,243
C$ operating cost per tonne milled *(production basis)*	**103**	71

(1) First concentrate shipped November 2006 and considered to be at commercial production levels effective July 1, 2007.

The table below contains the Company's metal contained in concentrate produced, before smelting deductions, for periods presented.

Metal in Concentrate	First Quarter 2008	First Quarter 2007	%
Zinc *(tonnes)*			
Mochito	**6,764**	8,378	-19.3%
Toqui	**8,163**	7,868	3.7%
Myra Falls	**9,096**	6,953	30.8%
Langlois[1]	**7,373**	4,335	69.3%
	31,396	27,534	14.0%
Copper *(tonnes)*			
Myra Falls	**1,279**	1,193	7.2%
Langlois[1]	**391**	159	145.9%
	1,670	1,352	23.5%
Lead *(tonnes)*			
Mochito	**2,694**	3,134	-14.0%
Toqui	**715**	–	–
	3,409	3,134	8.8%
Gold *(ounces)*			
Toqui	**1,393**	13,881	-90.0%
Myra Falls	**4,000**	6,316	-36.7%
Langlois[1]	**288**	134	114.9%
	5,681	20,331	-73.3%
Silver *(ounces)*			
Mochito	**466,683**	448,386	4.1%
Toqui	**78,735**	22,246	253.9%
Myra Falls	**182,809**	330,150	-44.6%
Langlois[1]	**66,193**	19,085	246.8%
	794,420	819,867	-3.1%

[1] First concentrate shipped November 2006 and considered to be at commercial production levels effective July 1, 2007.

Aggregate production of zinc in concentrate in the first quarter of 2008 was 14.0% higher at 31,396 tonnes. The increase was due to increased production at Toqui, Myra Falls and Langlois partially offset by lower production at Mochito. Production of copper in concentrate rose 23.5% in the first quarter of 2008 due to increased production from Myra Falls and Langlois. Production of lead in concentrate rose 8.8% during the first quarter of 2008 due to the resumption of lead production at Toqui partially offset by fewer tonnes milled at Mochito with a lower lead grade. Gold in concentrate decreased 73.3% in the first quarter of 2008 from the same period in 2007 due to the planned delay of processing gold-rich Aserradero material as well as fewer tonnes milled at Myra Falls with a lower gold grade. Silver in concentrate decreased 3.1% quarter over quarter due to lower production and silver head grades at Myra Falls partially offset by higher grades at Toqui and Mochito and more tonnes milled and higher grades at Langlois.

MOCHITO

(i) Mochito Financial Results

	First Quarter 2008	First Quarter 2007
Gross sales revenue	**16,866**	22,942
Treatment and marketing costs	**(1,751)**	(2,019)
Net revenue	**15,115**	20,923
Direct operating costs	**(6,065)**	(4,828)
Depreciation and depletion	**(1,339)**	(710)
Reclamation and closure costs	**(288)**	(322)
Contribution from mining activities	**7,423**	15,063
Exploration	**(437)**	(438)
	6,986	14,625
Income and mining tax provision	**(1,494)**	(3,416)
Net earnings	**5,492**	11,209
Capital expenditures	**4,464**	3,273

Revenue:

The following tables and discussion provide details of Mochito's gross sales revenue for the periods indicated:

	First Quarter 2008				First Quarter 2007			
	Concentrate sold *(tonnes)*	Payable metal[1]	Realized price[1] *(US$)*	Gross sales revenue *($000s)*	Concentrate sold *(tonnes)*	Payable metal[1]	Realized price[1] *(US$)*	Gross sales revenue *($000s)*
Zinc	n.a.	n.a.	n.a.	n.a.	9,324	4,046	3,243	13,123
Lead	5,603	3,441	3,056	10,516	2,800	1,815	1,914	3,474
Silver	n.a.	458,114	16.99	7,783	n.a.	196,250	13.18	2,587
Other[2]	n.a.			(1,514)	n.a.			398
	5,603				12,124			
Gross sales revenue in US$				16,785				19,582
Exchange rate				1.0048				1.1716
Gross sales revenue in C$				16,866				22,942

[1] Payable metal and realized prices for zinc and lead are per tonne and for silver is per ounce.

[2] Other gross sales revenue represents revaluations of prior period concentrate receivables.

Concentrate sold in the first quarter of 2008 was 54% lower than in the first quarter of 2007 due no zinc concentrate sales being recognized in the first quarter of 2008 partially offset by higher lead sales. Per the Company's revenue recognition policy, as described in the gross sales revenue section of this MD&A, no sales of zinc were recognized in the first quarter of 2008. Significantly higher sales of lead and silver combined with higher lead and silver prices, resulted in a 15% decrease in gross sales revenues in US$ terms. A 14% higher exchange rate resulted in gross sales revenue in C$ terms being 26% lower in 2008.

Expenses:

Treatment and marketing costs were lower than in 2007 in aggregate terms primarily due to lower zinc concentrate sales and the weakening of the US$ partially offset by higher freight costs. Treatment and marketing costs per tonne of concentrate sold increased primarily due to certain concentrate sales in the first quarter of 2007 which had flat treatment charges and a freight re-imbursement in 2007 which did not recur in 2008.

Despite 54% fewer tonnes of concentrate sold, direct operating costs increased 26% in the first quarter of 2008 primarily due to increased fuel costs, the use of contract miners, the cost of improved ground support and additional safety initiatives. Refer to the discussion of US$ operating costs on a production basis discussed in the production section below.

Exploration expenses in the first quarter of 2008 were similar to the same period in 2007. Refer to the exploration section below for additional details.

Capital Expenditures:

At Mochito, $4.5 million was primarily spent as follows: $1.0 million for tailings facilities; $1.0 million for electrical upgrades; $0.7 million for mine development; $0.3 million for definition drilling; and, $0.6 million for various infrastructure projects.

(ii) Mochito Production

Mochito's production is set out in the following table.

	First Quarter 2008	First Quarter 2007
Ore Milled *(tonnes)*	**152,527**	155,184
Zinc *(%)*	**5.0**	6.0
Lead *(%)*	**2.2**	2.6
Silver *(g/t)*	**107**	104
Concentrate Production		
Zinc *(tonnes)*	**12,880**	16,348
Recovery *(%)*	**89.2**	89.5
Grade *(%)*	**52.5**	51.2
Lead *(tonnes)*	**4,079**	4,554
Recovery *(%)*	**81.8**	79.1
Grade *(%)*	**66.0**	68.8
Metal in Concentrates		
Zinc *(tonnes)*	**6,764**	8,378
Lead *(tonnes)*	**2,694**	3,134
Silver *(ounces)*	**466,683**	448,386
C$ operating costs, production basis *($000s)*	**8,614**	8,148
US$ operating costs, production basis *($000s)*	**8,573**	6,955
C$ operating cost per tonne milled *(production basis)*	**56**	52
US$ operating cost per tonne milled *(production basis)*	**56**	45

Zinc and lead in concentrate decreased by 19% and 14% respectively in the first quarter of 2008 compared with the same period in 2007 due to fewer tonnes milled and lower grades. Lower tonnage and grades were both due to a number of ground control issues which required a focus on rehabilitation of the affected areas and delayed mining of some higher grade stopes. A ground rehabilitation program is now in place focusing on high priority areas with dedicated crews to complete this work.

Zinc and lead head grades were lower, quarter over quarter, as planned mining of a higher grade portion of the Barbasco area was delayed due to the ground stability issues, which forced the mining of the lower grade mantos in Nacional, La Leona and Salva Vida instead. Mining activities were focused on developing new production areas as well as exploration headings.

Silver in concentrate increased by 4% as the silver grade increase in the first quarter of 2008 more than offset the lower tonnage milled.

Despite a 2% decrease in tonnage milled, US$ operating costs on a production basis increased 23% to $8.6 million in the first quarter of 2008 compared with the same period in 2007. The $1.6 million increase was primarily due to: greater power consumption and higher rates; an improved, more expensive method of ground control; higher diesel and lubricant costs; major equipment and mill component overhauls and repairs; new reagents required to extend the capacity of Pozo Azul; and, increased safety training, supervisor training and employee benefits.

At the Pozo Azul tailings impoundment area, the dam raise was completed in February and work on the toe berm continues. Additionally, work continues on the Soledad tailings impoundment area to recommission it late next year including work related to a thickened tailings plant. Migrating to the deposition of thickened tails is expected to ensure that the problem experienced in October 2007 does not reoccur.

The bank of flotation cells added to the lead circuit in 2007 for use when lead grades exceed 2.0% are being used exclusively while the existing cells undergo maintenance.

(iii) Mochito Exploration

The Company continued drilling to identify new mineral resources in several areas of the mine as well as validating the prospectivity of other areas with older drill information. Drilling continued during the first quarter of 2008 in the Santo Niño manto area with the objective of upgrading resources and validating older drill information related to both reserves and resources.

In the eastern area of the Mochito mine, drilling of the Deep North and Deep East areas continued during the first quarter of 2008. Drilling has encountered two areas of chimney-style mineralization as well as an area of manto-style mineralization. This campaign is expected to continue throughout 2008.

Drilling at Yojoa Manto continued to test areas with older information that required validation of the data. Drilling in the area of the Santo Niño Chimney commenced during the first quarter of 2008 with a number of drill holes encountering several bands of economic skarn mineralization. During the first quarter of 2008, exploration drilling at Raton West commenced with limited success to date.

Surface exploration continues to test the Big Fuzzy target. During the first quarter of 2008, strong evidence of skarn alteration as well as mineralization was intercepted within Hole BF-06, which is a step-out hole towards the west. The hole intersected 30 metres of skarn alteration at the base of the Atima limestone which included 7.9 metres grading 5.1% zinc. BF-06 represents the first intercept of economic grades and thickness within the Mochito district outside of the area of the mine. Follow-up drilling around this discovery is currently being planned.

Progress continued on the collection and compilation of basic surface geologic data for the entire Mochito district. First-pass geologic mapping over much of the district has been completed and a detailed soil geochemistry grid in progress across the district should be completed by the end of June 2008. At the end of March 2008, the soil grid was 65% complete with 1,857 samples left to collect. An aerial photogrammetric survey of the entire district has been planned and data collection should begin in the second quarter. Government permission is currently being obtained to conduct the flights and the resulting orthorectified aerial photography and detailed topography will assist completion of the geologic mapping and assist in developing a new structural interpretation for the district.

(iv) Mochito Outlook

The ground control problems experienced in the first quarter of 2008 are being addressed through the installation and use of the current ground support media. This initiative will be completed throughout the mine by the third quarter and is not expected to impact on previous production guidance.

Construction work on increasing the capacity of the Pozo Azul tailings facility is on schedule and will provide ample capacity while repairs are made to the Soledad facility. Repairs to Soledad are ongoing with completion anticipated late in 2009.

The Company continues to refine the exploration model for the Big Fuzzy target. Plans are being formulated to further investigate the target area. Several initiatives have been started which will improve the geological and exploration database at Mochito to generate new targets.

Programs are underway to increase pumping capacity, improve underground electrical power distribution and improve the ventilation system.

TOQUI

(i) Toqui Financial Results

	First Quarter 2008	First Quarter 2007
Gross sales revenue	**26,909**	37,226
Treatment and marketing costs	**(9,497)**	(14,400)
Net revenue	**17,412**	22,826
Direct operating costs	**(8,163)**	(8,231)
Depreciation and depletion	**(1,648)**	(2,002)
Reclamation and closure costs	**1,038**	(75)
Contribution from mining activities	**8,639**	12,518
Exploration	**(462)**	(1,183)
	8,177	11,335
Income and mining tax provision	**(2,811)**	(1,559)
Net earnings	**5,366**	9,776
Capital expenditures	**7,946**	3,977

Revenue:

The following tables and discussion provide details of Toqui's gross sales revenue for the periods indicated:

	First Quarter 2008				First Quarter 2007			
	Concentrate sold *(tonnes)*	Payable metal[1]	Realized price[1] *(US$)*	Gross sales revenue *($000s)*	Concentrate sold *(tonnes)*	Payable metal[1]	Realized price[1] *(US$)*	Gross sales revenue *($000s)*
Zinc	21,002	8,372	2,473	20,701	18,623	7,607	3,547	26,978
Gold	1,151	6,327	944	5,970	823	7,557	654	4,942
Silver	n.a.	5,010	19.38	97	n.a.	625	13.24	8
Other[2]	n.a.			13	n.a.			(155)
	22,153				19,446			
Gross sales revenue in US$				26,781				31,773
Exchange rate				1.0048				1.1716
Gross sales revenue in C$				26,909				37,226

[1] Payable metal and realized prices for zinc is per tonne and for gold and silver are per ounce.
[2] Other gross sales revenue represents revaluations of prior period concentrate receivables.

Total concentrate sold in the first quarter of 2008 was 14% higher than in the first quarter of 2007. More payable zinc sold did not offset a 30% reduction in zinc prices resulting in a 16% decrease in gross sales revenue in US$ terms. A 14% increase in the exchange rate resulted in 28% lower gross sales revenue in C$ terms in 2008.

Expenses:

Despite higher concentrate sales, treatment and marketing costs were lower in the first quarter of 2008 compared with 2007 primarily due to lower zinc prices, a higher base zinc price and the weakening of the US$ partially offset by higher freight costs. Treatment and marketing costs decreased on a per tonne of concentrate sold basis and as a percentage of gross sales revenue primarily due to the factors noted above.

Direct operating costs in the first quarter of 2008 were similar to 2007 despite 14% higher concentrate sales. Direct operating costs as a percentage of gross sales revenue increased to 30% in the first quarter of 2008 from 22% in 2007 primarily due to lower revenue resulting from a 30% lower zinc price. On a cost per tonne sold basis, first quarter 2008 costs decreased to $368 from $423 in 2007 primarily due to more tonnes of concentrate sold. Refer to the discussion of US$ operating costs on a production basis discussed in the production section below.

Depreciation and depletion costs decreased in the first quarter of 2008 primarily due to the impact of significantly higher reserves at the beginning of 2008 compared with 2007.

Exploration expenses decreased in the first quarter of 2008 compared with the same period in 2007 due to reduced expenses related to Concordia and Porvenir. Please refer to the exploration section below for additional details.

The first quarter 2008 tax expense at Toqui was $2.8 million compared with $1.6 million in the first quarter 2007.

Capital Expenditures:

Toqui capital expenditures of $7.9 million consisted primarily of: $1.4 million for development of Porvenir, Concordia and Aserradero; $2.1 million for mine equipment; $1.3 million for capitalized exploration at Porvenir, Aserradero North and Concordia East, $0.9 million for a lead flotation circuit and a ball mill overhaul; $0.6 million for definition drilling; $0.5 million for the mill pre-feasibility and thickened tailings plant studies; and, $0.4 million for housing and a new dry.

(ii) Toqui Production

Toqui's production is set out in the following table.

	First Quarter 2008	First Quarter 2007
Ore Milled *(tonnes)*	**127,093**	129,633
Zinc *(%)*	**7.2**	6.7
Lead *(%)*	**1.0**	0.1
Gold *(g/t)*	**0.6**	4.0
Silver *(g/t)*	**26**	9
Concentrate Production		
Zinc *(tonnes)*	**16,290**	15,992
Recovery *(%)*	**89.4**	91.1
Grade *(%)*	**50.1**	49.2
Lead *(tonnes)*	**1,461**	–
Recovery *(%)*	**48.9**	–
Grade *(%)*	**929**	–
Gold *(tonnes)*	**–**	1,329
Recovery *(%)*	**–**	56.7
Grade *(g/t)*	**–**	208.0
Metal in Concentrates		
Zinc *(tonnes)*	**8,163**	7,868
Lead *(tonnes)*	**715**	–
Gold *(ounces)*	**1,393**	13,881
Silver *(ounces)*	**78,735**	22,246
C$ operating costs, production basis *($000s)*	**6,615**	5,700
US$ operating costs, production basis *($000s)*	**6,583**	4,865
C$ operating cost per tonne milled *(production basis)*	**52**	44
US$ operating cost per tonne milled *(production basis)*	**52**	38

Production of zinc in concentrate increased 4% during the first quarter of 2008 compared with the same period in 2007 as higher grades were partially offset by fewer tonnes milled. Zinc grades increased quarter over quarter as more higher zinc grade Estatuas material is being blended with higher lead grade Concordia material until the new lead circuit is fully operational. Gold production decreased significantly in the first quarter of 2008 compared with 2007 primarily due to the scheduling of Aserradero material for later in 2008.

Production continues in Concordia North and decline development is proceeding towards Concordia South. The Concordia deposits will be an integral part of production in 2008. A mining contractor continues to develop the accesses to Porvenir and production is expected to begin early in 2009.

The new surface mine shop, a new administration office and a new supervisors' accommodation were all completed during the first quarter of 2008.

Operating costs on a US$ production basis increased 35% to US$6.6 million in the first quarter of 2008 compared with US$4.9 million in 2007. On a cost per tonne milled basis, costs increased to US$52 in the first quarter of 2008 compared with US$38 in 2007. The US$1.7 million increase in production costs are primarily due to: $0.8 million due to a 16% increase in the Chilean peso against the US$; $0.5 million in increased labour costs associated with the new collective agreement including a 7.9% inflation indexing adjustment; and, higher power costs due to a 48% increase in diesel costs and more diesel generated power due to dryer weather conditions reducing hydro power capacity.

(iii) Toqui Exploration

During the first quarter of 2008, $0.5 million was spent on exploration expenses and 9,560 metres were drilled in 48 holes. For 2008, total of 28,000 metres of drilling is planned for Toqui.

Exploration drilling continued to extend the Porvenir deposit towards the south-east and north-west while drilling at Concordia East continues to intercept economic mineralization over mineable widths.

A step-out exploration hole, drilled 500 metres south-east of Aserradero and Porvenir intercepted 18 metres of main manto unit at a depth of 1,466 metres with strong sphalerite dissemination. The indications are very encouraging, as the intercept returned several intervals with dominant sphalerite-arsenonpyrite-pyrite and garnet-pyroxene-amphibole alteration suggesting that the mineralized systems extend further south-east.

During the first quarter of 2008, multiple drill targets were identified utilizing older geochemistry and drilling data covering the area between Doña Rosa and Aserradero. These targets are located in the same central area of the Toqui basin that hosts all of the known deposits.

Exploration drilling on the Mina Profunda (or "deeper mine") project has confirmed the existence of an underlying, large, north-west/south-east trending gold~zinc scarn system hosted within a calcareous sandstone horizon. The Mina Profunda project is located 60 metres beneath and adjacent to the known deposits of Doña Rosa and Aserradero. The current drill program at Mina Profunda has succeeded in identifying gold, plus base metal and cobalt mineralization over a significant and expanding extent. A total of 3,295 metres in 17 holes were drilled from underground within a 400 metre long by 70 metre wide block. These holes were supported by five surface drill holes that, in conjunction with the underground holes, have proven the existence of a gold bearing zone. Additional exploration planned for 2008 on the Mina Profunda project will include diamond drilling to investigate several untested geochemical anomalies that could be related to conductors located along this north-west extensive conductive trend.

(iv) Toqui Outlook

The new lead flotation circuit expansion is expected to be operational in the second quarter of 2008 and is expected to improve lead concentrate production.

Drill results continue to support the decision to complete a pre-feasibility study for a 1.0 million tonne per annum mill. Toqui is constrained by the capacity of its mill which runs at 1,475 tonnes per day or approximately 540,000 tonnes per annum. The pre-feasibility study is expected to be completed in the third quarter of 2008.

Engineering studies continue for the construction of a thickened tails backfill plant as well as for a new tailings impoundment area, based on thickened tails deposition. Other projects are in progress in an effort to ensure that the appropriate infrastructure is in place to allow efficient construction of a new mill, should the pre-feasibility study be positive.

A project to increase hydro generation is being considered with engineering for a third turbine and application for additional water rights being investigating. To reduce costs, contractors working on development will be replaced with Toqui crews and further workforce reductions are being considered. In the second quarter of 2008, a new change house and a new warehouse are expected to be commissioned.

MYRA FALLS

(i) Myra Falls Financial Results

	First Quarter 2008	First Quarter 2007
Gross sales revenue	**18,514**	17,779
Treatment and marketing costs	**(4,956)**	(3,501)
Net revenue	**13,558**	14,278
Direct operating costs	**(15,890)**	(10,534)
Restructuring provision	**(2,500)**	–
Depreciation and depletion	**(1,120)**	(1,341)
Reclamation and closure costs	**(434)**	(402)
Contribution from mining activities	**(6,386)**	2,001
Foreign exchange and other	**–**	–
Exploration	**(362)**	(734)
	(6,748)	1,267
Income and mining tax recovery	**(946)**	1,678
Loss	**(7,694)**	(411)
Capital expenditures	**2,080**	6,512

Revenue:

The following tables and discussion provide details of Myra Falls' gross sales revenue for the periods indicated:

	First Quarter 2008				First Quarter 2007			
	Concentrate sold *(tonnes)*	Payable metal[1]	Realized price[1] *(US$)*	Gross sales revenue *($000s)*	Concentrate sold *(tonnes)*	Payable metal[1]	Realized price[1] *(US$)*	Gross sales revenue *($000s)*
Zinc	9,708	4,318	2,372	10,243	2,109	902	3,346	3,017
Copper	4,634	991	7,061	6,997	5,651	1,184	6,452	7,643
Gold	n.a.	1,656	892	1,477	3	3,744	633	2,370
Silver	n.a.	57,489	16.01	920	n.a.	176,655	12.86	2,271
Other[2]	n.a.			(1,341)	n.a.			63
	14,342				7,763			
Gross sales revenue in US$				18,296				15,364
Exchange rate				1.0119				1.1572
Gross sales revenue in C$				18,514				17,779

[1] Payable metal and realized prices for zinc and copper are per tonne and for gold and silver are per ounce.

[2] Other gross sales revenue represents revaluations of prior period concentrate receivables.

Concentrate sold in the first quarter of 2008 was 85% higher than in the first quarter of 2007. Revenues for the first quarter of 2008 increased 19% in US$ terms as the significant increase in concentrate sold was partially offset by a 29% fall in the price of zinc. A 13% higher exchange rate resulted in gross sales revenue only increasing by 4% in C$ terms to $18.5 million.

Expenses:

Treatment and marketing costs were higher in the first quarter of 2008 compared with 2007 primarily due to higher concentrate sales and freight costs partially offset by lower zinc prices and the weakening US$. A reduction in zinc prices resulted in lower escalators. In the first quarter of 2008, treatment and marketing costs decreased on a per tonne of concentrate sold basis primarily due to significantly higher zinc concentrate sales which, combined with lower zinc prices, attracted a lower treatment and marketing cost per tonne compared with 2007. As a percentage of gross sales revenue, treatment and marketing costs increased to 27% in the first quarter of 2008 from 20% primarily due to the decline in zinc treatment and marketing costs not matching the 29% reduction in zinc prices realized and higher freight costs. The increase in treatment and marketing costs was partially offset by the weakening of the US$.

Direct operating costs in the first quarter of 2008 increased by $7.9 million or 75% compared with the comparable period in 2007 primarily due to the impact of 85% greater tonnes of concentrate sold, $2.5 million in restructuring provisions related to layoffs, $2.0 million in concentrate inventory write-downs to market value and higher C$ operating costs on a production basis as discussed in the production section below.

Exploration expense decreased in the first quarter of 2008 compared with the same period in 2007. Refer to the exploration section below for additional details.

The income and mining tax provision decreased by $0.7 million in the first quarter of 2008 primarily due to a $1.0 million reduction of a future tax asset in 2008 compared with a $1.7 million reduction in the first quarter of 2007

Capital Expenditures:

Myra Falls' capital expenditures of $2.1 million consisted primarily of $1.1 million for development at Price and $1.0 million for a new tailings disposal area.

(ii) Myra Falls Production

The following table sets forth Myra Falls' production for the periods presented.

	First Quarter 2008	First Quarter 2007
Ore Milled *(tonnes)*	**170,182**	185,396
Zinc *(%)*	**6.1**	4.4
Copper *(%)*	**1.0**	0.9
Gold *(g/t)*	**1.2**	1.6
Silver *(g/t)*	**42**	65
Concentrate Production		
Zinc *(tonnes)*	**17,439**	13,699
Zinc Recovery *(%)*	**87.2**	85.8
Zinc Grade *(%)*	**52.2**	50.8
Gold Recovery *(%)*	**26.8**	20.6
Gold Grade *(g/t)*	**3.1**	4.5
Copper *(tonnes)*	**5,383**	5,402
Copper Recovery *(%)*	**73.0**	73.6
Copper Grade *(%)*	**23.8**	22.1
Gold Recovery *(%)*	**35.5**	44.0
Gold Grade *(g/t)*	**13.2**	24.5
Gold *(tonnes)*	**–**	0.4
Recovery *(%)*	**–**	3.0
Grade *(g/t)*	**–**	6,393
Metal in Concentrates		
Zinc *(tonnes)*	**9,096**	6,953
Copper *(tonnes)*	**1,279**	1,193
Gold *(ounces)*	**4,000**	6,316
Silver *(ounces)*	**182,809**	330,150
C$ operating costs, production basis *($000s)*	**28,441**	19,395
C$ operating cost per tonne milled *(production basis)*	**167**	105

Production of zinc in concentrate was 27% higher in the first quarter of 2008 compared with the same period in 2007 due to a 39% higher zinc grade and higher recoveries partially offset by 8% fewer tonnes milled. Copper concentrate production in the first quarter of 2008 was in line with 2007 as higher copper grades were offset by lower tonnes milled.

Operating costs on a production basis increased by $9.0 million or 47% in the first quarter of 2008 compared with 2007. The increased costs were primarily due to: $2.5 million restructuring provisions; $2.0 million in concentrate inventory writedowns to market value; $1.7 million costs associated with mining the higher cost Lynx pit; $1.3 million of addition diesel costs due to a cold winter and spring reducing hydro generation and higher diesel costs; and, $0.4 million for equipment leases partially offset by 8% fewer tonnes milled.

Production during the first quarter of 2008 was lower than anticipated due to a focused effort to minimize dilution and to provide higher head grades to the mill. Record snowfall in January and February resulted in some lost production time.

Development of the surface ramp to 18 level has been temporarily stopped at the 15 level until additional information is obtained on the Marshall deposit. Marshall results will determine if continuing the ramp is justified and determine the optimal layout of the ramp. The ramp currently provides sufficient volumes of fresh air to the western extremities of the Battle Gap mine to allow additional haulage equipment into the stoping areas and for development to the north and west.

A re-evaluation of the economics of developing and mining the lower grade Price and Lynx 5/6 deposits was carried out during the first quarter of 2008. Following this re-evaluation development of Price and Lynx 5/6 have been halted as metal prices, operating costs and exchange rates have combined to make these projects uneconomic at this time.

(iii) Myra Falls Exploration

Hole MR15-0014 on the Marshall Zone was completed during the first quarter of 2008. The hole intersected a 6.6 metre true width section grading 12.8% zinc, 0.8% copper, 109 g/t silver, 2.7 g/t gold and 1.1% lead. A second hole is currently being drilled. Drilling has progressed to 460 metres with an additional 380 metres remaining to hit the horizon.

The ramp to Lynx 12 level was completed during the quarter. The exploration program originally intended for this area is on hold as other targets, located closer to existing infrastructure, are explored. The exploration focus has been shifted to identifying potential additional tonnage located close to existing infrastructure. In-mine drilling is being conducted in the Gnu, Gopher, Main, HW and Battle Gap areas.

(iv) Myra Falls Outlook

During the first quarter of 2008, the Company announced a non-permanent layoff of 132 people which will result in a total mine site workforce of 287. This will bring, at least in the short-term, manpower levels more in line with operating requirements. Layoffs are progressing in accordance with requirements set out in the collective agreement and the applicable British Columbia labour legislation. Collective bargaining continues past the contract expiry date of March 31, 2008.

All previously approved capital expenditures have been suspended. Any ongoing capital expenditures must be re-justified and submitted for approval. A new senior management team has been installed at the Myra Falls mine and they are currently re-working the mine plan for the remainder of 2008.

The capacity of the new tailings facility has been re-evaluated and shows there is sufficient capacity to utilize the facilities through 2008 without requiring any additional capital spending on a dam raise. Work on the under drain system will proceed in 2008.

LANGLOIS

(i) Langlois Financial Results

	First Quarter 2008	First Quarter 2007
Gross sales revenue	**19,567**	–
Treatment and marketing costs	**(4,812)**	–
Net revenue	**14,755**	–
Direct operating costs	**(15,348)**	–
Depreciation and depletion	**(3,078)**	–
Reclamation and closure costs	**(20)**	(27)
Contribution from mining activities	**(3,691)**	(27)
Exploration	**(2,136)**	–
	(5,827)	(27)
Income and mining tax recovery (provision)	**3,006**	(483)
Loss	**(2,821)**	(510)
Capital expenditures	**10,585**	9,433

Revenue:

Langlois was considered to be in commercial production effective July 1, 2007. For accounting purposes, revenue from concentrate produced and sold after commencement of commercial production is included in the income statement. Net cash flow from concentrate produced prior to July 1, 2007 reduced preproduction capital expenditures when sold.

The following tables and discussion provide details of Langlois' gross sales revenue for the periods indicated:

First Quarter 2008				
	Concentrate sold *(tonnes)*	Payable metal[1]	Realized price[1] *(US$)*	Gross sales revenue *($000s)*
Zinc	15,454	6,797	2,354	16,001
Copper	1,658	307	7,547	2,318
Silver	n.a.	35,931	15.50	557
Gold	n.a.	208	856	178
Other[2]	n.a.			337
	17,112			
Gross sales revenue in US$				19,391
Exchange rate				1.0091
Gross sales revenue in C$				19,567

(1) Payable metal and realized prices for zinc and copper are per tonne and for gold and silver are per ounce.

(2) Other gross sales revenue represents revaluations of prior period concentrate receivables.

Expenses:

For the first quarter of 2008, treatment and marketing costs were $4.8 million or 25% of gross sales revenue and $281 per tonne of concentrate sold. Direct operating costs in the first quarter of 2008 were $15.3 million or 78% of gross sales revenue and $897 per tonne of concentrate sold. Included in direct operating costs in the quarter were $1.2 million of costs related to grouting old exploration holes in order to keep surface water out of Grevet B.

Depreciation and depletion were $3.1 million in the first quarter of 2008. The carrying value of Langlois is higher than the Company's other mines and therefore depreciation and depletion will tend to be higher.

Prior to the commencement of commercial production, exploration expenditures were capitalized. In the first quarter of 2008, a significant exploration program continued at Langlois with $3.3 million of expenses incurred. Refer to the exploration section below for additional details.

Income and mining tax recovery of $3.0 million in the first quarter of 2008 primarily relates to $2.2 million of the tax value of flow-through shares issued in 2007 and a $0.8 million tax reduction in the Québec mining duty liability.

Capital Expenditures:

At Langlois, $10.6 million was spent consisting primarily of: $3.8 million of lateral development for Zones 97, 4 and 3; $1.7 million of horizontal and other development at Zone 4, $1.5 million of ramp and horizontal development at Grevet B; $1.1 million for underground mobile equipment; $0.6 million for underground paste backfill infrastructure; and, $0.4 million for a road for the paste backfill line to Zone 97.

(ii) Langlois Production

Production at Langlois commenced during the fourth quarter of 2006 in Zones 3 and 4 with a total of 437,875 tonnes milled during 2007 and commercial production was achieved as of July 1, 2007.

Tonnes milled during the first quarter of 2008 were greater than anticipated but at a lower grade due to mining of significantly more tonnes of development material at lower zinc grades combined with slightly fewer tonnes of production material at a 17% lower zinc grade. The grades were lower due to greater than planned development dilution and because the mining sequence was changed.

Development drifts between Zone 3, Zone 4 and Zone 97 to the east on levels 4, 9 and 13 have been completed and production has commenced on levels 9 and 13. Ramp development from level 9 to access Zone 97 between level 9 and level 4 as well as a decline to access Zone 97 between level 9 and level 13 continued during the first quarter of 2008.

Langlois crews continued development of the surface ramp from the bottom of the ramp towards surface during the first quarter of 2008 while contractors continued development from the top of the ramp downwards. In April 2008, the contractors' work was halted to reduce costs and because mineralized material in the upper portions of the Zone 4 that is to be accessed using the ramp was not included in the production plans in either 2008 or 2009. Langlois crews will breakthrough to the upper portions of Zone 4 during the first quarter of 2009.

Water inflows continued to hamper production from Grevet B in the first quarter of 2008. Actions to reduce the water inflow during the first quarter of 2008 cost $1.2 million and included grouting exploration drill holes, grouting a fault and redesigning the remaining portions of the access ramp. Due to these higher costs, development of the ramp at depth by contractors has been halted with the emphasis shifted to ore production. It is estimated that it will take approximately two months to complete the ramp development and it is expected that development of the ramp will recommence during the fourth quarter of 2008 in order to access the bottom portion of the Grevet B deposit in 2009.

The following table sets forth Langlois' production for the periods presented.

	First Quarter 2008	First Quarter 2007
Ore Milled (tonnes)	116,664	77,202
Zinc *(%)*	6.9	6.4
Copper *(%)*	0.4	0.3
Silver *(g/t)*	33	27
Concentrate Production		
Zinc (tonnes)	13,922	8,759
Recovery *(%)*	92.2	87.3
Grade *(%)*	53.0	49.5
Copper *(tonnes)*	2,027	812
Recovery *(%)*	77.0	60.8
Grade *(%)*	19.3	19.5
Metal in Concentrates		
Zinc *(tonnes)*	7,373	4,335
Copper *(tonnes)*	391	159
Gold *(ounces)*	288	134
Silver *(ounces)*	66,193	19,085
C$ operating costs, production basis *($000s)*	14,740	n.a.
C$ operating cost per tonne milled *(production basis)*	126	n.a.

On April 15, 2008, the Company purchased 100% of Metco for 7,000,000 Common Shares of the Company. The transaction will enable the Company to consolidate its land position in the Lebel-sur-Quévillion camp, gain entry into a large and prospective land package in the Matagami camp and also secure potential additional feed for the Langlois mill.

(iii) Langlois Exploration

During the first quarter of 2008, four drill rigs, operating on surface, focused on delineating new resources at Orphée and Zone 5 as well as exploring Zone 97 at depth. During the latter part of the quarter, three of the drill rigs were re-directed to the grouting program at Grevet B. By the end of the quarter, all surface diamond drilling on the property was halted.

On the Orphée lens, 1,600 metres were drilled in four holes. The holes were focused on delineating the western part of the lens. A complete resource calculation, including the recent calculation carried out by Scott Wilson Roscoe Postle over the part of the lens previously owned by Metco, as part of the 50/50 joint venture with the Company, is scheduled for delivery by the end of the second quarter of 2008.

On Zone 5, approximately 2,100 metres were drilled in seven holes completed or in progress and nine holes which were stopped due to excessive deviation. The main focus of the Zone 5 drilling was to bring the known deposit to an indicated resource level of confidence which would warrant a pre-feasibility study. A complete resource calculation is expected by the end of the second quarter of 2008.

During the first quarter of 2008, approximately 6,500 metres of underground diamond drilling was carried out at Langlois and Grevet B. Of this total, 1,500 metres were drilled on the west side of Zone 3, 2,200 metres were drilled on the west side of Zone 4 below level 5, 1,900 metres were drilled below level 13 in Zone 97 and 900 metres of in-fill drilling was carried out on Grevet B.

Zone 3 drilling was carried out to fill the gap in indicated resources and increase the confidence level in the continuity of the mineralization between levels 6 and 8 on the west side. Grades and tonnes encountered were as expected. Additional drilling will be required to the west of this area in order to upgrade the inferred resources to the reserve category. Drilling in Zone 4 below level 5 is now complete and results indicate intermittent economic mineralization and a new evaluation is expected before year end. Zone 97 drilling has indicated that an anticipated down plunge extension of a small pocket defined in 2007 did not exist and has also defined the western limit of Zone 97 between level 12 and 14. Grevet B infill drilling identified the lower limit of mineralized material on the western side.

(iv) Langlois Outlook

Ramp-up of production continued during the first quarter of 2008. Zinc head grades are forecast to reach targeted values with the commencement, during the second quarter, of mining in the higher grade Zone 97. Based on results to-date, it is anticipated that Langlois will meet the 2008 guidance numbers.

The establishment of the paste backfill system for Zones 4 and 97 is on target and filling of the first stopes in Zone 97 will commence in July.

During the first quarter of 2008, a miner training school was established in Lebel-sur-Quévillion in conjunction with Employment Quebec and the Baie James School Board. The initial enrolment totals 16 students who are participating in a 26 week common core miner training program. The underground portions of the training are being conducted at the Langlois mine. The first group of students will have completed the course by late July. At that time, a second group of 16 trainees will commence their course with a third group of 32 trainees scheduled for early 2009. Once they graduate, the trainees will have training as development and stope miners and will continue to work at Langlois under the supervision of experienced miners. The eventual goal is to provide a fully trained workforce for the Langlois operation which will eventually replace the current contract mining workforce.

During the second quarter of 2008, underground drilling will be reduced to just one rig, infill drilling on an intermittent basis, to secure stope design. Areas planned for infill drilling include Grevet B and Zone 97 on levels 6 and 13. Underground infill drilling is expected to restart during the third quarter of 2008. All the exploration programs from surface and underground have been cancelled for 2008.

Coulon Project

During the first quarter of 2008, Virginia Mines Inc. ("Virginia") resumed drilling on the Coulon property, located in the James Bay region of Québec which the Company owns 50% of through a joint venture agreement. The Coulon joint venture property consists of 3,250 claims covering more than 90 kilometres of the prospective Coulon volcanic belt. Two deep drilling rigs and a third heliborne rig continue to focus on delineating additional resources within lenses 43, 08-44 and 9-25 as well as exploring for new drill targets on a regional scale.

Drill results released by Virginia in early 2008 indicated continuity of the Coulon mineralized system over more than 20 kilometres along strike. Lens 8 has been confirmed over a lateral distance of 250 metres and a vertical depth of 700 metres and is still open at depth. Recent drilling suggests the emergence of a new mineralized lens at depth. This new lens is located nearly 150 metres to the west of lens 8 and at a vertical depth of 750 to 800 metres. The exact relationship with lens 8 is not yet defined, however this mineralized zone is considered to be a new distinct lens (lens 08W).

Lens 43 is now confirmed over a lateral distance of 340 metres and a vertical depth of 430 metres and it is still open at depth. Lens 44 and 9-25 have been intercepted at depths to 575 and 550 metres respectively and both are also open at depth. Zone 8 has also been confirmed over a lateral distance of 250 metres and a vertical depth of 410 metres and is still open at depth. All lenses will be the subject of additional drilling in the second quarter of 2008.

Gayot Project

During the first quarter of 2008, Virginia continued its re-interpretation of the Lac Gayot property, located in the James Bay region of Québec. Under an agreement reached in 2007, the Company has the sole and exclusive right and option to earn a 50% interest in the property in exchange for $10 million in exploration work over a 9-year period and payments totalling $170,000 on or before the 4th anniversary of the agreement. Virginia will be the operator until the completion of a positive pre-feasibility study. This agreement is subject to a 1% NSR in favour of Billiton Resources Canada.

The Lac Gayot property consists of 116 claims covering 4,947.12 hectares and 3 mining exploration permits covering a surface area of 15,437 hectares. The property entirely covers the Venus Archean greenstone belt which consists dominantly of ultramafic MgO-rich sills and flows. This ultramafic sequence is the host to twelve nickel-platinum-palladium mineralized zones distributed over a strike length of 25 kilometres.

A new camp will be constructed in the second quarter of 2008 to permit field operations for a long duration. Surface mapping and prospecting will be conducted during the second and third quarters of 2008.

Gatineau Project

In 2007, the Company signed a letter agreement with Midland Exploration Inc. ("Midland") for the Gatineau zinc properties, which are currently held 100% by Midland. The properties are located approximately 200 kilometres northwest of the city of Montreal.

Midland's large land position, including 19 new properties, covers 347.6 km² distributed in the Gatineau Area. The area is known to host many significant zinc occurrences and prospects in metamorphosed Middle-Proterozoic marbles of the Grenville Supergroup. The interest for this area is that those zinc occurrences share many similarities with significant zinc deposits which are also hosted in Grenville metamorphosed limestones. The most prolific zinc deposits of this type are those of the Balmat-Edwards district in the United States, located only 60 kilometres south of the Gatineau properties area. This active mining district, in production since 1915, is known to host a combined 43 million tonnes at near 10% zinc including other commodities.

The Company has the option to acquire 50% of Midland's interest by funding $4.5 million in exploration expenditures and by making payments totalling $250,000 over 4 years. Midland will be the operator until the completion of a positive pre-feasibility study. Upon acquiring a 50% interest, the Company will have the option to acquire an additional 15% interest by delivering a bankable feasibility and by paying to Midland $40,000 per year and by having minimum work expenditures on the property of $200,000 per year until the delivery of the bankable feasibility study.

During the first quarter of 2008, results from geochemical surveys undertaken last fall were received and processed by Midland. On the soil samples collected over the Wallace, Venosta, Kazabazua, St-Germain, Kilmar, Ski, Davis and Leitch claim blocks, an examination of the assays has identified several first-order strong zinc and lead anomalies on Leitch, Wallace, Ski and St-Germain lake properties. All the new stream sediments samples collected in the fall of 2007 identified new targets on the north and east side of the Mont-Laurier metasedimentary belt. These targets will be the focus of field work to be conducted in the second and third quarter of 2008.

Weedon Project

In 2007, the Company signed a letter agreement with Midland for the Weedon property, which is currently held 100% by Midland. The property is located in the Eastern Townships area, about 120 kilometres south of Québec City.

The Weedon property consists of 242 claims totalling 132 km² and covers more than 30 kilometres of the Ascot-Weedon volcano-sedimentary belt. The Ascot-Weedon belt hosts several mined out volcanogenic massive sulphide (VMS) deposits and exhibits many similarities with other prolific VMS mining camps, namely Bathurst in New Brunswick and Buchans in Newfoundland.

The Company may acquire 50% of Midland's interest by funding $3.0 million in exploration expenditures and by making payments totalling $200,000 over three years. Midland will be the operator until a positive pre-feasibility study is completed. Upon acquiring a 50% interest, the Company may acquire an additional 15% interest by delivering a bankable feasibility study and by paying Midland $40,000 per year. Additionally, the Company needs to spend a minimum of $200,000 per year in exploration work on the property until the bankable feasibility study is delivered.

During the fall of 2007, a 1,600 line kilometre VTEM airborne survey was carried out designed to delineate new conductive zones of base metal mineralization on the property. The survey has detected several new, previously unidentified conductors. Some of these conductors were identified at greater depths than the depth penetration of conventional surveys carried out on the property in the past.

During the first quarter of 2008, a list of first priority targets was selected that will be followed up with more detailed ground geophysics during the second quarter and will be followed by a diamond drilling program on the best targets. These new conductors were detected on several flight lines and have a good magnetic association, typical of most massive sulphide deposits.

Other Properties

The reclamation work is largely complete at the Bouchard-Hébert and Bougrine with Nanisivik expected to be largely reclaimed by the end of 2008. The mill at Bougrine remains intact pending exploration results elsewhere throughout the Company's properties and dismantling of the mill at Bouchard-Hébert has commenced.

NON-GAAP RECONCILIATION

Operating cost per tonne milled on a production basis is a performance indicator. It is a non-GAAP measure and because there is no standard method for calculating it, operating costs per tonne milled on a production basis is not a reliable way to compare the Company against other companies. It can however allow an understanding of how production costs have changed from year to year and the impact on cash flows.

Three month period ended March 31, 2008

($000s)	Mochito	Toqui	Myra Falls	Langlois	Total
Direct operating costs per financial statements	6,065	8,163	18,390	15,348	47,966
Adjustment to production basis	2,579	(1,137)	10,143	(595)	10,990
Less: stock-based compensation	(30)	(59)	(92)	(13)	(194)
Less: royalties	n.a.	(352)	n.a.	n.a.	(352)
Operating costs on a production basis (C$)	8,614	6,615	28,441	14,740	58,410
Average exchange rate	1.0048	1.0048	1.0048	1.0048	1.0048
Operating costs on production basis (US$)	8,573	6,583	28,305	14,670	58,131
Tonnes milled, production basis	152,527	127,093	170,182	116,664	566,466
Operating cost per tonne milled – US$	$56	$52	$166	$126	$103
Operating cost per tonne milled – C$	$56	$52	$167	$126	$103

Three month period ended March 31, 2007

($000s)	Mochito	Toqui	Myra Falls	Langlois[1]	Total
Direct operating costs per financial statements	4,828	8,231	10,534	n.a.	23,593
Adjustment to production basis	3,390	(1,841)	9,082	n.a.	10,631
Less: stock-based compensation	(70)	(100)	(221)	n.a.	(391)
Less: royalties	n.a.	(590)	n.a.	n.a.	(590)
Operating costs on production basis (C$)	8,148	5,700	19,395	n.a.	33,243
Average exchange rate	1.1716	1.1716	1.1716	n.a.	1.1716
Operating costs on a production basis (US$)	6,955	4,865	16,554	n.a.	28,374
Tonnes milled	155,184	129,633	185,396	77,202	547,415
Less: preproduction tones	n.a.	n.a.	n.a.	(77,202)	(77,202)
Tonnes milled, production basis	155,184	129,633	185,396	n.a.	470,213
Operating cost per tonne milled – US$	$45	$38	$89	n.a.	$60
Operating cost per tonne milled – C$	$52	$44	$105	n.a.	$71

[1] First concentrate shipped November 2006 and considered to be at commercial production levels effective July 1, 2007.

SUMMARY OF QUARTERLY RESULTS

	2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	**2008 Q1**
Gross sales revenue *($ millions)*	101.2	112.0	158.3	77.9	103.4	87.5	135.5	**81.9**
Net earning (loss) *($ millions)*	28.6	39.2	50.4	15.3	38.7	7.8	(35.4)	**(6.9)**
Basic earnings per share	$0.08	$0.10	$0.13	$0.04	$0.09	$0.02	$(0.08)	**$(0.02)**
Weighted-average number of Common Shares outstanding *(millions)*	383.8	384.3	384.3	396.4	418.0	418.7	421.6	**425.8**
Diluted earnings per share	$0.07	$0.09	$0.12	$0.04	$0.09	$0.02	$(0.08)	**$(0.02)**
C$/US$ realized exchange rate	1.1239	1.1187	1.1422	1.1683	1.0914	1.0374	0.9987	**1.0047**
Average realized zinc price *(US$/t)*	2,895	3,363	4,227	3,434	3,710	3,200	2,608	**2,409**
Average realized zinc price *(C$/t)*	3,226	3,762	4,828	4,012	4,049	3,320	2,605	**2,420**
Concentrate tonnes sold [1]	59,779	61,385	73,231	39,333	51,553	50,748	102,415	**59,210**
Concentrate tonnes produced [1]	59,906	59,420	67,057	66,895	75,596	73,122	72,470	**73,481**

[1] Langlois commenced commercial production effective July 1, 2007. Included in concentrate produced in Q4 2006, Q1 2007 and Q2 2007 were 4,255, 9,571 and 14,921 tonnes respectively which are not included in concentrate tonnes sold.

The quantity and mix of concentrates sold directly affects gross sales revenue. The recognition of revenue from the sale of concentrate can vary from quarter to quarter for the reasons discussed in the "Gross Sales Revenue" section of this MD&A. As all sales are based in US$, the US$'s general weakening against the C$ over the past eight quarters has reduced the realized C$ gross sales revenue.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The notes to the Company's December 31, 2007 audited consolidated financial statements outline the Company's significant accounting policies. Note 2 to the unaudited consolidated first quarter 2008 financial statements describes changes to the Company's accounting policies. Pages 32 and 33 of the 2007 Financial Report contain a discussion of certain accounting estimates that are considered particularily important, as they require management to make significant judgments, some of which relate to matters that are inherently uncertain. Readers are encouraged to refer to the 2007 Financial Report to review that discussion.

RISKS, UNCERTAINTIES AND OTHER INFORMATION

Readers are encouraged to read and consider the risk factors, and additional information regarding the Company, included in its most recent Annual Information Form filed with the Canadian securities regulators, a copy of which is posted on the SEDAR website at www.sedar.com.

OUTSTANDING SHARE DATA AND FULL DILUTION CALCULATION

The Company is authorized to issue an unlimited number of Common Shares and 200,000,000 preferred shares, issueable in series. There are no preferred shares outstanding. Each Common Share entitles the holder of record thereof to one vote at all meetings of shareholders of the Company, except at meetings at which only holders of another class or series of shares of the Company are entitled to vote. The table set forth below summarizes the Capital Stock. For a more complete description of certain elements please refer to note 14 to the 2007 audited consolidated financial statements of the Company.

Subsequent to March 31, 2008, the Company issued 7,000,000 and 13,518,739 Common Shares for the acquisition of Metco and to purchase a 3% net smelter royalty at Myra Falls respectively.

Common Shares or Securities Convertible into Common Shares	**May 7, 2008**
Issued and outstanding	446,384,020
Share options outstanding weighted-average exercise price $1.26	7,837,807
Warrants granted at $1.00, expire January 28, 2009 – traded on TSX	33,481,849
Future fully diluted	**487,703,676**

CAUTION ON FORWARD-LOOKING INFORMATION

This report contains certain statements which constitute forward-looking information. These forward-looking statements are not descriptive of historical matters and may refer to management's expectations or plans. These statements include but are not limited to statements concerning the Company's business objectives and plans; future trends in the Company's industry; future production costs and volumes; mineral grades, reserve and resource estimates and types; sales volumes and realized prices; capital spending plans; exploration plans; expansion plans; expected market fundamentals and prices; availability of equipment and supplies; expected plant availability; success of process changes; the Company's processing technologies; global economic growth and industrial demand; production of base metal concentrates by the Company's operations; future metal prices and treatment charges; future royalties payable; changes in global metal and concentrate inventories; currency exchange rates; costs of energy, materials and supplies; the outcome of disputes and legal proceedings in which the Company is involved; future effective tax rates; and future benefits costs.

Inherent in forward-looking statements are risks and uncertainties beyond the Company's ability to predict or control, including risks that may affect the Company's operating or capital plans, including risks generally encountered in the development and operation of mineral properties and processing facilities such as unusual or unexpected geological formations, unanticipated metallurgical difficulties, ground control problems, process upsets and equipment malfunctions; risks associated with labour disturbances and unavailability of skilled labour; fluctuations in the market prices of the Company's principal products, which are cyclical and subject to substantial price fluctuations; risks created through competition for mining properties; risks associated with lack of access to markets; risks associated with mineral and resource estimates, including the risk of errors in assumptions or methodologies; risks posed by fluctuations in exchange rates and interest rates, as well as general economic conditions; risks associated with environmental compliance and permitting, including those created by changes in environmental legislation and regulation; risks associated with the Company's dependence on third parties in the provision of transportation and other critical services; risks associated with aboriginal title claims and other title risks; social and political risks associated with operations in foreign countries; and risks associated with legal proceedings.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, the following assumptions: that there is no material deterioration in general business and economic conditions; that there is no unanticipated fluctuation of interest rates and foreign exchange rates; that the supply and demand for, deliveries of, and the level and volatility of prices of zinc, copper, gold, lead and silver and the Company's other primary metals and minerals develop as expected; that the Company receives regulatory and governmental approvals for its development projects and other operations on a timely basis; that the Company is able to obtain financing for its development projects on reasonable terms; that there is no unforeseen deterioration in the Company's costs of production or production and productivity levels; that the Company is able to continue to secure adequate transportation for its products; that the Company is able to procure mining equipment and operating supplies (including tires) in sufficient quantities and on a timely basis; that engineering and construction timetables and capital costs for the Company's development and expansion projects are not incorrectly estimated or affected by unforeseen circumstances; that costs of closure of various operations are accurately estimated; that there are no unanticipated changes to market competition; that the Company's reserve estimates are within reasonable bounds of accuracy (including with respect to size, grade and recoverability) and that the geological, operational and price assumptions on which these are based are reasonable; that environmental and other proceedings or disputes are satisfactorily resolved; and that the Company maintains its ongoing relations with its employees and with its business partners and joint venturers.

Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Forward-looking statements are not guarantees of future performance. Events or circumstances could cause the Company's actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. Readers should also carefully consider the matters discussed under "Risk Factors" in the Company's Annual Information Form. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

ACCOUNTING CHANGES

On January 1, 2008, the Company adopted the Canadian Institute of Chartered Accountants' new accounting requirements for inventories and financial instruments disclosure and presentation. Adoption of those requirements did not have a significant impact. For details of the specific accounting changes and related impacts, refer to note 2 of the Company's unaudited consolidated financial statements for the period ended March 31, 2008.

Consolidated Balance Sheets

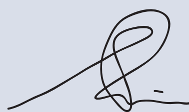
(Expressed in thousands of Canadian dollars)
(Unaudited)

	March 31, 2008	December 31, 2007
Assets		
Current		
Cash and cash equivalents	**15,048**	62,934
Restricted cash *(note 3)*	**629**	629
Short-term investments *(note 4)*	**5,489**	6,532
Accounts receivable – concentrate	**6,430**	3,585
Other receivables	**21,372**	17,025
Concentrate inventory *(note 5)*	**70,058**	64,775
Materials and supplies inventory *(note 2(b))*	**29,832**	29,096
Prepaid expenses and other current assets	**13,805**	7,541
Future income tax assets *(note 13)*	**1,694**	1,491
Total current assets	**164,357**	193,608
Future income tax assets, long-term *(note 13)*	**18,711**	19,915
Restricted reclamation investments *(note 6)*	**33,500**	33,500
Mineral properties and fixed assets *(note 2(b))*	**288,868**	267,462
Long-term investments *(note 7)*	**31,458**	32,922
Restricted promissory notes	**62,285**	62,285
	599,179	609,692
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities *(note 12)*	**54,402**	62,020
Provisional payments for concentrate inventory shipped and not priced	**32,999**	32,248
Short-term debt including current portion of long-term debt *(note 8)*	**728**	190
Income and mining taxes payable	**13,237**	10,078
Current portion of reclamation, closure cost accruals and other environmental obligations *(note 10)*	**6,487**	6,486
Total current liabilities	**107,853**	111,022
Deferred income	**5,513**	5,666
Long-term lease obligations	**230**	267
Royalty obligations	**82,479**	82,479
Long-term debt *(note 9)*	**1,651**	1,851
Reclamation, closure cost accruals and other environmental obligations *(note 10)*	**32,260**	33,262
Employee future benefits *(note 11)*	**2,283**	2,817
Future income tax liabilities *(note 13)*	**8,327**	7,942
Total liabilities	**240,596**	245,306
Shareholders' equity *(note 14)*	**358,583**	364,386
	599,179	609,692

Contingencies and commitments *(note 17)*.

The accompanying notes form an integral part of these consolidated financial statements.

Approved by the Board



Garth A.C. MacRae
Director

George E. Pirie
Director

Consolidated Statements of Operations and Retained Earnings

(Expressed in thousands of Canadian dollars except share and per share amounts)
(Unaudited)

For the periods ended March 31	**2008**	2007
Gross sales revenue	**81,856**	77,947
Treatment and marketing costs	**21,016**	19,920
Net revenue	**60,840**	58,027
Direct operating costs *(note 12)*	**47,966**	23,593
Depreciation and depletion	**7,230**	4,102
Reclamation and closure costs	**(198)**	953
	54,998	28,648
Contribution from mining activities	**5,842**	29,379
General and administrative	**3,595**	3,963
Interest and financing	**985**	1,156
Investment and other costs (income)	**1,363**	(1,690)
Foreign exchange and other	**(39)**	291
Exploration	**4,482**	2,671
Other non-producing property costs	**512**	495
	10,898	6,886
(Loss) earnings before income and mining tax provision	**(5,056)**	22,493
Income and mining tax provision *(note 13)*	**1,808**	7,203
Net (loss) earnings	**(6,864)**	15,290
Retained earnings, beginning of period	**168,908**	139,795
Changes in accounting policy	**–**	5,706
Retained earnings, end of period	**162,044**	160,791
Basic (loss) earnings per Common Share *(note 20)*	**($0.02)**	0.04
Diluted (loss) earnings per Common Share *(note 20)*	**($0.02)**	0.04
Basic weighted-average number of Common Shares outstanding *(000's)* *(note 20)*	**425,778**	396,441

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Accumulated Other Comprehensive Loss

(Expressed in thousands of Canadian dollars)
(Unaudited)

	March 31, 2008	December 31, 2007
Accumulated other comprehensive loss, beginning of period	**(3,817)**	(7,689)
Remeasurement of available-for-sale securities at January 1, 2007	**–**	11,980
Other comprehensive income (loss)	**2,773**	(8,108)
Accumulated other comprehensive loss, end of period *(note 14)*	**(1,044)**	(3,817)

The accompanying notes form an integral part of these consolidated financial statements.

BREAKWATER RESOURCES LTD.

Consolidated Statements of Other Comprehensive (Loss) Income

(Expressed in thousands of Canadian dollars)
(Unaudited)

For the periods ended March 31	**2008**	2007
Net (loss) earnings	**(6,864)**	15,290
Other comprehensive income (loss), net of income taxes:		
Unrealized gains (losses) on translating financial statements of self sustaining foreign operations	**2,295**	(616)
Unrealized loss on short-term available-for-sale securities, net of income tax provision of $1 (2007 - $37) *(note 4)*	**(7)**	(167)
Unrealized gain on long-term available-for-sale securities, net of income tax provision of $87 (2007 - $66) *(note 7)*	**485**	296
Other comprehensive income (loss), net of income taxes	**2,773**	(487)
Comprehensive (loss) income	**(4,091)**	14,803

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flow

(Expressed in thousands of Canadian dollars)
(Unaudited)

For the periods ended March 31	**2008**	2007
Operating Activities		
Net (loss) earnings	**(6,864)**	15,290
Items not affecting cash:		
Depreciation and depletion	**7,230**	4,102
Gain on sale of investment	**–**	(306)
Unrealized loss (gain) on investments	**2,507**	(2,607)
Other non-cash items	**1,195**	100
Stock-based compensation *(note 14(c))*	**365**	529
Unrealized deferred income	**(153)**	(153)
Future income taxes *(note 13)*	**(836)**	7,718
Reclamation, closure cost accruals and other environmental obligations	**(198)**	953
Employee future benefits *(note 11)*	**354**	395
Payment of reclamation, closure cost accruals and other environmental obligations	**(528)**	(1,235)
Payment of employee future benefits	**(888)**	(740)
Changes in non-cash working capital items *(note 19)*	**(24,296)**	3,194
Net cash (used in) provided by operating activities	**(22,112)**	27,240
Investing Activities		
Decrease in restricted cash	**–**	188
Short-term investments	**–**	1,033
Mineral properties and fixed assets	**(26,173)**	(23,678)
Proceeds from sale of mineral properties and fixed assets	**27**	18
Net cash used in investing activities	**(26,146)**	(22,439)
Financing Activities		
Issue of common shares for cash *(note 14)*	**83**	6,757
Decrease in long-term lease obligations	**(37)**	(76)
Increase in short-term debt *(notes 8 and 9)*	**326**	262
Net cash provided by financing activities	**372**	6,943
Net (decrease) increase in cash during the period	**(47,886)**	11,744
Cash and cash equivalents, beginning of period	**62,934**	81,412
Cash and cash equivalents, end of period	**15,048**	93,156
Supplemental Information		
Cash interest paid	**35**	207
Cash income and mining taxes paid	**–**	–
Cash interest received	**314**	218

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the periods ended March 31, 2008 and 2007
(Unaudited)

1. Basis of Presentation

These unaudited interim consolidated financial statements of Breakwater Resources Ltd. (the "Company") for the three months ended March 31, 2008 and 2007 have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and follow the same accounting principles and methods of application as those disclosed in note 1 to the Company's audited consolidated financial statements for the year ended December 31, 2007, except for the changes in accounting policies described in note 2 below. These unaudited financial statements include all adjustments that are, in the opinion of management, necessary for a fair presentation. These unaudited financial statements do not include all disclosures required by Canadian GAAP for annual financial statements and, accordingly, should be read in conjunction with the Company's audited consolidated financial statements included in the 2007 Financial Report.

2007 Figures

Certain of the 2007 figures have been reclassified to conform to the 2008 presentation.

2. Changes in Accounting Policies

(a) On January 1, 2008, the Company adopted the following CICA accounting standards which were effective for fiscal years beginning on or after October 1, 2007 and January 1, 2008 (i) Accounting Standards Section 3031 "Inventories"; (ii) Accounting Standards Section 3862 "Financial Instruments – Disclosures"; (iii) Accounting Standards Section 3863 "Financial Instruments – Presentation". Adoption of these standards is on a prospective basis without retroactive restatement of prior periods.

(b) Accounting Standards Section 3031 "Inventories" provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories and was effective for fiscal years beginning on or after January 1, 2008. The effect of adopting Section 3031 is a reclassification of items classified as capital spares from materials and supplies inventory to fixed assets of $762,000 and the expensing of depreciation of $14,000.

(c) Accounting Standards Section 3862 "Financial Instruments – Disclosures" require disclosures in the financial statements that will enable users to evaluate: the significance of financial instruments for the company's financial position and performance; and the nature and extent of risks arising from financial instruments to which the company is exposed during the period and at the balance sheet date, and how the company manages those risks. This standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. *(See note 15)*

(d) Accounting Standards Section 3863 "Financial Instruments – Presentation" carries forward, unchanged, the presentation requirements of Section 3861 – "Financial Instruments – Disclosure and Presentation". Adopting this standard did not have an impact on the financial statements. This standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

3. Restricted Cash

The restricted cash balances at March 31, 2008 and December 31, 2007, of $629,000, include $379,000 placed on deposit to cover certain reclamation costs and $250,000 to guarantee an operating lease.

4. Short-term Investments

($000's)	March 31, 2008	December 31, 2007
Marketable securities:		
Available-for-sale	**538**	547
Held-for-trading	**4,951**	5,985
	5,489	6,532

Marketable securities are carried at fair value with the net unrealized loss on available-for-sale securities for the three months ended March 31, 2008 of $7,000 (2007 - $167,000) recorded in OCI until realized and the unrealized losses of $1,034,000 (2007 - $153,000) on held-for-trading securities for the same period recorded in earnings.

5. Concentrate Inventory

Concentrate inventory as at March 31, 2008 includes an amount of $40,139,000 (December 31, 2007 - $39,383,000) for shipments where title and risk of ownership have been transferred to the customer but the final settlement price has not been determined. These shipments will be recognized as revenue in accordance with the Company's revenue recognition policy set out in note 1 of the audited consolidated financial statements for the year ended December 31, 2007.

6. Restricted Reclamation Investments

Restricted reclamation investments at March 31, 2008 and December 31, 2007, consisting of cash collateral on deposit of $13,500,000 and investments of $20,000,000, are related to future reclamation activities and are held by third parties to fund future reclamation costs at Myra Falls. The investments of $20,000,000 were funded through a qualifying environmental trust. The investments for the qualifying environmental trust are classified as available-for-sale securities and are carried at fair value which at March 31, 2008 and December 31, 2007 approximates the carrying value of $20,000,000 at acquisition.

7. Long-term Investments

Long-term investments are classified as available-for-sale securities and are carried at fair value. The Company recorded for the three months ended March 31, 2008 an unrealized loss on the long-term investments of $1,464,000 (2007 - $766,000) which included an unrealized loss of $2,036,000 (2007 - $1,062,000) for the valuation of the conversion rights which are considered embedded derivatives and recorded through earnings and an unrealized gain of $485,000 (2007 - $296,000) for the increase in fair value of the debentures which is recorded in OCI, net of income tax of $87,000 (2007 - $66,000).

($000's)	March 31, 2008	December 31, 2007
Blue Note Metals Inc. unsecured convertible debenture	**14,091**	15,689
Taseko Mines Limited unsecured convertible debenture	**17,367**	17,233
	31,458	32,922

The unsecured subordinated convertible debenture from Blue Note Metals Inc. ("Blue Note") was issued on August 1, 2006 in the amount of $15,000,000 and matures on August 1, 2011. The note does not bear interest and is unsecured. The debenture is convertible into common shares of Blue Note at the option of the Company, any time after the Caribou and Restigouche mines have been in commercial production for at least a twelve-month period (the "Redemption Date") and prior to the maturity date, at a price of $0.36 per share. Blue Note has the option to redeem the debenture any time after the Redemption Date and up to and including the maturity date by a cash payment or on maturity by issuing common shares at a price of $0.36 per share. Management determined the fair value of the debenture on acquisition to be $9,089,000.

The unsecured convertible debenture from Taseko Mines Limited ("Taseko") was issued on July 21, 1999, for $17,000,000 and matures on July 21, 2009 and does not bear interest. The debenture is convertible into common shares of Taseko over a ten-year period from the date of issuance commencing at a price of $3.14 per share escalating by $0.25 each year thereafter. From the fifth anniversary date until the tenth anniversary, the outstanding principal may, at the election of Taseko, be converted into common shares at the then prevailing share price *(see note 21(c))*. Management determined the fair value of the debenture on acquisition to be $5,615,000.

8. Short-term Debt

($000's)	March 31, 2008	December 31, 2007
Reimbursable government assistance, unsecured, non-interest bearing, current portion *(note 9)*	**200**	190
Other	**528**	–
	728	190

9. Long-term Debt

($000's)	March 31, 2008	December 31, 2007
Reimbursable government assistance, unsecured, non-interest bearing	**1,851**	2,041
Less current portion	**200**	190
	1,651	1,851

The reimbursable government assistance consists of an amount of $500,000 (December 2007 - $500,000) relating to Zone 97 and $1,351,000 (December 2007 - $1,541,000) for the installation of a hydro line. The amount of $500,000 will be repaid with an instalment of $200,000 on January 1, 2009 and two instalments of $150,000 in the following two years and the amount of $1,351,000 will be repaid by three annual instalments of $300,000 with a final instalment on April 1, 2012 of $451,000. In March 2008, an instalment of $190,000 was paid, reducing the loan for the installation of the hydro line from $1,541,000 to $1,351,000. The carrying value of the reimbursable government assistance approximates its fair value.

10. Reclamation, Closure Cost Accruals and Other Environmental Obligations

($000's)	March 31, 2008	December 31, 2007
Asset retirement obligations	**31,967**	32,874
Closure cost accruals	**1,599**	1,505
Other environmental obligations	**5,181**	5,369
	38,747	39,748
Less current portion	**6,487**	6,486
	32,260	33,262

Other environmental obligations represent expenditures required to complete modifications to the tailings facility at Myra Falls. The Company expects to complete the required work by 2009. The estimated obligation was recorded and is being reduced by actual expenditures incurred. As at March 31, 2008, the expenditures since acquisition have been $12,916,000 (December 31, 2007 - $12,728,000). The current portion of $1,600,000 (December 31, 2007 - $1,600,000) is included in "Current portion of reclamation, closure cost accruals and other environmental obligations" on the consolidated balance sheets.

Asset Retirement Obligations

($000's)	
As at December 31, 2007	**32,874**
Change in timing of cash flow	(466)
Accretion (included in reclamation and closure costs)	(499)
Expenditures	(73)
Impact of foreign exchange	131
As at March 31, 2008	**31,967**
Less: current portion included in Current portion of reclamation, closure cost accruals and other environmental obligations	4,519
	27,448

The estimated amount of undiscounted cash flow required to satisfy the asset retirement obligations as at March 31, 2008, was $99,207,000 (December 31, 2007 - $98,102,000). The expected timing of payments ranges from 2008 to 2119, and the credit-adjusted risk-free rates at which the estimated cash flow has been discounted to arrive at the obligation, ranges from 7.17% to 7.89% (2007 – 7.17% to 7.89%). The estimated amount of undiscounted cash flow for March 31, 2008, includes an amount of $66,329,000 (December 31, 2007 - $66,329,000) which is for water treatment at Myra Falls in perpetuity.

11. Employee Future Benefits

The defined benefit pension plan cost for the three months ended March 31, 2008 was $354,000 (2007 - $395,000).

12. Direct Operating Costs

On March 27, 2008, the Company announced that further to the ongoing effort to reduce costs and increase profitability at Myra Falls there will be a non-permanent layoff of the workforce of both staff and hourly individuals. At March 31, 2008, $2,500,000 was accrued for severance and is included in direct operating costs on the consolidated statements of operations and retained earnings.

13. Income and Mining Taxes

The significant components of the Company's future tax assets (liabilities) were as follows:

($000's)	**March 31, 2008**	December 31, 2007
Future tax assets		
Loss carry forwards	**27,867**	33,187
Mineral properties and fixed assets	**194,600**	232,999
Reclamation and closure cost accruals	**8,983**	10,673
Deferred income	**1,583**	1,915
Future tax assets before valuation allowance	**233,033**	278,774
Valuation allowance	**212,628**	257,368
Future tax assets	**20,405**	21,406
Future tax liabilities		
Mineral properties — mining tax and other	**(8,327)**	(7,942)
Net future tax assets	**12,078**	13,464

($000's)	**Three Months Ended March 31, 2008**	Three Months Ended March 31, 2007
Income and mining tax provision		
Current income and mining tax provision	**2,730**	3,482
Future income and mining tax provision (recovery)	**(922)**	3,721
	1,808	7,203

14. Shareholders' Equity

Shareholders' equity consists of the following:

($000's)	March 31, 2008	December 31, 2007
Capital stock	**186,664**	188,726
Warrants *(b)*	**8,540**	8,540
Contributed surplus *(c)*	**2,379**	2,029
Retained earnings	**162,044**	168,908
Accumulated other comprehensive loss	**(1,044)**	(3,817)
	358,583	364,386

The Company is authorized to issue 200,000,000 preferred shares and an unlimited number of common shares ("Common Shares"). No preferred shares were issued or outstanding on March 31, 2008 and December 31, 2007.

Common shares issued: (000's)	Number of Shares	Amount $
As at December 31, 2007	425,700	188,726
Renunciation of flow through share value *(a)*	–	(2,160)
Additional private placement costs *(a)*	–	(24)
Employee share option plan – proceeds of options exercised *(c)*	47	26
Value ascribed to options exercised under stock-based compensation *(c)*	–	15
Employee share purchase plan	37	81
As at March 31, 2008	**425,784**	**186,664**

a) In December 2007, the Company issued 6,122,449 flow-through Common Shares by way of private placement at a price of $1.96 per Common Share exclusive of estimated share issuance costs of $12,000 to a wholly-owned subsidiary of Dundee Corporation ("Dundee"). The flow-through Common Shares have a four-month hold period. Dundee is a significant shareholder of the Company. The proceeds of the flow-through shares will be used to finance exploration activities in Québec.

In March 2008, the Company renounced $12,000,000 in Canadian exploration expenses to investors of flow-through common shares in 2007. The tax value of the renunciation has been recorded as a liability and charged against share capital. Since the Company has a valuation allowance, which reduces the future income tax assets, the valuation allowance has been reduced and an income tax recovery has been recognized in the consolidated statements of operation and retained earnings.

b) On January 28, 2004, the Company completed the sale of 57,142,858 units to a syndicate of underwriters at a purchase price of $0.70 per unit, for net proceeds of $37,027,000, net of costs of issue of approximately $2,973,000. Each unit consisted of one Common Share and one-half of one Common Share purchase warrant. Each whole warrant entitles the holder to acquire one Common Share at a price of $1.00 at any time until January 28, 2009.

On July 23, 2004, the Company acquired Myra Falls for consideration which included 5,000,000 warrants exercisable at $1.00 per Common Share with an expiry date of January 28, 2009. As at March 31, 2008 and December 31, 2007, the fair value ascribed to the above warrants, net of warrants exercised, was $8,540,000 which is included in shareholders' equity on the consolidated balance sheets.

The above warrants are listed on the TSX and as at March 31, 2008 entitled warrants holders to acquire 33,488,329 (December 31, 2007 – 33,488,329) Common Shares of the Company.

c) Share option transactions were as follows:

	Options *(000's)*	Weighted-average exercise price
As at December 31, 2007	8,180	$1.31
Granted	40	1.28
Exercised	(47)	0.55
Forfeited	(112)	2.31
Expired	(40)	2.20
As at March 31, 2008	8,021	$1.29

As at March 31, 2008:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares outstanding *(000's)*	Weighted-average remaining contractual life	Weighted-average exercise price	Shares exercisable *(000's)*	Weighted-average exercise price
$0.19 - $0.50	2,011	3 years 50 days	$0.32	2,011	$0.32
$0.51 - $1.50	3,077	2 years 99 days	$0.96	2,748	$0.93
$1.51 - $3.00	2,723	3 years 353 days	$2.21	1,454	$2.09
$3.01 - $4.30	210	1 year 109 days	$3.57	210	$3.57
	8,021			**6,423**	

The Company's Share Option Plan is described in note 14(f) of the Company's audited consolidated financial statements for the year ended December 31, 2007. Compensation expense for the stock-based compensation plan for employees has been determined based upon the fair value of awards granted on or after January 1, 2002.

Stock-based compensation at March 31, 2008 of $365,000 (2007 - $529,000) less the initial fair value of options exercised of $15,000 (2007 - $321,000), for a net amount of $350,000 (2007 - $208,000) was credited to "Contributed surplus" within shareholders' equity on the consolidated balance sheets. The proceeds of options exercised noted above were credited to "Capital stock" within shareholders' equity on the consolidated balance sheets.

The fair value of each option grant has been estimated using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Weighted-average exercise price per Common Share	**$1.28**	$2.09
Weighted-average quoted market price per Common Share at date of grant	**$1.28**	$2.09
Weighted-average grant-date fair value price per Common Share	**$0.54**	$1.21
Expected life (years)	**3**	5
Risk free interest rate	**2.92%**	4.00%
Expected volatility	**60%**	65%
Dividend yield	**0%**	0%

15. Financial Instruments

Credit Risk

The Company is subject to credit risk through trade receivables. The Company manages this risk through evaluation and monitoring processes and carries credit insurance when necessary. Credit risk is further mitigated through the use of provisional payment arrangements and the use of letters of credit where appropriate. Credit risk also relates to derivative contracts arising from the possibility that a counterparty to an instrument in which the Company has an unrealized gain fails to perform. The Company does not consider the credit risk associated with these financial instruments to be significant.

Foreign Exchange Risk

The Company operates using principally the Canadian dollar and the US dollar, and may be negatively affected by fluctuations in foreign exchange rates. The Company manages this risk by minimizing the number of transactions that result in the settlement currency differing from the currency of the initial transaction. In addition, the Company's sales are denominated primarily in US dollars, while a significant percentage of its expenses are denominated in non-US dollars. This exposes the Company to increased volatility in earnings due to fluctuations in foreign exchange rates. The Company periodically uses forward foreign exchange contracts to hedge the exchange rates on identifiable foreign currency exposures. Gains and losses on these contracts when they are designated as hedges are reported as a component of the related transactions.

The Company had no foreign exchange contracts outstanding at March 31, 2008 and December 31, 2007.

Commodity Price Risk

The profitability of the Company is directly related to the market price of metals produced. The Company reduces price risk by hedging against the price of metals for a portion of its production. The main tools used to protect against price risk are forward contracts and options. Various strategies are available using these tools including spot deferred and synthetic puts.

The Company periodically enters into forward sales and options to effectively provide a minimum price for a portion of inventories and future production. In 2008 and 2007, the Company chose not to apply hedge accounting. As a result, outstanding derivative contracts were classified as held-for-trading and are carried at their fair value. Any gains and losses are recognized in the relevant period and included in "Gross sales revenue" on the consolidated statements of operations and retained earnings. The Company had no commodity hedges outstanding at March 31, 2008 and December 31, 2007.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. The Company's objectives and policies for managing capital are set out in note 2 to the audited consolidated financial statements as at December 31, 2007. The Company only invests in highly liquid investments with reputable counterparts and monitors its cash flow to ensure that there are adequate funds to meet its obligations. As at March 31, 2008, the Company had a nominal level of debt of $2,379,000.

Interest Rate Risk

The Company normally invests in short term interest-bearing financial instruments. A change in the interest rate would have a minimal effect on the profitability of the Company. At March 31, 2008, there was no interest bearing liability.

Sensitivity

The Company's cash flow and net (loss) earnings are sensitive to the movement in a variety of prices and costs and are particularly sensitive to movements in the price of zinc, smelter treatment charges and the C$/US$ exchange rate. The following table provides the Company's estimates of the sensitivity of net income to changes in the various metal prices, smelter treatment charges and C$/US$ exchange rate movements based on realized prices and exchange rates for the three months ended March 31, 2008.

Variable	Realized price (US$)	Change	Change to net (loss) earnings *($000's)*
Zinc	2,409	10% per tonne	2,938
Copper	7,176	10% per tonne	652
Lead	3,056	10% per tonne	637
Gold	931	10% /ounce	489
Silver	16.81	10% /ounce	771
Exchange rate (C$/US$)	1.0048	10%	3,033
Combined weighted-average treatment charges per dry metric tonnes sold	352.34	10%	951

16. Related Party Transactions

All related party transactions are disclosed elsewhere in these consolidated financial statements *(note 14(a))*.

17. Contingencies and Commitments

There were no significant changes in contingencies and commitments in the three month period ended March 31, 2008. The contingencies and commitments are described in note 20 of the Company's audited consolidated financial statements for the year ended December 31, 2007.

18. Segment Information

For the Three Months Ended March 31, 2008 *($000's) (Unaudited)*

Operating Segment	Mochito	Toqui	Myra Falls	Langlois	Total	Non operating mines	Corporate and Other	Consolidated
Gross sales revenue	16,866	26,909	18,514	19,567	81,856	–	–	81,856
Treatment and marketing costs	(1,751)	(9,497)	(4,956)	(4,812)	(21,016)	–	–	(21,016)
Net revenue	15,115	17,412	13,558	14,755	60,840	–	–	60,840
Direct operating costs	(6,065)	(8,163)	(18,390)	(15,348)	(47,966)	–	–	(47,966)
Depreciation and depletion	(1,339)	(1,648)	(1,120)	(3,078)	(7,185)	–	(45)	(7,230)
Reclamation and closure costs	(288)	1,038	(434)	(20)	296	(98)	–	198
Contribution (loss) from mining activities	7,423	8,639	(6,386)	(3,691)	5,985	(98)	(45)	5,842
General and administrative	–	–	–	–	–	–	(3,595)	(3,595)
Interest and financing	–	–	–	–	–	–	(985)	(985)
Investment and other costs	–	–	–	–	–	–	(1,363)	(1,363)
Foreign exchange and other	–	–	–	–	–	–	39	39
Exploration	(437)	(462)	(362)	(2,136)	(3,397)	(45)	(1,040)	(4,482)
Other non-producing property costs	–	–	–	–	–	(388)	(124)	(512)
Net earnings (loss) before income and mining tax (provision) recovery	6,986	8,177	(6,748)	(5,827)	2,588	(531)	(7,113)	(5,056)
Income and mining tax (provision) recovery	(1,494)	(2,811)	(946)	3,006	(2,245)	–	437	(1,808)
Net earnings (loss)	5,492	5,366	(7,694)	(2,821)	343	(531)	(6,676)	(6,864)
Capital expenditures	4,464	7,946	2,080	10,585	25,075	–	1,098	26,173
Mineral properties and fixed assets	38,955	49,770	61,084	123,890	273,699	5,265	9,904	288,868
Identifiable assets	66,372	76,014	231,915	149,663	523,964	6,848	68,367	599,179

Information about major customers – Summary of net revenue from major customers for the three month period ended March 31, 2008.

Revenue Source

($000's)	Mochito	Toqui	Myra Falls	Langlois	Total
Customer 1	13,867	1,028	–	–	14,895
Customer 2	–	5,896	4,273	–	10,169
Customer 3	–	–	8,009	–	8,009
Customer 4	–	–	–	7,388	7,388

For the Three Months Ended March 31, 2007 *($000's) (Unaudited)*

Operating Segment	Mochito	Toqui	Myra Falls	Langlois	Total	Non operating mines	Corporate and Other	Consolidated
Gross sales revenue	22,942	37,226	17,779	–	77,947	–	–	77,947
Treatment and marketing costs	(2,019)	(14,400)	(3,501)	–	(19,920)	–	–	(19,920)
Net revenue	20,923	22,826	14,278	–	58,027	–	–	58,027
Direct operating costs	(4,828)	(8,231)	(10,534)	–	(23,593)	–	–	(23,593)
Depreciation and depletion	(710)	(2,002)	(1,341)	–	(4,053)	–	(49)	(4,102)
Reclamation and closure costs	(322)	(75)	(402)	(27)	(826)	(127)	–	(953)
Contribution (loss) from mining activities	15,063	12,518	2,001	(27)	29,555	(127)	(49)	29,379
General and administrative	–	–	–	–	–	–	(3,963)	(3,963)
Interest and financing	–	–	–	–	–	–	(1,156)	(1,156)
Investment and other income	–	–	–	–	–	–	1,690	1,690
Foreign exchange and other	–	–	–	–	–	–	(291)	(291)
Exploration	(438)	(1,183)	(734)	–	(2,355)	(316)	–	(2,671)
Other non-producing property costs	–	–	–	–	–	(488)	(7)	(495)
Net earnings (loss) before income and mining tax (provision) recovery	14,625	11,335	1,267	(27)	27,200	(931)	(3,776)	22,493
Income and mining tax (provision) recovery	(3,416)	(1,559)	(1,678)	(483)	(7,136)	(67)	–	(7,203)
Net earnings (loss)	11,209	9,776	(411)	(510)	20,064	(998)	(3,776)	15,290
Capital expenditures	3,273	3,977	6,512	9,433	23,195	–	483	23,678
Mineral properties and fixed assets	22,992	26,888	69,217	98,932	218,029	5,630	2,149	225,808
Identifiable assets	45,450	51,750	222,430	104,641	424,271	8,838	123,327	556,436

Information about major customers – Summary of net revenue from major customers for the three month period ended March 31, 2007.

Revenue Source

($000's)	Mochito	Toqui	Myra Falls	Total
Customer 1	–	10,537	11,644	22,181
Customer 2	14,290	–	–	14,290
Customer 3	–	9,544	–	9,544
Customer 4	5,859	1,288	–	7,147

19. Analysis of Changes in Non-Cash Working Capital Items

($000's)	**Three Months Ended March 31, 2008**	Three Months Ended March 31, 2007
Accounts receivable – concentrate	**(6,874)**	11,729
Other receivables	**(2,213)**	(298)
Concentrate inventory	**(3,493)**	(10,631)
Materials and supplies inventory	**(757)**	(734)
Prepaid expenses and other current assets	**(6,206)**	(2,038)
Accounts payable and accrued liabilities	**(8,544)**	4,435
Provisional payments for concentrate inventory shipped and not priced	**751**	(806)
Income and mining taxes payable	**3,040**	1,537
	(24,296)	3,194

20. Earnings per Common Share

Basic earnings per Common Share ("EPS") have been calculated using the weighted-average number of shares outstanding during the period. Incremental Common Shares on assumed exercise of options and warrants are not included in computing the diluted earnings per share amount for 2008, as the exercise of options would not have been dilutive. The calculation of diluted earnings per Common Share has been computed using the treasury stock method which assumes that options and warrants with an exercise price lower than the average quoted market price were exercised at the beginning of the period, or at time of issue. In applying the treasury stock method, options and warrants with an exercise price greater than the average quoted market price of the Common Shares are not included in the calculation of diluted earnings per Common Share as the effect is anti-dilutive. The average quoted market price of the Common Shares during the three month period ended March 31, 2008 was $1.33 (2007 - $1.81).

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Basic (loss) earnings per Common Share	**($0.02)**	$0.04
Diluted earnings per Common Share	**($0.02)**	$0.04
Basic weighted-average number of Common Shares outstanding *(000's)*	**425,778**	396,441
Incremental Common Shares on assumed exercise of options and warrants *(000's)*	**10,803**	38,062
Weighted-average number of Common Shares used for diluted earnings per Common Share *(000's)*	**436,581**	434,503

21. Subsequent Events

(a) On March 25, 2008, the Company exercised its right to purchase the interests of the limited and general partners of the Myra Falls Mine Limited Partnership ("MFML Partnership") for approximately $18,180,000 (90.9% of the $20,000,000 contribution to the Qualifying Environmental Trust ("QET")). On April 10, 2008, the Company elected to purchase the interest by issuing 13,518,739 common shares of the Company at $1.3448 which, pursuant to the agreement, is the 20-day weighted-average trading price of the Company's common shares on the Toronto Stock Exchange the day before the exercise of the right.

Pursuant to the joint venture entered into with the limited partners of the MFML Partnership in December 2007, the MFML Partnership was entitled to a 3% net smelter royalty from the Myra Falls mine. The MFML Partnership deposited $20,000,000 with a trustee into a QET as security for a portion of the reclamation obligations of NVI Mining Ltd., a wholly-owned subsidiary of the Company, which owns the Myra Falls mine.

The common shares of the Company to be issued as part of the exercise of its rights were not freely tradeable until April 21, 2008.

(b) At the Special Shareholders' Meeting of Metco Resources Inc. ("Metco") held on April 11, 2008, a special resolution was passed approving a business combination of Metco and the Company, by way of a Plan of Arrangement. This acquisition enables the Company to consolidate its land position in the Lebel-sur-Quévillon camp, to secure potential feed for the Langlois mill, and to acquire a large, significantly under-explored land package in the prolific Matagami camp. On April 15, 2008, the Company issued 7,000,000 Common Shares to Metco to effect this business combination.

(c) On April 2, 2008, the Company gave notice to convert the $17,000,000 unsecured convertible debenture from Taseko for 3,307,393 shares at a conversion price of $5.14 *(see note 7).* Taseko issued 2,612,971 shares to the Company and withheld 694,422 shares with a value of $3,569,000 as a set off, as set out in a statement of claim, in note 20 (b) of the audited consolidated financial statements for December 31, 2007. On April 28, 2008, the Company filed an action with the Supreme Court of British Columbia seeking an order that Taseko release the 694,422 shares to the Company and pay any damages resulting from Taseko's failure to deliver all the shares required under the debenture agreement.

Corporate Information

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Chairman

Grant A. Edey [1, 5]

Joanne Ferstman [1]

Jonathan C. Goodman [4, 5]

Ned Goodman [2]

John W. Ivany

W. Murray John [3]

George E. Pirie [3, 5]

A. Murray Sinclair, Jr. [2, 4]

[1] Member of Audit Committee
[2] Member of Compensation Committee
[3] Member of Hedging Committee
[4] Member of Corporate Governance and Nominating Committee
[5] Member of Environmental, Health and Safety Committee

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Fred Hermann
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Vice President, Canada

Bob Carreau
Vice President, CSR and Sustainability

Dr. Bob Cuttriss
Vice President, Technical Services

Daniel Goffaux
Vice President, Latin America

Steven Hayes
Vice President, Commercial

Torben Jensen
Vice President, Engineering

Ann Wilkinson
Vice President, Investor Relations
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Leroy Fong
Controller

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SHARES AND WARRANTS

Toronto Stock Exchange (TSX)
Symbols - BWR & BWR.WT

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