



# Management Discussion and Analysis

## **Discussion of Business and Corporate Activities**

The Company's exploration activities in the Lake Victoria Greenstone Belt (LVGB) of Tanzania are largely focused on two commodities: gold and diamonds.

In recent months, however, the Company has broadened the scope of its exploration search in the LVGB to include nickel. Implementation of this strategy gained urgency following the decision by Barrick Gold and Falconbridge Ltd. to joint venture development of their Kabanga nickel project.

All of the exploration work initiated during the report period was intended to develop new targets and enhance existing ones for drill testing in 2004.

- **Gold Exploration**

Samples collected and analyzed from the Company's Shinyanga Project Area revealed a cluster of anomalies that form an east-northeasterly trend some six kilometres long.

Numerous samples were collected and submitted for analysis from the southwestern portion of the Nyanzaga North Project Area where high soil anomalies were discovered last year. Auger surveys conducted on parts of this license produced anomalous gold values in soils that have the potential to extend into the underlying sediments.

Mapping and termite mound sampling were conducted within the Lunguya project area, one of the Company's most prospective. On another prospecting license, auger and BLEG sampling programs confirmed an extensive soil anomaly that extends under overburden at both ends.

- **Diamond Exploration**

On the diamond exploration front, field crews ground-located various magnetic targets during the report period and identified ones of significant geological interest to warrant further evaluation. Several hundred line kilometres of ground geophysics were completed and samples were collected from various targets and submitted for heavy indicator mineral analysis.

Four new field technicians were added to the Company's staff to facilitate diamond exploration under the new exploration protocol.

## **Other Activities**

Biogeochemical surveys, using internally developed sampling selection and related techniques, were conducted over several gold and kimberlite anomalies and samples were taken for analysis.

A regional stream and palaeo-channel sampling program was initiated on several prospecting licenses. In addition, a report was prepared by an independent consultant regarding the re-prioritizing of various prospecting licenses based on more detailed ground magnetics. This work is being reviewed by an independent geophysicist employed by the Company. After target selection is completed, the anomalies will be auger-tested for kimberlite and other indicators.

In July of 2003, the Company closed nine royalty agreements with Ashanti Goldfields Company Limited on the Kigosi project in the LVGB. The implementation of these agreements was contingent upon Tan Range obtaining an extended exploration permit for the project.

Most of the outstanding issues associated with the permit application were reconciled during the report period and the permit was received on March 15, 2004. The receipt of this critical permit allows Ashanti to begin exploration work on the property and effectively triggers the rental and advanced royalty payment provisions under its joint venture agreement with the Company.

Because greenstone belts are prospective for a variety of commodities including gold, diamonds and base metals, the Company recently expanded the scope of its exploration activities in Tanzania to include nickel. A number of prospective nickel environments were identified and the search will be expanded to consider possible extensions of favorable belts in Tanzania into adjoining countries.

The Company's ability to identify exploration targets is heavily dependent on its land position. This is especially the case for diamonds where kimberlite pipes are widely dispersed and systematic sampling of large tracts of land is required to trace diamond indicator minerals back to their source rocks. Negotiations were undertaken to expand the Company's land position in the LVGB by another 11,000 square kilometers, although no guarantee exists that the Company will secure this entire position.

Staff in the Company's office in Mwanza began compiling information on all the kimberlite (the host rock for diamonds) occurrences in Tanzania. These occurrences will be plotted on a reference map that will be used to identify prospects that meet specific exploration parameters established in our diamond exploration protocol.

Because the host environments for gold and diamonds are often very subtle from a geological prospective, establishing comprehensive exploration protocols has been a major priority for the Company. Work on the exploration protocol for gold was drafted over the report period and the draft protocol for diamonds was essentially completed. Both these protocols have been submitted to management for review.

Given the planned increase in exploration activities this year, a decision was made to lease a customized vehicle to enhance field communications. This unit is being equipped with a secure wireless communications system that will facilitate phone and internet traffic between the field and the Company's offices in Mwanza and Sharon, Connecticut.

The Compensation Committee reviewed salary scales for the geological staff based on their experience, education and responsibilities to ensure they were well placed within industry standards.

Considerable time was devoted to the completion of the auditing and associated requirements for the filing of the Company's Form 20-F with the U.S. Securities and Exchange Commission which is a prerequisite for non-U.S. companies seeking to list their securities on a U.S. stock exchange.

### **Significant Events During The Period**

Two new members were added to the Company's Board of Directors: Rosalind Morrow, a partner with the law firm, Borden Ladner Gervais LLP, and Ulrich Rath, a seasoned mining executive with extensive experience in minerals exploration and mine development. Ms. Morrow will help to ensure that the Company meets the highest standards of regulatory compliance, while Mr. Rath will facilitate the optimization of the Company's exploration activities in Tanzania.

In addition to the Board appointments, Mr. Marek Kreczmer was appointed Chairman of the Company's Technical Committee which will report directly to the Board of Directors. His resignation as President became effective December 31, 2003. Day-to-day management of the Company was taken over by the Company's CEO, Mr. James Sinclair on Jan 01, 2004. The Technical Committee under Mr. Kreczmer will set definitive technical exploration policy for the Company which is presently evaluating new exploration methodologies that will allow it to see beneath overburden on parts of its core holdings.

A decision has been made to move the Company's corporate office to Sharon, Connecticut from Vancouver, British Columbia, however, a small representative office will be maintained in Vancouver that will provide specialized technical services to the Company.

Negotiations concerning the litigation with the former CFO were successfully concluded and the Company's legal counsel was instructed to prepare the settlement documents.

### **Results of Operations**

The Company reported a net loss of \$916,281 or \$.011 per share for the six months ending February 29, 2004 versus a net loss of \$802,860 or \$.010 per share in the previous year. The largest expense category, which comprises over forty percent (\$374,546) of the net loss for this reporting period, is new property investigation costs. Included in this expense category is the cost of refining the protocol for diamond exploration which represented slightly over \$156,000 of the \$374,546. The most recent report from our exploration staff announced that the testing protocol had been finalized. That being the case, future diamond exploration costs will be deferred as exploration costs.

During the six month reporting period, an expense recovery was received as a result of contesting the capital tax assessment from the last fiscal year. Office rental expense was reduced because of the downsizing of our Vancouver office. Professional fees have been reduced because of the settlement of the outstanding lawsuit. The settlement was in line with the accrual made last fiscal year. Salaries and Benefits rose by over \$80,000 which is partially offset by the reduction in consulting and management fees of approximately \$45,000. The remaining increase can be attributed to the director fees now being paid in lieu of issuing stock options. The Company also benefited from the improvement in the US dollar with \$63,657 of the expenses being offset by gains in foreign exchange, short term investments and interest.

### **Liquidity and Capital Resources**

The Company raised \$336,300 from parties exercising outstanding options during the six months ending February 29, 2004. At the close of the latest quarter, 545,000 options with a weighted average price of \$0.75 each and exercisable at various times until June of 2007, remained outstanding. In addition, \$1,625,000 was received from six private placements with the Company's CEO, James Sinclair which included one special placement of \$1,000,000.

### **Risk Factors**

The Company is subject to a number of extraneous risk factors over which it has no control. These factors are common to most exploration companies and include, among others: project ownership and exploration risk, depressed equity markets and related financing risk, commodity price risk, fluctuating exchange rates, and sovereign risk.

### **Outlook**

Exploration expenditures will increase substantially over the coming months as the Company follows through on a broad range of exploration-related initiatives undertaken in 2003. This work will largely be funded from private placements.

In addition to the high level of expenditures planned on wholly-owned properties, the Company's joint venture partners, Barrick Gold, Ashanti Goldfields and Northern Mining Explorations Exploration, are allocating significant resources to projects that are subject to royalty agreements with Tan Range.