

ADRIANA

RESOURCES INC.

**Interim Consolidated Financial Statements
(Unaudited – Prepared by Management)**

July 31, 2006

The accompanying unaudited interim consolidated financial statements of Adriana Resources Inc. for the nine months ended July 31, 2006 have been prepared by management and approved by the Board of Directors of the Company. These statements have not been reviewed by the Company's external auditor.

Adriana Resources Inc.**Interim Consolidated Balance Sheet
(Unaudited – Prepared by Management)**

	July 31, 2006	October 31, 2005
Assets		
Current assets		
Cash	\$ 2,055,431	\$ 203,921
Accounts receivable	26,267	19,014
Prepaid expenses and deposits	105,930	20,667
	2,187,628	243,602
Equipment (note 2)	73,517	34,731
Mineral properties (note 3)	589,432	195,673
Deferred exploration expenses (note 3)	1,324,825	469,043
	\$ 4,175,402	\$ 943,049
Liabilities		
Current liabilities		
Accounts payable	\$ 153,781	\$ 59,154
Advances from related parties (note 5)	-	15,500
	153,781	74,654
Shareholders' Equity		
Share capital (note 4(b))	30,057,467	26,131,794
Contributed surplus (note 4(b))	261,210	48,977
Deficit	(26,297,056)	(25,312,376)
	4,021,621	868,395
	\$ 4,175,402	\$ 943,049

The accompanying notes are an integral part of the interim consolidated financial statements.

Approved by the Directors:

“Michael Beley” Director

“Richard Barclay” Director

Adriana Resources Inc.**Interim Consolidated Statement of Operations and Deficit
(Unaudited – Prepared by Management)**

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2006	2005	2006	2005
Administrative expenses				
Amortization	\$ 5,217	\$ -	\$ 10,766	\$ -
Bank charges and interest	6,164	116	12,478	460
Consulting fees	15,062	4,884	104,344	8,384
Investor relations	47,511	-	109,230	-
Professional fees	26,395	22,629	75,779	58,276
Property investigation	23,373	-	52,257	-
Rent and office expenses	62,401	9,006	162,750	10,734
Salaries and wages	35,206	-	35,206	-
Shareholder relations	38,649	6,229	102,298	8,657
Stock based compensation	33,649	-	183,032	-
Transfer agent and filing fees	7,525	25,625	47,161	39,948
Travel	42,608	-	96,454	1,940
	(343,760)	(68,489)	(991,755)	(128,399)
Other income				
Interest income	3,924	-	7,075	-
Loss for the period	(339,836)	(68,489)	(984,680)	(128,399)
Deficit, beginning of period	(25,957,220)	(25,083,725)	(25,312,376)	(25,023,815)
Deficit, end of period	\$ (26,297,056)	\$ (25,152,214)	\$ (26,297,056)	\$ (25,152,214)
Loss per share	\$ (0.02)	\$ (0.01)	\$ (0.05)	\$ (0.01)
Weighted average number of shares outstanding	21,761,710	11,432,424	21,305,650	10,325,831

The accompanying notes are an integral part of the interim consolidated financial statements.

Adriana Resources Inc.

Interim Consolidated Statement of Cash Flows (Unaudited – Prepared by Management)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2006	2005	2006	2005
Cash provided by (used for)				
Operating activities				
Loss for the period	\$ (339,836)	\$ (68,489)	\$ (984,680)	\$ (128,399)
Items not involving cash				
Amortization	5,217	-	10,766	-
Stock based compensation	33,649	-	183,032	-
Net change in non-cash working capital				
Accounts receivable	7,494	(4,580)	(7,253)	(7,645)
Accounts payable	(166,500)	(49,047)	98,337	(31,037)
Prepays	(94,965)	-	(85,263)	-
	(554,941)	(122,116)	(785,061)	(167,081)
Investing activities				
Deferred charges	(374,987)	-	(855,782)	-
Expenditures on mineral properties	(40,707)	-	(120,759)	-
Acquisition of capital assets	(32,575)	-	(49,552)	-
	(448,269)	-	(1,026,093)	-
Financing activities				
Shares issued	2,925,700	-	3,681,874	285,000
Subscriptions received	-	429,625	-	429,625
Proceeds from shareholder loan	-	-	250,000	-
Repayment of shareholder loan	(250,000)	-	(250,000)	-
Due to related party	(9,042)	(15,000)	(3,710)	(13,000)
Repayment of advances from related party	-	-	(15,500)	(8,500)
	2,666,658	414,625	3,662,664	693,125
Net (decrease) increase in cash	1,663,448	292,509	1,851,510	526,044
Cash, beginning of period	391,983	234,451	203,921	916
Cash, end of period	\$ 2,055,431	\$ 526,960	\$ 2,055,431	\$ 526,960
Supplementary cash flow information				
Interest paid	\$ 4,760	\$ -	\$ 9,760	\$ 277
Interest received	3,924	-	7,075	-
Shares issued for financing	-	-	33,920	-
Shares issued for mineral property	-	-	273,000	-

The accompanying notes are an integral part of the interim consolidated financial statements.

Adriana Resources Inc.**Schedule of Mineral Property Costs
(Unaudited – Prepared by Management)**

	Nine months ended July 31, 2006	Year ended October 31, 2005
Mineral properties		
Property acquisition costs		
MIE properties	\$ 7,663	\$ 159,311
Otelnuke Lake property	338,450	36,362
Labrador Trough property	14,602	-
Mustavaara property	33,044	-
	393,759	195,673
Deferred exploration expenses		
MIE properties		
Geological and survey	149,452	262,954
Camp and expediting	66,762	150,078
Permits	7,289	1,513
Travel	6,722	-
	230,225	414,545
Otelnuke Lake property		
Geological and survey	283,179	54,498
Camp and expediting	212,218	-
Permits	6,770	-
Travel	41,124	-
	543,291	54,498
Mustavaara property		
Geological and survey	60,505	-
Travel	21,761	-
	82,266	-
	855,782	469,043
Total mineral property expenditures during period	1,249,541	664,716
Balance, beginning of period	664,716	-
Balance, end of period	\$ 1,914,257	\$ 664,716

The accompanying notes are an integral part of the interim consolidated financial statements.

Adriana Resources Inc.
Notes to the Interim Consolidated Financial Statements
July 31, 2006
(Unaudited – Prepared by Management)

1. Basis of Presentation

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada for interim financial statements. The consolidated financial information herein is unaudited. These interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual consolidated financial statements dated October 31, 2005. These interim consolidated financial statements should be read in conjunction with the company's October 31, 2005 audited annual consolidated financial statements.

Adriana Resources Inc. (the "Company") was incorporated under the laws of the Province of British Columbia and continued under the Canada Business Corporation Act. On July 22, 2005, the Company's name was changed from Adriana Ventures Inc. to Adriana Resources Inc.

The Company has a wholly owned subsidiary, 5050 Nunavut Limited ("5050 Nunavut"), incorporated under the laws of Nunavut, Canada. These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary. All material intercompany balances and transactions have been eliminated.

2. Equipment

	Cost \$	Accumulated Amortization \$	July 31, 2006 Net Book Value \$	October 31, 2005 Net Book Value \$
Computer equipment	45,513	5,810	39,703	21,251
Office furniture and equipment	31,587	9,272	22,315	13,480
Leasehold improvements	12,431	932	11,499	-
	89,531	16,014	73,517	34,731

3. Mineral Properties

All Night Lake Property (MIE Property), Nunavut

In August 2005, through its acquisition of 5050 Nunavut Limited, the Company acquired 37 contiguous staked claims on Crown lands and two adjacent properties covered by Inuit Owned Lands Mineral Exploration Agreements.

McGregor Lake Property (MIE Property), Nunavut

In August 2005, the Company staked eleven claims on the Muskox Intrusion.

Mustavaara Property, Finland

In July 2006, the Company entered into an option agreement to earn a 70% interest in the Mustavaara Iron-Titanium-Vanadium open pit mine located in Finland. The Company is to issue 80,200 common shares of the Company on the effective date the Finnish Ministry of Industry and Trade issues the exploration claims. The Company was notified that the claims were issued in late August 2006 and the Company is awaiting a formal title opinion before issuing the shares. The Agreement also requires the Company to expend EUR\$250,000 on the claims in the first year, and make subsequent payments to Akkerman totaling EUR\$350,000 over two years and EUR\$400,000 upon completion of a bankable feasibility study. At the company's election, the cash payments can be paid in common shares of Company at a conversion price equal to the average of ten trading days of the Company prior to the payment date. The Company can earn an additional 5% interest in the property by paying a 5% deemed net present value of the project within 90 days of receipt of the bankable feasibility study.

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3. Mineral Properties (continued)

Otelnuke Lake Property, Northern Quebec

In November 2005, and amended on July 31, 2006, the Company entered into an Option Agreement with Bedford Resource Partners Inc. (“Bedford”) to earn a 100% interest in the Otelnuke Lake iron deposit located in northeastern Quebec. The property consists of 129 mining claims. Consideration for the option agreement includes a 2.5 % net smelter royalty from the sale of any minerals mined, subject to minimum royalty advances, and a combination of cash, shares and work commitments as follows:

	Option payments	Minimum Work commitments	Advance Royalties	Common shares issued
On execution of the MOU (paid)	\$ 10,000	\$ –	\$ –	–
On exchange approval (paid and issued)	30,000	–	–	650,000
November 30, 2006	–	–	150,000	650,000
December 31, 2006	–	500,000	–	–
November 30, 2007	–	–	150,000	700,000
December 31, 2007	–	750,000	–	–
November 30, 2008	–	–	150,000	–
November 30, 2009	–	–	150,000	–
December 31, 2009	–	750,000	–	–
November 30, 2010	–	1,000,000	150,000	–
November 30, 2011	–	1,000,000	150,000	–
Per year thereafter	–	–	150,000	–
	\$ 40,000	\$ 4,000,000		2,000,000

The Company staked an additional 509 claims in and around Otelnuke Lake.

Labrador Trough Property, Northern Quebec

The Company staked 149 claims for this property.

4. Share Capital

a) Authorized

Unlimited Class A common shares, without par value

b) Issued

	Nine months ended July 31, 2006		Year ended October 31, 2005	
	Shares	Amount	Shares	Amount
Balance, beginning of period	17,958,614	\$26,131,794	5,732,424	\$25,001,607
Private placements	2,993,580	3,289,280	8,476,190	1,085,000
Cost of financing	52,184	(218,184)	–	(36,478)
Shares issued on warrant exercises	1,407,236	543,057	–	–
Shares issued on option exercises	84,000	38,520	–	–
Shares issued for mineral property	650,000	273,000	–	–
Acquisition of 5050 Nunavut Limited	–	–	3,750,000	81,665
Balance, end of period	23,145,614	\$30,057,467	17,958,614	\$26,131,794

Adriana Resources Inc.
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4. Share Capital (continued)

b) Issued (continued)

Private Placements

In December 2005, the Company closed a private placement for 926,730 units at \$0.65 per unit for gross proceeds of \$602,375. Each unit consists of one share and one-half warrant. Each whole warrant is exercisable for a period of one year to acquire one share at \$0.80 per share. The Company paid a commission of 8% in units, or 52,184 units, and issued 52,184 broker warrants exercisable at \$0.80 for a period of one year on funds sourced to eligible finders in respect of certain units placed under the financing.

In May 2006, the Company closed a non-brokered private placement for gross proceeds of \$2,686,905. The private placement consisted of 2,066,850 units priced at \$1.30 per unit. Each unit consists of one common share and one-half warrant. Each whole warrant is exercisable for a period of two years from closing to acquire one common share at a price of \$1.75 per share. The Company paid a cash commission of 7%, or \$134,680, on funds sourced to eligible finders in respect of certain units placed under the financing and issued 51,800 broker warrants exercisable at \$1.75 for a period of two years from closing.

c) Warrants

The continuity of warrants is as follows:

	Number of common shares	Weighted average exercise price
Balance, October 31, 2004	–	\$ –
Issued	1,388,093	0.38
Balance, October 31, 2005	1,388,093	\$ 0.38
Issued	1,626,865	1.43
Exercised	(1,407,236)	0.39
Balance, July 31, 2006	1,607,722	\$1.44

As at July 31, 2006, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
522,497	\$0.80	December 20, 2006
1,085,225	\$1.75	May 24, 2008
1,607,722		

During the nine months ended July 31, 2006, under the fair-value-based method, \$37,364 (2005 – \$Nil) in compensation expense was recorded for the issuance of broker warrants in connection with private placements.

The fair value of broker warrants has been estimated using the Black-Scholes option pricing model with the following assumptions:

Nine months ended July 31,	2006	2005
Risk free interest rate	3.50%	-%
Expected dividend yield	-%	-%
Stock price volatility	64%-91%	-%
Expected life of options	1-2 years	- year

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4. Share Capital (continued)

d) Options

The continuity of options is as follows:

	Number of common shares	Weighted Average exercise price
Balance, October 31, 2004	–	\$ –
Granted	1,675,000	0.36
Balance, October 31, 2005	1,675,000	\$0.36
Granted	300,000	1.33
Exercised	(84,000)	0.36
Balance, July 31, 2006	1,891,000	\$0.52

As at July 31, 2006, the following options were outstanding:

Number of Options	Exercise Price	Expiry Date
1,200,000	\$0.35	August 11, 2010
140,000	\$0.35	August 29, 2010
50,000	\$0.41	August 11, 2010
126,000	\$0.40	October 24, 2006
50,000	\$0.50	October 24, 2006
25,000	\$0.60	October 24, 2006
200,000	\$1.25	February 28, 2008
100,000	\$1.50	March 1, 2008
1,891,000		

During the nine months ended July 31, 2006, under the fair-value-based method, \$183,023 (2005 – \$Nil) in compensation expense was recorded for options vested to directors, officers, and consultants.

The fair value of share options used has been estimated using the Black-Scholes option pricing model with the following assumptions:

Nine months ended July 31,	2006	2005
Risk free interest rate	3.50% -4.00%	-%
Expected dividend yield	-%	-%
Stock price volatility	19% - 73%	-%
Expected life of options	1 - 3 years	- years

e) Contributed surplus

	Amount
Balance, October 31, 2005	\$ 48,977
Stock based compensation for stock options	183,032
Stock based compensation for broker warrants	37,364
Exercise of stock options	(8,163)
Balance, July 31, 2006	\$ 261,210

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4. Share Capital (continued)

f) Shares held in escrow

At July 31, 2006, 4,556,750 (October 31, 2005 – 5,518,875) shares were subject to escrow agreements dated July 27, 2005 and may not be transferred, assigned or otherwise dealt with without the consent of the regulatory body having jurisdiction thereon. Escrowed shares are released every six months and the length of the agreements range from eighteen months to three years.

5. Related Party Transactions

a) Included in the period at their exchange amounts are the following items paid or accrued to directors and companies controlled by directors of the Company for services provided:

Nine months ended July 31,	2006	2005
	\$	\$
Geological consulting fees	46,775	–
Consulting fees	–	3,000

b) Included in accounts payable at July 31, 2006, was \$1,438 (October 31, 2005 - \$5,148) payable to related parties without interest.

c) During the year ended October 31, 2005, the Company received advances of \$15,500 from related parties without interest or fixed terms of repayment. During the first quarter of 2006, the advances were repaid in full.

6. Shareholder Loan

In April 2006, the Company entered into a loan agreement for \$250,000 with a shareholder of the Company. The loan was due on or before April 27, 2007, bore interest at 9.5% per annum and was subject to an administrative fee of \$5,000. During the quarter, the loan and accrued interest of \$4,760 were repaid in full.

7. Contingencies

The Company is subject to various regulatory and statutory requirements relating to the protection of the environment. These requirements, in addition to contractual agreements and management decisions, result in the accrual of estimated future removal and site restoration costs. Any changes in these estimates will affect future earnings.

Costs attributable to these commitments and contingencies are expected to be incurred over an extended period of time and are to be funded mainly from the Company's cash provided by operating activities. Although the ultimate impact of these matters on net earnings cannot be determined at this time, it could be material for any one quarter or year.

8. Commitments

a) The Company is committed to rental agreements and equipment leases as follows:

	Office rentals	Equipment leases
2006	\$ 66,965	\$ 3,324
2007	160,716	6,165
2008	160,716	5,719
2009	66,965	816
2010	-	612

Adriana Resources Inc.
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8. Commitments (continued)

- b) In the ordinary course of business, the Company enters into contracts which contain indemnification provisions, such as loan agreements, purchase contracts, service agreements, licensing agreements, asset purchase and sale agreements, joint venture agreements, operating agreements, leasing agreements, land use agreements, etc. In such contracts, the Company may indemnify counterparties to the contracts if certain events occur. These indemnification provisions vary on an agreement by agreement basis. In some cases, there are no pre-determined amounts or limits included in the indemnification provisions and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that the Company could be required to pay cannot be estimated.

This discussion and analysis of financial position and results of operations is prepared as at September 28, 2006 and should be read in conjunction with the unaudited consolidated financial statements for the nine months ended July 31, 2006 of Adriana Resources Inc. (the "Company") where necessary. Those financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Overview

The Company is engaged in the exploration and development of mineral properties in Canada and Finland. The Company is currently listed on the TSX Ventures Exchange under the symbol "ADI" and the Frankfurt exchange under the symbol "A7R".

Mineral Property Interests

MIE Project, Nunavut

The MIE Project draws its name from one of the world's largest continental-type magmatic events, the Mackenzie Igneous Event. This event generated a large volume of magma – an estimated 5 to 10 million cubic kilometers – across Northern Canada. These Continental-Type Igneous Provinces can host large, rich platinum group element (PGE) and copper-nickel deposits.

The Muskox Intrusion is the main target area and the largest known magma channel for the Mackenzie Igneous Event. This elongated intrusion is a subvolcanic chamber which acted as a magma conduit. Magma chambers and channels provide excellent locations to concentrate copper, nickel and PGEs. This high priority target corridor remains untested by drilling. The MIE project now covers more than 630 square kilometres and is comprised of two properties, McGregor Lake and All Night Lake, both located on the Muskox Intrusion.

The Company's work to date in 2006 consisted of permitting, airborne and ground geophysical surveys, mapping and geochemical sampling. Ongoing work includes compilation of current and historic data, as well as 2-D and 3-D modeling of geophysical data that will result in the identification and ranking of drill targets. The next phase of exploration will entail additional geophysics and drilling.

Bear Valley/UNAD Uranium Joint Venture, Nunavut

Located in Nunavut, Canada, the Hornby Bay Basin represents an under-explored sedimentary basin with significant uranium potential. The Hornby Bay Basin shares many geological characteristics with the Athabasca and Thelon Basins. The Athabasca Basin generates approximately one third of the world's uranium production. Similarities between the three basins include the age and character of favorable host and basement rocks, major basement structural features and known occurrences of unconformity-type uranium mineralization. The Company has acquired a land package through staking and joint venture agreements.

The Company identified a large stratabound conductive horizon in the sedimentary rocks of the Dismal Lakes Group, within the Hornby Bay Basin, after conducting an airborne V-TEM geophysical survey (carried out in 2005 by Geotech). This conductive zone is approximately 16

by six kilometres in extent. It extends to surface and is nearly horizontal. A more detailed GEOTEM airborne survey of this area was recently completed by Fugro and modeling of the survey data is on-going. It is in the same sedimentary sequence that hosts the Mountain Lake uranium deposit located 60 kilometres to the west.

The Company's 2006 Bear Valley uranium exploration program focused on prospecting, ground scintillometer surveys, and an airborne GEOTEM survey. Prospecting in the Dismal Lakes Group sedimentary rocks along the northeastern margin of the Hornby Bay Basin focused on stratabound and structurally controlled uranium mineralization. Along the eastern edge of the basin, exploration focused on the basal unconformity model and on uranium mineralization within basement structures. Uranium mineralization in the Hornby Bay Basin is known to occur in and adjacent to structures within sediments of both the Hornby Bay and Dismal Lakes Groups. As a result of the 2006 uranium prospecting program, numerous surface uranium anomalies in the Hornby Bay Basin were discovered along faults and fractures within the basement rocks, near the basal unconformity. Compilation of field and analytical data is in progress. The next phase of exploration will entail further geophysics and drilling.

Lac Otehluk Iron Project, Northeastern Quebec

The Lac Otehluk Project lies within the Labrador Trough, one of the largest iron ore belts in the world. The belt contains world-class iron deposits that have been continuously mined since 1954. The 192-square-kilometre property was first explored in the early 1950s when a magnetite iron formation was mapped over a strike length of approximately 25 kilometres. Subsequent diamond drilling and surface sampling in the 1970s, which was largely limited to the upper iron formation unit, resulted in historic mineral resource estimates for two adjacent zones, the North and South. Magnetite occurs throughout this iron formation with the North and South zones largely uniform in continuity of grade and thickness.

Based on previous systematic, well-documented past exploration and the Company's initial evaluation of the property, the Company believes that a multi-billion-ton iron project lies within a 45 kilometre iron formation belt contained within the property. Historic concentrate grades and weight recoveries produced from metallurgical tests of surface samples, drill core and a bulk sample conducted by previous operators compare favourably with active iron-ore operations in the region.

Commencement of the first phase work program has begun with the construction of a camp to support a drill program scheduled for 2007. A NI 43-101 report on the property states the primary objective is for a significant amount of in-fill diamond drilling in the North and South Zones and to test additional iron formation units. The Company's goal is to upgrade and increase historic North and South Zones to NI 43-101 compliant mineral resources, and to advance to the development stage.

Mustavaara, Finland

The Mustavaara mine is located 40 kilometres north of the town centre of the municipality of Taivalkoski on the boundary of the Oulu and Lappi provinces in central Finland. The property consists of 4 exploration claims totaling 356 hectares in area and can be accessed by paved road. A tailings basin and water reservoir are on site and the current terminus for the railway is 40 kilometres south at Taivalkoski.

Watts, Griffis and McOuat Limited ("WGM"), a Toronto-based international consulting geological and engineering firm, with considerable experience and expertise in the evaluation of Iron-Titanium-Vanadium deposits, has been engaged to carry out a site visit, gather and analyze independent samples and prepare an initial technical review of the property. This review, which will be prepared according to the guidelines of NI 43-101, will focus on evaluating the historic mineral resource/reserve estimates for the Mustavaara Iron-Titanium-Vanadium mine and the previous operating parameters and saleable products. The main purpose of the review will be to determine an appropriate work plan and budget to advance the project to a feasibility study. The Company expects the WGM report to be finalized by October 2006 and will be available on www.sedar.com.

A bulk sampling program is underway to determine the beneficiation and pyrometallurgical processes required to separate the vanadium, iron, and titanium into three saleable commodities.

Results of Operations

Results of Operations for the three months ended July 31, 2006 and 2005

Expenses

Total operating expenses were \$343,760 for the three months ended July 31, 2006, compared to \$68,489 for the three months ended July 31, 2005, for an increase of \$275,271. The Company's expenses increased in all cost categories during the three months as a result of the general increased activity of the Company as it advances its business plan. During the current period, the Company commenced its summer exploration work programs and retained additional personnel relating to mineral exploration and general administration of the Company.

Rent and office expenses rose to \$62,401 during the three months as compared to \$9,006 in the comparative period. The rise is attributable to the increased activity of the Company and the expanding of its office. The Company continues to build out its office as it adds additional personnel, including a project manager and GIS technician during the current period.

The Company recorded \$38,649 in shareholder relations expenses for the three months ended July 31, 2006 as compared to \$6,229 in the comparative period. The expenses relate to the Company's advertising in resource publications and the costs of disseminating press releases. In addition, the Company recorded \$47,511 in investor relations expenses in the current period for internal and external investor relations services for shareholder awareness. The Company recorded travel costs of \$42,608 travel for capital raising efforts and property investigations.

Net Loss

The Company recorded a net loss of \$339,836 for the three months ended July 31, 2006, compared with a net loss of \$68,489 in the comparative period.

Results of Operations

Results of Operations for the nine months ended July 31, 2006 and 2005

Expenses

Total operating expenses were \$991,755 for the nine months ended July 31, 2006, compared to \$128,399 for the nine months ended July 31, 2005, for an increase of \$863,356. Consulting fees rose from \$8,384 during the nine months ended July 31, 2005 to \$104,344 during the nine months ended July 31, 2006. During the current period, consultants were retained to provide general and administrative services and financial consultants were retained to source possible financings for the Company's mineral projects. Management of the Company were required to travel for corporate purposes and the Company incurred travel costs of \$96,454 during the nine months ended July 31, 2006 as compared to \$1,940 in the comparative period.

The Company recorded stock based compensation charges of \$183,032 for the vesting of stock options granted to directors, officers, employees and consultants of the Company. This compares with no such charges in the comparative period when no stock options were outstanding.

Net Loss

The Company recorded a net loss of \$984,680 for the nine months ended July 31, 2006, compared with a net loss of \$128,399 in the comparative period.

Summary of Quarterly Results

	July 31	April 30	Jan 31	Oct 31	July 31	April 30	Jan 31	Oct 31
	2006	2006	2006	2005	2005	2005	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenues	-	-	-	-	-	-	-	-
Net income (loss)	(339,836)	(370,319)	(274,525)	(160,163)	(68,489)	(45,214)	(14,696)	(22,962)
Net income (loss) per share								
- basic and diluted	(0.02)	(0.02)	(0.01)	(0.02)	(0.01)	(0.00)	(0.00)	(0.00)

The Company's expenses and net loss have increased for the past four quarters due to the Company's aggressive expansion plans as it advances its business plan of exploring and developing its mineral projects.

Liquidity

The Company's cash on hand increased to \$2,055,431 as at July 31, 2006 from \$203,921 as at October 31, 2005. The Company's working capital was \$2,033,847 as at July 31, 2006, compared to working capital of \$168,948 as at October 31, 2005. The improvement in working capital was a result of closing two private placements during the period for gross proceeds of \$3,289,280.

During the nine months ended July 31, 2006, the Company used \$855,782 of its cash on exploration of its mineral properties and used \$120,759 for acquisition and staking of additional mineral properties. This compares with no such investments in the prior period when the Company had just acquired its first mineral property interests.

Capital Resources

As at the date of this MD&A, the Company has no other arrangement for sources of financing. During the recent quarter ended July 31, 2006, the Company closed a non-brokered private

placement for gross proceeds of \$2,686,905. The private placement consisted of 2,066,850 units priced at \$1.30 per unit. Each unit consists of one common share and one-half warrant. Each whole warrant is exercisable for a period of two years from closing to acquire one common share at a price of \$1.75 per share.

To keep the Company's mineral claims in good standing, the Company is required to make cash payments and fulfill work program expenditures. The Company believes it has adequate working capital to fund its minimum operations over the next twelve months. The Company has no long term debt but does have office lease and office equipment obligations as disclosed in its unaudited financial statements.

Transactions with Related Parties

During the nine months ended July 31, 2006, the Company paid or accrued \$46,775 (2005 - \$nil) in geological consulting fees to directors of the Company and to companies controlled by directors of the Company.

During the year ended October 31, 2005, the Company received advances of \$15,500 from related parties without interest or fixed terms of repayment. During the first quarter of 2006, the advances were repaid in full.

Disclosure of Outstanding Share Data

The following details the share capital structure as of the date of this MD&A.

	Expiry date	Exercise price	Number	Number
Common shares				23,321,614
Share purchase options	August 11, 2010	0.35	1,200,000	
	August 29, 2010	0.35	140,000	
	October 24, 2010	0.41	50,000	
	October 24, 2006	0.60	25,000	
	February 28, 2008	1.25	200,000	
	March 1, 2008	1.50	<u>100,000</u>	1,715,000
Warrants	December 20, 2006	0.80	522,497	
	May 24, 2008	1.75	<u>1,085,225</u>	1,607,722

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address future operations, acquisitions, exploration, financings, activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include future production reserve potentials or exploration drilling, market prices, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements. The Company's auditors have not reviewed this MD&A or the accompanying unaudited quarterly consolidated financial statements to which this MD&A relates.