

MANTLE RESOURCES INC.

INTERIM FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2006 and 2005
(UNAUDITED – PREPARED BY MANAGEMENT)

MANTLE RESOURCES INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditors.

November 29, 2006

MANTLE RESOURCES INC.

BALANCE SHEETS

AS AT SEPTEMBER 30, 2006 AND JUNE 30, 2006

(UNAUDITED – PREPARED BY MANAGEMENT)

	September 30, 2006	June 30, 2006
ASSETS		
Current		
Cash and cash equivalents	\$ 4,708,226	\$ 4,920,537
Receivables	175,868	228,089
Marketable securities	619,333	576,873
	5,503,427	5,725,499
Other assets	25,000	25,000
Equipment and leasehold improvements	9,572	10,244
Resource properties (Note 2)	4,050,760	2,659,424
	\$ 9,588,759	\$ 8,420,167
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 524,830	\$ 463,236
Shareholders' equity		
Capital stock (Note 3)	17,685,124	16,507,981
Contributed Surplus (Note 3)	1,572,887	1,578,837
Deficit	(10,194,082)	(10,129,887)
	9,063,929	7,956,931
	\$ 9,588,759	\$ 8,420,167
Subsequent events (Note 6)		
Contingency (Note 5)		

The accompanying notes are an integral part of these financial statements.

MANTLE RESOURCES INC.

STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(UNAUDITED – PREPARED BY MANAGEMENT)

	2006	2005
ADMINISTRATION EXPENSES		
Administration	\$ 7,500	\$ 3,000
Amortization	672	511
Interest and bank charges	311	197
Consulting	33,409	–
Management fees	22,500	15,000
Office and miscellaneous	8,759	6,151
Professional fees	1,890	25,683
Regulatory fees	–	16,140
Rent	4,661	4,300
Stock-based compensation	–	157,488
Transfer agent fees	2,814	1,983
Travel and promotion	18,948	4,535
Wages and benefits	10,816	13,600
Loss before other items	(112,280)	(248,588)
OTHER ITEMS		
Interest and other income	46,939	449
Write-off of resource properties (Note 2)	–	(7,757)
(Write down) recovery of marketable securities	1,146	–
	48,085	(7,308)
Loss for the period	(64,195)	(255,896)
Deficit, beginning of period	(10,129,887)	(8,010,069)
Deficit, end of period	\$ (10,194,082)	\$ (8,265,965)
Basic and diluted loss per share	\$ (0.00)	\$ (0.02)
Weighted average number of shares outstanding	29,877,326	11,759,450

The accompanying notes are an integral part of these financial statements.

MANTLE RESOURCES INC.

STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2006 AND 2005
(UNAUDITED – PREPARED BY MANAGEMENT)

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (64,195)	\$ (255,896)
Items not affecting cash:		
Amortization	672	511
Stock-based compensation	–	157,488
Write-off of resource properties	–	7,757
Write-down (recovery) of marketable securities	(1,146)	–
Changes in non-cash working capital items:		
Decrease in receivables	52,221	29,768
Decrease in prepaid expenses	–	2,122
Increase (decrease) in accounts payable and accrued liabilities	(3,060)	22,128
Cash used in operating activities	(15,508)	(36,122)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of marketable securities	(41,315)	–
Other assets	–	(25,000)
Resource property costs	(1,326,681)	(217,757)
Cash used in investing activities	(1,367,996)	(242,757)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share subscriptions	–	170,500
Issuance of capital stock, net of issuance costs	1,171,193	45,000
Cash provided by financing activities	1,171,193	215,500
Decrease in cash and cash equivalents during the period	(212,311)	(63,379)
Cash and cash equivalents, beginning of period	4,920,537	283,429
Cash and cash equivalents, end of period	\$ 4,708,226	\$ 220,050
Cash and cash equivalents		
Cash	\$ 2,133,226	\$ 220,050
Guaranteed Investment Certificate	\$ 2,575,000	\$ –

Supplemental disclosure with respect to cash flows (Note 4)

The accompanying notes are an integral part of these financial statements.

1. BASIS OF PRESENTATION

These interim financial statements have been prepared using Canadian generally accepted accounting principles (Canadian GAAP). The interim financial statements include normal recurring adjustments, which in management’s opinion, are necessary for a fair presentation of the financial results of the interim period presented.

The disclosures in these statements do not conform in all aspects to the requirements of Canadian GAAP for annual financial statements. These statements follow the same accounting policies and methods of their application as the most recent annual financial statements. These statements should be read in conjunction with the Company’s June 30, 2006 financial statements and notes thereto.

2. RESOURCE PROPERTIES

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

	September 30, 2006	June 30, 2006
DA Property, Northwest Territories		
The Company held a 100% interest, subject to a 5% gross overriding royalty (“GOR”) on diamonds, a 5% net smelter returns (“NSR”) royalty on other minerals, and a 10% net profits interest (“NPI”), in certain mineral claims located in the Northwest Territories.		
During 2005, management decided to discontinue its funding of its interest in the property. Accordingly, the Company’s interest in this property was written-off.	\$ –	\$ 7,757
Written-off	–	(7,757)
	–	–

Armstrong Brook Gold Property, New Brunswick

The Company entered into an option agreement with Geodex Minerals Ltd. (“Geodex”) to earn a 65% interest in Geodex’s 100%-owned Armstrong Brook gold property, located in the Cape Spencer area near Saint John, New Brunswick.

2. RESOURCE PROPERTIES (cont'd...)

	September 30, 2006	June 30, 2006
Armstrong Brook Gold Property, New Brunswick (cont'd...)		
<p>During the year ended June 30, 2006, the Company issued 100,000 common shares to Geodex pursuant to the option agreement and a further 50,000 common shares as a finder's fee to a third party as per the terms of the option agreement.</p> <p>Management decided not to proceed with this option agreement. The Company introduced Geodex to Global Sortweb.Com Inc. ("Global") and entered into a finder's fee agreement as per the following terms:</p> <ul style="list-style-type: none"> • \$25,000 within 7 business days from the date of acceptance for filing of the agreement. • \$10,000 within two months of the acceptance date. <p>The Company has not collected these amounts yet.</p>		
Accordingly all acquisition and related exploration costs were written-off during the year ended June 30, 2006.	–	65,367
Written-off	–	(65,367)
	–	–

Akie Property, British Columbia

The Company entered into an agreement with Ecstall Mining Corporation ("Ecstall"), pursuant to which the Company has been granted an option entitling it to earn a 65% interest in Ecstall's Akie property, located in the Omineca Mining Division of British Columbia, subject to the following terms:

- (i) by making the following cash payments to Ecstall:
- immediately, \$100,000 (paid);
 - on June 21, 2006, \$100,000 (paid);
 - on June 21, 2007, \$125,000;
 - and on June 21, 2008, \$125,000

2. RESOURCE PROPERTIES (cont'd...)

	September 30, 2006	June 30, 2006
Akie Property, British Columbia (<i>cont'd...</i>)		
(ii) by incurring a minimum of \$4,000,000 on exploration work on the property as follows: <ul style="list-style-type: none"> • by August 31, 2006, \$1,000,000 (incurred); • by August 31, 2007, an additional \$1,500,000; and • by August 31, 2008, an additional \$1,500,000. 		
The Company shall be the operator of the Akie property until December 31, 2006 and responsible for managing all work carried out on the Akie property. In return and upon earning its 65% interest, Mantle shall be paid an operator's fee equal to 10 – 15% of the expenditures made on the properties. Ecstall has the right to become the operator of the Akie property commencing January 1, 2007 until Mantle exercises the option.		
Following earn-in by the Company of a 65% interest in the Akie property, further exploration and development will be carried out pursuant to a joint venture agreement, with the initial participating interests in the joint venture to be: Mantle – 65%; and Ecstall – 35%. Under the terms of the joint venture agreement, each of Mantle and Ecstall would be responsible for paying their proportionate share of all expenses respecting the Akie property, with a minimum of \$500,000 to be expended on exploration work on the Akie property during each year after June 1, 2008.		
The Company issued 150,000 shares as a finder's fee to a third party as per the terms of the agreement. During the period ended September 30, 2006, the Company received a Notice of Claim from Ecstall regarding the earn-in by the Company. (Note 5)		
	4,040,760	2,649,424
West Range Property, British Columbia		
The Company entered into an agreement with West Range Exploration Ltd. ("West Range"), pursuant to which the Company has agreed to purchase all of West Range's interest held in its property located in British Columbia by making a payment of \$10,000 to West Range.		
	10,000	10,000
	\$ 4,050,760	\$ 2,659,424

3. CAPITAL STOCK

(a) Authorized and issued

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Issued			
As at June 30, 2006	26,478,864	\$ 16,507,981	\$ 1,578,837
Exercise of options	35,000	12,950	(5,950)
Exercise of warrants	5,820,968	1,164,193	–
As at September 30, 2006	32,334,832	\$ 17,685,124	\$ 1,572,887

During the period ended September 30, 2006, 5,820,968 warrants were exercised at a price of \$0.20 per share. A total of 5,820,968 common shares were issued for proceeds of \$ 1,164,193.

During the period ended September 30, 2006, 35,000 options were exercised at \$0.20 per share and 35,000 common shares were issued for gross proceeds of \$7,000. In addition, a reallocation of \$5,950 from contributed surplus to share capital was recorded on the exercise of these options.

(b) Stock options

The Company maintains a 10% rolling stock option plan whereby the number of shares allotted and reserved for future issuances under the plan will be equal to 10% of the issued and outstanding shares of the Company on a “rolling” basis. Under the terms of the plan, all options vest immediately and expire not more than five years from the grant date.

During fiscal 2006, the Company graduated to Tier 1 of the TSX Venture Exchange. The Company had received shareholder approval on the renewal of its stock option plan at the Company’s annual general and special meeting held on November 8, 2006. Accordingly, the expiration of options granted under the new plan may not exceed ten years.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance June 30, 2006	2,602,500	\$ 0.70
Cancelled	(250,000)	0.52
Exercised	(35,000)	0.20
Balance September 30, 2006	2,317,500	\$ 0.73

3. CAPITAL STOCK (cont'd...)

(b) Stock options (cont'd...)

Stock options outstanding and exercisable at September 30, 2006 are summarized as follows:

Number of Shares	Exercise Price	Expiry Date	Exercisable
672,500	\$0.20	July 4, 2010	672,500
100,000	\$0.30	August 25, 2010	100,000
100,000	\$0.64	October 13, 2010	100,000
895,000	\$0.81	January 9, 2011	895,000
210,000	\$1.35	February 23, 2007	210,000
340,000	\$1.35	February 24, 2011	340,000
2,317,500			2,317,500

During the three months ended September 30, 2006, under the fair value based method \$nil (2005 – \$157,488) in compensation expense was recorded in the statements of operations and deficit for stock options granted to directors, officers, employees and consultants of the Company.

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

Three months ended September 30,	2006	2005
Risk free interest rate	–	2.95%
Expected dividend yield	–	0%
Stock price volatility	–	137.5%
Expected life of options	–	3 years

The weighted average fair value of options granted during the three months ended September 30, 2006 is \$nil (2005 – \$0.18) per share.

3. CAPITAL STOCK (cont'd...)

(c) Warrants

As at September 30, 2006, the Company had outstanding share purchase warrants and agents' warrants, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
850,000	\$ 0.50	October 14, 2006 (Note 6)
343,750	\$ 0.50	October 17, 2006 (Note 6)
1,250,000	\$ 1.00	December 23, 2007
700,000	\$ 0.90	December 23, 2007
149,105	\$ 0.85	December 23, 2007
1,500,000	\$ 1.50	February 23, 2007
54,363	\$ 1.50	February 23, 2007

Warrant transactions and the number of warrants outstanding are as follows:

	Number of Shares	Weighted Average Exercise Price
Balance June 30, 2006	10,668,186	\$ 0.57
Warrants exercised	(5,820,968)	(0.20)
Balance September 30, 2006	4,847,218	\$ 1.01
Number of warrants currently exercisable	4,847,218	\$ 1.01

4. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

September 30,	2006	2005
Cash paid during the period for interest	–	–
Cash paid during the period for income tax	–	–

Significant non-cash transactions for the three months ended September 30, 2006 included:

- (a) Upon the exercise of stock options, \$5,950 was allocated to contributed surplus (2005 - \$Nil).
- (b) Accounts payable of \$413,417 (2005 - \$Nil) was included in resource property expenditures.

5. CONTINGENCY

During the period, the Company received a notice of dispute under the Akie property option agreement dated Aug. 23, 2005, from Ecstall. The fundamental question in dispute is the extent to which expenditures incurred by Mantle on the Akie property during 2006 qualify as expenditures for purposes of Mantle earning its 65-per-cent interest in the Akie property as contemplated under the option agreement.

Under the terms of the option agreement, the parties had 30 days from the delivery of notice of dispute within which to reach an amicable settlement, failing which the matter would be referred to binding arbitration. The Company offered to meet and discuss the dispute amicably, and proposed several meeting dates, however, the parties have not been able to arrange a mutually convenient time to do so within the 30-day time frame which expired Oct. 5, 2006.

Notwithstanding the expiry of the grace period, the parties may convene a meeting to discuss the dispute prior to referring same to arbitration.

The Company is on the verge of completing the 2006 exploration program on the Akie property and has spent in excess of \$4-million in expenditures over the 2005 and 2006 exploration seasons, such that it intends to exercise its option to acquire the 65-per-cent interest immediately upon receiving confirmatory evidence of the exploration expenditures from the project manager, Coast Mountain Geological Ltd. In the event Ecstall resists the exercise of the option, the Company intends to refer the matter to arbitration and seek a declaration that it has earned its interest. Management is of the opinion that it will be successful in doing so and believes that there is no merit in Ecstall's notice of dispute.

6. TRANSACTIONS WITH RELATED PARTIES

During the three months ended September 30, 2006, the Company paid or accrued \$22,500 (2005 – \$15,000) for management fees and \$7,500 (2005 – \$3,000) for administrative fees to a company controlled by a director of the Company.

During the three months ended September 30, 2006, the Company paid or accrued \$6,870 (2005 - \$nil) for consulting and geological services fees to a company controlled by a director of the Company

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. SUBSEQUENT EVENTS

Subsequent to the period ended September 30, 2006:

- (a) 743,750 warrants were exercised at \$0.50 per share and an aggregate of 743,750 common shares were issued for gross proceeds of \$371,875. In addition, 450,000 warrants exercisable at \$0.50 per share expired on October 14, 2006.
- (b) the Company entered into a property purchase agreement pursuant to which it will acquire, subject to TSX Venture Exchange (“TSX-V”) approval, a 100% interest, subject only to 1% Net Smelter Returns (NSR) royalty, in certain mineral claims located in the Mt. Alcock area of northeastern BC in consideration of \$75,000 cash and the issuance of 200,000 common shares of the Company. The Company has an option to purchase the entire NSR from the vendor for the sum of \$1 million cash.

7. SUBSEQUENT EVENTS (cont'd...)

The Company received TSX-V approval on October 20, 2006 and accordingly paid \$75,000 and issued 100,000 common shares. The remaining 100,000 common shares will be issued on or prior to nine months after the anniversary of TSX-V acceptance date.

- (c) the Company granted an aggregate of 950,000 options at \$0.70 to directors and officers expiring November 14, 2016 and to employees expiring November 14, 2011.
- (d) the Company entered into a financing arrangement with Lundin Mining Corp., subject to TSX-V approval, pursuant to which Lundin Mining will purchase units equal to just under a 10 per-cent equity position in the Company. Lundin Mining has subscribed, by way of a non-brokered private placement, for 3,685,000 units of the Company at a price of \$0.78 per unit for gross proceeds of \$2,874,300. Each unit consists of one common share and one common share purchase warrant. Each warrant shall entitle the purchaser to purchase, at any time within 24 months from closing, one common share of the Company at a price of \$0.78. The exercise of these warrants would bring Lundin Mining's interest in the Company to approximately 18 per-cent.
- (e) the Company forwarded a cheque for \$250,000 to Ecstall, being the balance of cash payments to be made to Ecstall in connection with the option agreement.