MANTLE RESOURCES INC.

MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended September 30, 2006 and 2005

1.1 Date

This Management Discussion and Analysis ("MD&A") of Mantle Resources Inc. ("Mantle" or the "Company") has been prepared by management as of November 29, 2006 and should be read in conjunction with the unaudited interim financial statements and related notes thereto of the Company for the three months ended September 30, 2006 and 2005 and with the audited financial statements and related notes thereto of the Company, as at and for the years ended June 30, 2006 and 2005, which were prepared in accordance with Canadian generally accepted accounting principles.

The Company is presently a "Venture Issuer", as defined in NI 51-102.

This MD&A may contain "forward-looking statements" which reflect the Company's current expectations regarding the future results of operations, performance and achievements of the Issuer, including potential business or mineral property acquisitions and negotiation and closing of future financings. The Issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as "anticipate," "believe," "estimate," "expect" and similar expressions. The statements reflect the current beliefs of the management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise.

Historical results of operations and trends that may be inferred from the following discussions and analysis may not necessarily indicate future results from operations.

1.2 Over-all Performance

Mantle was incorporated under the laws of the Province of British Columbia on February 10, 1988. The Company operates in one business segment, that being the exploration and development of mineral properties in Canada.

Pursuant to a special resolution passed by shareholders on February 15, 2002, the Company consolidated its capital on a one-new-for-eight-old basis and changed its name from Intertech Minerals Corp. to Mantle Minerals Inc. On April 25, 2002, the Company commenced trading on the TSX Venture Exchange (TSXV) under the symbol "MIN". To date, the Company has not generated significant revenues from operations or recorded any cost of sales and as a result is considered to be in the development stage. The underlying value of the mineral properties and related deferred costs are entirely dependent on the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and upon future profitable production.

Effective October 21, 2003, the Company was designated as inactive. The Company's listing was transferred to the NEX Board of the TSX Venture Exchange ("Exchange") and its tier classification was changed from Tier 2 to NEX in accordance with the revised policy 2.5 of the Exchange.

Effective September 22, 2004, the Company's listing was transferred from NEX to the TSX Venture Exchange and the Company's Tier classification was changed from NEX to Tier 2.

Effective August 9, 2005, the Company changed its name from Mantle Minerals Inc. to Mantle Resources Inc. and consolidated its share capital on the basis of two old shares to one new share. As a result, the common shares of Mantle

Minerals Inc. were delisted and the common shares of Mantle Resources Inc. commenced trading under the trading symbol "MTS".

Effective October 18, 2005, the Company's common shares commenced trading on the Frankfurt Stock Exchange under the trading symbol M9R, WKN-A0F7E1.

During the year ended June 30, 2006, the Company graduated to Tier 1 of the TSX Venture Exchange.

As at the date hereof, the Company has mining interests in properties located in British Columbia and entered into the following agreements as at September 30, 2006:

Akie Property

During the year ended June 30, 2006, 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.

(ii) by incurring a minimum of $4,000,000 on exploration work on the Akie property as follows:
- 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, the Company shall be paid an operator's fee. Ecstall has the right to become the operator of the Akie property commencing January 1, 2007 until the Company 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: the Company – 65%; and Ecstall – 35%. Under the terms of the joint venture agreement, each of the Company 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 three months ended September 30, 2006, the Company received a notice of dispute under the Akie property option agreement dated August 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-percent 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.

Property Update

Below is a progress report on the ongoing exploration program at the Company’s Akie zinc-lead property located in northeastern British Columbia, approximately 280 kilometers north-northwest of the town of Mackenzie.

HOLE: A-06-39A. (Az: 050^{o}; Dip: -71.5^{o}; Grid: 3300N/0090W; Elev: 1484 meters; End of hole: 542.54 meters)

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Zinc+Lead (%)
490.00	508.10	18.10	8.16 (8.16)	1.58 (1.69)	9.74 (9.85)
Incl. 490.00	503.00	13.00	9.73 (9.60)	1.82 (1.97)	11.55 (11.57)
Incl. 494.00	502.00	8.00	11.73 (11.27)	2.24 (2.44)	13.97 (13.71)

For each of the zinc and lead values presented above, the first figure has been derived from assay data received from Acme Analytical Laboratories Ltd. (“Acme”), Vancouver, B.C., and the second, in italics in brackets, has been calculated from confirmatory analyses carried out on assay pulps from Acme by Global Discovery Labs, Vancouver, BC. The average silver values for the reported intervals, determined by Acme, range from 13 to 18 gr/tonne.

The true width of the mineralization is estimated to be 79% of the core interval but this figure is subject to revision.

Hole A-06-39A was drilled from the same pad as holes A-05-30 and A-06-35 and pierced the mineralized zone approximately 70 meters up dip from the pierce point of A-05-30. The down dip extent of the mineralization encountered by these three holes is approximately 220 meters.

During the recently completed 2006 exploration program, the Company drilled 11 holes totaling 4,880.58 meters, comprising seven holes that penetrated the Akie mineralized horizon (4,434.39 meters) and four holes that were abandoned for various technical and justifiable reasons.

The Company has now completed its 2006 drill program on the Akie zinc-lead property and the camp is being demobilized and winterized.

Previous Results:

HOLE: A-06-38

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Zinc+Lead (%)
528.35	547.75	19.40	8.27 (7.71)	1.45 (1.44)	9.72 (9.15)
Incl. 528.35	542.20	13.85	8.99 (8.44)	1.68 (1.67)	10.67 (10.11)
Incl. 537.80	542.20	4.40	13.00 (11.87)	1.83 (1.82)	14.83 (13.69)
Incl. 544.90	547.75	2.85	12.39 (11.23)	1.58 (1.66)	13.97 (12.89)

HOLE: A-06-37A

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (gr/t)
500.20	525.70	25.50	8.45 (8.31/8.29)	1.74 (1.66/1.67)	14.6 (N/A)
Incl. 500.20	508.00	7.80	9.35 (9.80/9.73)	1.73 (1.73/1.77)	15.1 (N/A)
Incl. 511.00	520.30	9.30	10.35 (9.83/9.83)	2.25 (2.08/2.10)	17.3 (N/A)

HOLE: A-06-36A

a) Hanging Wall Zone

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (gr/t)
673.50	688.10	14.60	3.90 (4.20)	0.74 (0.73)	6.8 (N/A)

b) Cardiac Creek Zone

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (gr/t)
711.40	721.80	10.40	5.81 (6.16)	1.19 (1.18)	10.6 (N/A)
711.40	720.10	8.70	6.56 (6.92)	1.34 (1.33)	11.8 (N/A)
Incl. 713.00	716.00	3.00	9.14 (9.22)	1.68 (1.70)	14.0 (N/A)

Hole: A-06-35.

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (gr/t)
642.70	664.60	21.90	8.88 (8.47)	1.80 (1.74)	15.6 (N/A)
Incl. 654.50	664.60	10.10	11.06 (10.69)	2.52 (2.46)	21.3 (N/A)
677.10	681.90	4.80	9.33 (9.23)	2.16 (2.20)	17.3 (N/A)

Hole: A-05-33.

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (gr/t)
558.55	577.75	19.20	8.71 (8.53)	1.83 (1.89)	16.01 (N/A)
Incl. 565.50	577.00	11.50	9.81 (9.52)	2.20 (2.23)	18.54 (N/A)
Incl. 571.00	577.00	6.00	11.97 (11.58)	2.79 (2.85)	22.00 (N/A)

Hole: A-05-32.

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (gr/t)
555.20	581.90	26.70	11.95	2.74	22
Incl. 558.20	581.90	23.70	12.47	2.91	23.5
Incl. 570.40	581.90	11.50	16.16	3.95	29
Incl. 576.40	580.05	3.65	28.25	6.18	44

Hole: A-05-30.

From (m)	To (m)	Interval (m)	Zinc (%)	Lead (%)	Silver (gr/t)
531.75	568.80	37.05	10.98 (11.30)	2.61 (2.65)	21.2 (NA)
Incl. 543.47	567.30	23.83	15.02 (15.57)	3.27 (3.77)	28.5 (NA)
Incl. 543.70	561.40	17.93	17.22 (18.08)	4.20 (4.23)	30.1 (NA)

Assay Samples and Assay Procedures

All core selected for analysis is split by diamond saw and sampled, with a maximum of 1.5 meters of core in each sample. These are placed in plastic bags and shipped in secure containers to Analytical Laboratories Ltd. in Vancouver, British Columbia, for analysis for zinc, lead and silver by aqua regia digestion followed by ICP emission spectrometry (Group 7A-ICP Multi-Element Assay). Check assays are carried out by Global Discovery Labs, also in Vancouver, employing aqua regia digestion followed by atomic absorption finish (Group 4).

John R. Fraser, P.Geo. (BC) is the Qualified Person for the Company and is responsible for the technical information contained in this release.

About the Akie Property

The Akie property, which has been optioned from Ecstall Mining Corporation, comprises a total of 256 claim units, in 22 contiguous mineral claims encompassing some 5,400 hectares, situated in the Omineca Mining Division of British Columbia. Between 1992 and 1996, approximately $5.4-million was spent exploring the property, including approximately 13,000 metres of diamond drilling.

Variably siliceous, bluish-grey weathering, fine-grained clastic rocks of the Middle to Late Devonian ‘Gunsteel formation’ host a sheet-like body of laminated to massive pyrite and barite, with local finely laminated bands of sphalerite and galena, that has a strike length of 1,600 meters, a dip extent of at least 800 meters and a true width of up to 30 meters. Within this, Inmet Mining Corporation, the previous operator, identified an inferred resource, based on four widely spaced drill holes, of 13 million tonnes grading 8.52% zinc, 1.47% lead and 13.24 grams silver/tonne over a true width of 6.3 meters.

Note: This historical inferred resource estimate was prepared before the implementation of National Instrument 43-101. The Company's Qualified Person has not reviewed the estimate but believes it to be reliable and relevant as it was calculated by Inmet Mining Corporation, a respected international mining concern, using simple polygonal blocks. However, this estimate should be treated as a historical resource estimate and should not be relied upon until additional drill hole information is available.

The Akie deposit is open to expansion in tonnage and grade both along strike and down-dip.
Photos of the Akie zinc-lead property are available at the Company's website at www.mantleresources.com.
For further information regarding the Akie property, the reader is referred to a NI 43-101 report, titled *Geological Report on the Akie Property*, dated October 24, 2005, by D.G. MacIntyre, Ph. D., P.Geo.(BC)., which is filed on SEDAR at www.sedar.com.

Armstong Brook Gold Property

During the year ended June 30, 2006, 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, subject to the following terms:

(i) by making the following cash payments to Geodex:
- $15,000 upon Exchange approval of the agreement (paid);
- $20,000 on the first anniversary; and
- $30,000 on the second anniversary.

(ii) by issuing a total of 450,000 post-consolidated common shares to Geodex as follows:
- 100,000 common shares upon Exchange approval of the agreement (issued);
- 150,000 common shares due on the first anniversary; and
- 200,000 common shares due on the second anniversary.

(iii) by incurring minimum exploration expenditures of $200,000 in the first year and a cumulative total of $1,000,000 by the second anniversary of the agreement.

The Company would have been able to increase its interest to 75% by funding 100% of all exploration and development costs to the stage of completing a feasibility study. The claims are subject to a 1.5% NSR.

The Company issued 50,000 shares as a finder's fee to a third party as per the terms of the option agreement.

During the year ended June 30, 2006, 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:
- $25,000 within seven business days from the date of acceptance for filing of the agreement
- $10,000 within two months of the acceptance date

The Company has not collected these amounts yet.

Accordingly all acquisition and related exploration costs of $ 65,367 were written-off during the previous year.

West Range Property

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.

Afridi Lake Properties

As of September 30, 2006, the Company beneficially owned an undivided 25% interest, subject, in part, to certain royalties and a royalty reduction option, in eighteen DA and DAA mineral claims and 40% interest in one AYL mineral claim, known as the Afridi Lake Property and an undivided 40% interest, unencumbered by any royalties, in an additional twenty-one AYL mineral claims comprising the Afridi Lake East Property and the Aylmer Lake Property. All three, collectively referred to hereafter as "the Properties", are located southeast of Lac de Gras, approximately 335 km northeast of Yellowknife, Northwest Territories. The target mineral being sought on these properties is diamond contained in kimberlite.

<u>AYL Property</u>

On September 19, 2003, the Company with its joint venture partner, Shear Minerals Ltd. ("Shear"), entered into an option agreement with Indicator Minerals Inc. (formerly DEV Investments Ltd.) ("Indicator"), whereby Indicator can earn up to a 60% interest in the AYL Property by incurring a total of $800,000 in expenditures, and issue to each of Shear and the Company 100,000 common shares of Indicator. During 2004, the Company received 50,000 shares of Indicator at a value of $17,500 as consideration for entering into this option agreement. Subsequently, Indicator terminated its option to earn the 60% interest on the AYL property.

During 2005, management decided not to continue with the mineral claims and all costs associated with these claims were written-off to operations.

<u>DA Property</u>

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 2003, the Company terminated an agreement whereby it gave Shear and Dasher Energy Corp ("Dasher") an option to earn up to a 60% interest in certain claims.

During 2003, the Company received 200,000 common shares of Dasher valued at $20,000 as per the original agreement and letter of intent.

During 2003, the Company entered into a new letter of intent that amended all previous agreements whereby Shear, Dasher, and International Samuel Exploration Corp. ("Samuel") will each earn an undivided 25% interest in certain claims by spending a total of $250,000 on exploration of the property within 180 days of the execution agreement, converting selected mineral claims to mineral leases, and issuing to the Company 100,000 shares each of Shear, Dasher, and Samuel for every diamondiferous kimberlite intrusion discovered. As of June 30, 2004, the $250,000 has been spent and each of Shear, Dasher and Samuel earned their 25% interest. During 2004, management has written down the mineral property costs to the amount established by the parties.

During fiscal 2005, management decided to discontinue its funding of its interest in the property and all costs associated with these claims were written-off to operations.

Summary of expenditure incurred on various properties upto the three months ended September 30, 2006

Property	Acquisition cost	Advances	Geological consulting	Drilling	Write-off	Total
Akie	$ 135,688	$ 372,061	$ 26,075	$ 3,506,936	$ –	$ 4,040,760
Armstrong Brook Gold	65,367	–	–	–	(65,367)	–
West Range	10,000	–	–	–	–	10,000
Total	$ 211,055	$ 372,061	$ 26,075	$ 3,506,936	$ (65,367)	$ 4,050,760

1.3 Selected Annual Information

Please see Management Discussion and Analysis for the fiscal year ended June 30, 2006.

1.4 Results of Operations

The following is a discussion of the financial condition, changes in financial condition and results of operations of the Company for the three months ended September 30, 2006 and 2005. There have been no major changes in accounting policies during these periods.

Three months ended September 30, 2006 and 2005

During the three months ended September 30, 2006, the Company reported a loss of $64,195 or $0.00 per share compared to a loss of $255,896 or $0.02 per share during the three months ended September 30, 2005, a decrease in loss by $191,701. The decrease in loss was primarily due to a decrease of $157,488 in stock compensation expense for the quarter ended September 30, 2006.

The administration expenses increased by $4,500, consulting fees by $33,409, management fees by $7,500, office and miscellaneous by $2,608, transfer agent fees by $831, travel and promotion by $14,413 offset by a decrease of $23,793 in professional fees, $16,140 in regulatory fees, $157,488 in stock compensation expenses, and $2,784 in wages and benefits.

Total revenues during the three months were $46,939 compared to $449 during the three months previous year.

The increase in consulting fees by $33,409 during the period was a result of fees paid to various parties in connection with the Company's acquisition of interests in resource properties and other potential acquisitions and fees paid relating to strategic public relations campaigns for increased investor awareness. No such fees were paid during the three months ended 2005.

The increase in management fees by $7,500 was a result of a management and administrative services agreement entered into by the Company effective October 2004 with a company controlled by a director of the Company whereby the Company agreed to pay management fees of $5,000 per month and administrative fees of $1,000 per month. The management fee was increased to $7,500 per month and administrative fee to $2,500 per month, during the year ended June 2006.

The increase in office and miscellaneous by $2,608 was a result of expenses such as telephone and internet, computer maintenance, printing, office supplies, etc.

Regulatory fees decreased by $16,140 as there were no events such as listing on the Stock Exchange or private placements during the three months ended September 30, 2006.

Travel and promotion increased by $14,413 due to various travel expenses incurred by directors for presentations arranged for various potential European investors. Also, fees were paid to newswires for press release disseminations

The Company recognizes compensation expense for all stock options granted, using the fair value based method of accounting and any cash paid on the exercise of stock options is added to the stated value of common shares. The Company did not record any stock compensation expense for the quarter as there were no options granted. For the period ended September 30, 2005, the Company recorded $157,488 in stock compensation expense for options granted during the period.

1.5 Summary of Quarterly Results

The following is a summary of certain consolidated financial information concerning the Company for each of the last eight reported quarters:

Quarter ended	Total Revenues	Loss	Loss per share
September 30, 2006	$ 46,939	$ (64,195)	$ (0.00)
June 30, 2006	64,657	(86,959)	(0.00)
March 31, 2006	20,619	(1,357,382)	(0.06)
December 31, 2005	2,231	(419,581)	(0.03)
September 30, 2005	449	(255,896)	(0.02)
June 30, 2005	1,123	(127,963)	(0.01)
March 31, 2005	835	(27,751)	(0.01)
December 31, 2004	247	(70,050)	(0.01)

Over the past eight fiscal quarters there have been no significant trends.

1.6/1.7 Liquidity and Capital Resources

The Company reported a working capital of $4,978,597 at September 30, 2006 compared to a working capital of $5,262,263 at June 30, 2006, representing a decrease in working capital by $283,666. Net cash on hand decreased by $212,311, from $4,920,537 at June 30, 2006 to $4,708,226 at September 30, 2006. The decrease in cash resulted from cash utilized for operations of $15,508, purchase of marketable securities of $41,315, resource properties costs of $1,326,681 offset by an increase of $1,171,193 through issuance of capital stock net of issuance costs.

Current assets excluding cash at September 30, 2006 consisted of receivables of $175,868 which consists of GST recoverable of $113,680 and interest receivable of $62,188 and marketable securities of $619,333. Current assets excluding cash at June 30, 2006 consisted of receivables of $228,089 which consists of GST recoverable of $165,915 and interest receivable of $62,174 and marketable securities of $576,873.

Current liabilities as at September 30, 2006 mainly consisted of accounts payable and accrued liabilities of $524,830 (June 30, 2006 - $463,236)

During the three months ended September 30, 2006, the Company generated net cash of $1,171,193 from its financing activities as follows:

(a) A total of 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.

(b) 35,000 options were exercised at $0.20 per share and 35,000 common shares were issued for gross proceeds of $7,000.

Financing for the Company's operations was funded primarily through the exercise of options and warrants. The other sources of funds potentially available to the Company are through the exercise of outstanding stock options, share purchase warrants and brokers' warrants. See *Item 1.15 – Other Requirements – Summary of Outstanding Share Data*. There can be no assurance, whatsoever, that any or all of these outstanding exercisable securities will be exercised.

The Company has and may continue to have capital requirements in excess of its currently available resources. In the event the Company's plans change, its assumptions change or prove inaccurate, or its capital resources in addition to projected cash flow, if any, prove to be insufficient to fund its future operations, the Company may be required to seek additional financing. Although the Company has been successful in raising the above funds, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

During the year ended June 30, 2005, the Company wrote-off all of its interests in the DA and AYL properties located in the Northwest Territories. During the year ended June 30, 2006, the Company wrote-off all of its interest in the Armstrong Brook Gold property located in New Brunswick in order to focus purely on its Akie zinc-lead property located in British Columbia. See *1.2 Over-all Performance – Akie Property* for a full disclosure on this property.

The Company's overall success will be affected by its current or future business activities. The Company is currently in the process of acquiring and exploring its interests in resource properties and has not yet determined whether these properties contain mineral deposits that are economically recoverable. The continued operations of the Company and the recoverability of expenditures incurred to earn an interest in these resource properties are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, obtaining necessary financing to explore and develop the properties, and upon future profitable production or proceeds from disposition of the resource properties.

1.8 Off-Balance Sheet Arrangements

The Company does not utilize off-balance sheet arrangements.

1.9 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.

1.10 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.

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 @ $0.70 to directors and officers expiring November 14, 2006 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

1.11 Proposed Transactions

No disclosure necessary.

1.12 Critical Accounting Estimates

Not applicable to Venture Issuers.

1.13 Changes in Accounting Policies including Initial Adoption

Asset retirement obligations

The Canadian Institute of Chartered Accountants ("CICA") recently issued a new section in the CICA Handbook, section 3110, Asset retirement obligations, which was effective July 1, 2004. The standard focuses on the recognition and measurement of liabilities related to legal obligations associated with the retirement of property, plant and equipment. Under this standard, these obligations are initially measured at fair value and subsequently adjusted for the accretion of discount and any changes in the underlying cash flows. The asset retirement cost is to be capitalized to the related asset and amortized into earnings over time. Adoption of this standard has not affected the Company's financial statements.

1.14 Financial Instruments and Other Instruments

The Company's financial instruments consist of cash and cash equivalents, receivables, marketable securities and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of these financial statements approximate their carrying value, unless otherwise noted.

1.15 Other Requirements

Summary of outstanding share data as at November 29, 2006

(1)	Authorized: Unlimited common shares without par value	
	Issued and outstanding:	36,863,582
(2)	Stock options outstanding:	3,232,500
(3)	Warrants outstanding:	7,338,467

Disclosure Controls and Procedures

Management has assessed the effectiveness of the Company's disclosure controls and procedures used for the financial statements and MD&A as at November 29, 2006. Management has concluded that the disclosure controls are effective in ensuring that all material information required to be filed has been made known to them in a timely manner. The required information was effectively recorded, processed, summarized and reported within the time period necessary to prepare the annual filings. The disclosure controls and procedures are effective in ensuring that information required to be disclosed pursuant to applicable securities laws are accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Additional disclosures pertaining to the Company's technical report, management information circulars, material change reports, press releases and other information are available on the SEDAR website at www.sedar.com.

On behalf of the Board of Directors, thank you for your continued support.

"Peeyush Varshney"

Peeyush Varshney
Director
November 29, 2006