

Financial Statements of

URACAN RESOURCES LTD.

(Unaudited – Prepared by Management)

October 31, 2006 and 2005

URACAN RESOURCES LTD.**Balance Sheets - unaudited**

as at October 31

(expressed in Canadian dollars)

	October 31, 2006	July 31, 2006
	<u> </u>	<u> </u>
ASSETS		
Current		
Cash	\$ 1,503,840	\$ 3,087,163
Receivables and prepaids	117,365	67,462
	<u>1,621,205</u>	<u>3,154,625</u>
Mineral properties (Note 3)	<u>2,476,991</u>	<u>1,828,267</u>
	<u>\$ 4,098,196</u>	<u>\$ 4,982,892</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	<u>\$ 47,176</u>	<u>\$ 859,029</u>
Shareholders' equity		
Share capital (Note 4)	6,310,388	6,310,388
Contributed surplus (Note 4)	536,067	522,740
Deficit	<u>(2,795,435)</u>	<u>(2,709,265)</u>
	<u>4,051,020</u>	<u>4,123,863</u>
	<u>\$ 4,098,196</u>	<u>\$ 4,982,892</u>

Nature of operations (Note 2)**Subsequent events** (Note 8)

Approved by the Board of Directors:

"Gordon Keep" Director

"Jay Sujir" Director*See accompanying notes to the unaudited financial statements*

URACAN RESOURCES LTD.
Statements of Operations and Deficit - unaudited
For the three months ended October 31
(expressed in Canadian dollars)

	Three months ended October 31,	
	<u>2006</u>	<u>2005</u>
Expenses		
Consulting	\$ 50,475	\$ 7,500
Marketing and advertising	2,375	-
Office and administration	3,399	3,080
Professional fees	-	13,675
Regulatory and transfer agent	2,937	1,345
Shareholder services (Note 4(e))	44,336	-
	<u>103,522</u>	<u>25,600</u>
Other Item		
Interest income	<u>17,352</u>	<u>918</u>
Net loss for the period	(86,170)	(24,682)
Deficit, beginning of period	<u>(2,709,265)</u>	<u>(2,013,191)</u>
Deficit, end of period	<u>\$ (2,795,435)</u>	<u>\$ (2,037,873)</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of common shares outstanding	<u>41,087,432</u>	<u>24,849,671</u>

See accompanying notes to the unaudited financial statements

URACAN RESOURCES LTD.
Statements of Cash Flows - unaudited
For the three months ended October 31
(expressed in Canadian dollars)

	Three months ended October 31,	
	<u>2006</u>	<u>2005</u>
OPERATING ACTIVITIES		
Net loss for the year	\$ (86,170)	\$ (24,682)
Items not involving cash:		
Shareholder services (Note 4(e))	13,327	-
Changes in non-cash working capital items	<u>(861,756)</u>	<u>8,564</u>
Cash used in operating activities	<u>(934,599)</u>	<u>(16,118)</u>
FINANCING ACTIVITY		
Issuance of shares	<u>-</u>	<u>22,000</u>
Cash provided by financing activity	<u>-</u>	<u>22,000</u>
INVESTING ACTIVITY		
Mineral property costs	<u>(648,724)</u>	<u>-</u>
Cash used in investing activity	<u>(648,724)</u>	<u>-</u>
Change in cash during the period	(1,583,323)	5,882
Cash, beginning of period	<u>3,087,163</u>	<u>217,511</u>
Cash, end of period	<u><u>\$ 1,503,840</u></u>	<u><u>\$ 223,393</u></u>

See accompanying notes to the unaudited financial statements

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the three month period ended October 31, 2006

1. BASIS OF PRESENTATION

The interim period financial statements have been prepared by Uracon Resources Ltd. (the "**Company**"), in accordance with Canadian generally accepted accounting principles and are expressed in Canadian dollars. The preparation of interim financial statements is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in financial statements prepared in accordance with Canadian generally accepted accounting principles have been condensed or omitted. These interim period statements should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual filing. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

2. NATURE OF OPERATIONS

The Company was originally incorporated as 583860 B.C. Ltd. in the province of British Columbia on April 21, 1999. The Company changed its name to UFM Ventures Ltd. on March 4, 2004 and to Uracon Resources Ltd. on July 27, 2006.

The Company's principal business activity is the acquisition and exploration of properties in the natural resource industry.

3. MINERAL PROPERTIES

Title to mineral 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 mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

North Shore Properties

On July 27, 2006, the Company completed an option agreement with Sheridan Platinum Group Limited ("**Sheridan**") whereby the Company has been granted an option to purchase a 100% interest in the Lac Turgeon, Wee Gee, Pontbriand and Ne Costbelle properties (the "**North Shore Properties**") located along the Quebec North Shore of the Gulf of St. Lawrence (the "**Acquisition**"). In order to exercise the option, the Company paid Sheridan \$600,000 and issued it 350,000 common shares of the Company. In order to comply with the terms of the agreement, the Company must also pay \$200,000 by November 30, 2006, \$200,000 by March 31, 2007 and \$1,000,000 or 1,000,000 common shares of the Company (at Sheridan's option) by November 30, 2007. The payments to be made on November 30, 2006 and March 31, 2007 may be reduced by 25% for any property dropped by the Company before the due date for such payment. The Company has also agreed to grant Sheridan a Net Smelter Royalty ("**NSR**") of 3% in the first 2 years after commencement of commercial production, increasing to 5% thereafter. With a payment of \$3,000,000 within the first 30 days after commencement of commercial production, the Company has the right to reduce the NSR to 1.5% for the entire term. The Company has agreed to make advance quarterly royalty payments of \$25,000 beginning January 1, 2008.

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the three month period ended October 31, 2006

3. MINERAL PROPERTIES (continued)

Saskatchewan Properties

On September 25, 2006, the Company announced that it has staked two claim blocks in the Pipewrench Lake and Narrows Lake areas in Saskatchewan. The Company has a 100% interest in these properties.

The following table summarizes the capitalized costs associated with the Company's mineral properties as at October 31, 2006:

	<u>North Shore Properties</u>	<u>Saskatchewan Properties</u>	<u>Total</u>
Acquisition costs:			
Balance, July 31, 2006	\$ 767,650	\$ -	\$ 767,650
Staking costs	<u>-</u>	<u>11,065</u>	<u>11,065</u>
Balance, October 31, 2006	<u>767,650</u>	<u>11,065</u>	<u>778,715</u>
Exploration costs:			
Balance, July 31, 2006	1,060,617	-	1,060,617
Air support and fuel	100,833	-	100,833
Assaying and analysis	28,182	-	28,182
Consultants	272,107	-	272,107
Geophysical survey	215,101	-	215,101
Travel and accommodation	<u>21,436</u>	<u>-</u>	<u>21,436</u>
Balance, October 31, 2006	<u>1,698,276</u>	<u>-</u>	<u>1,698,276</u>
Total costs, October 31, 2006	<u><u>\$ 2,465,926</u></u>	<u><u>\$ 11,065</u></u>	<u><u>\$ 2,476,991</u></u>

4. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares with no par value
Unlimited number of preferred shares with no par value

(b) Issued and fully paid common shares

	<u>Number of Shares</u>	<u>Amount</u>	<u>Contributed surplus</u>
Balance, July 31, 2006	41,087,432	\$ 6,310,388	\$ 522,740
Stock-based compensation	<u>-</u>	<u>-</u>	<u>13,327</u>
Balance, October 31, 2006	<u><u>41,087,432</u></u>	<u><u>\$ 6,310,388</u></u>	<u><u>\$ 536,067</u></u>

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the three month period ended October 31, 2006

4. SHARE CAPITAL (continued)

(c) Stock options

The Company has established a “rolling” Stock Option Plan (the “Plan”). Under the Plan, the number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The exercise price of each option shall not be less than the market price of the Company’s stock at the date of grant.

The following table summarizes information about the stock options outstanding and exercisable at October 31, 2006:

<u>Outstanding</u>	<u>Exercisable</u>	<u>Exercise price</u>	<u>Expiry date</u>	<u>Remaining contractual life</u>
375,000	375,000	\$ 0.10	November 21, 2008	2.1 years
500,000	500,000	0.29	March 2, 2011	4.3 years
2,000,000	2,000,000	0.40	March 30, 2011	4.4 years
<u>350,000</u>	<u>175,000</u>	0.70	April 12, 2008	1.4 years
<u>3,225,000</u>	<u>3,050,000</u>			

No stock options were granted during the three month period ended October 31, 2006.

(d) Warrants

The following table summarizes information about the warrants outstanding at October 31, 2006:

<u>Outstanding & exercisable</u>	<u>Exercise price</u>	<u>Expiry date</u>
<u>183,600</u>	<u>\$ 0.50</u>	<u>July 27, 2007</u>

There were no changes in warrants during the three month period ended October 31, 2006.

(e) Stock-based compensation

Using the fair value method for stock-based compensation, the value of the portion of the 350,000 stock options that vested during the three month period ended October 31, 2006 was \$13,327, which has been included in shareholder services in the unaudited statement of operations and deficit.

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the three month period ended October 31, 2006

5. RELATED PARTY TRANSACTIONS

During the three month period ended October 31, the Company incurred the following expenses with companies or individuals related by way of directors and/or officers in common:

	<u>2006</u>	<u>2005</u>
Consulting fees	\$ 50,475	\$ 7,500
Rent	3,000	3,000

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

6. COMMITMENTS

- a) Effective April 2006, the Company has engaged Vanguard Shareholder Solutions Inc. ("**Vanguard**") to provide public relations services to the Company. The agreement includes consulting fees of \$10,000 per month plus expenses. The term of the agreement is 12 months.
- b) Effective July 1, 2006, the Company has entered into an agreement with GJS Capital Corp. ("**GJS**"), whereby GJS is providing the Company with the services of Gregg. J. Sedun, who holds the position of the Chairman of the Board of the Company. GJS charges \$5,000 per month plus expenses incurred on behalf of the Company. The term of the agreement is for 12 months and the agreement may be terminated by either party at any time by giving 3 months written notice.

7. SEGMENTED INFORMATION

The Company currently operates in one business segment, being the acquisition and exploration of natural resource properties exclusively in Canada.

8. SUBSEQUENT EVENTS

- a) On December 14, 2006, the Company completed a non-brokered private placement of 5,000,000 flow-through units ("**FT Units**") at a price of \$0.60 per FT Unit and 1,650,000 non flow-through units ("**NFT Units**") at a price of \$0.60 per NFT Unit for gross proceeds of \$3,990,000. Each FT Unit will consist of one flow-through common share ("**FT Share**") and one half of a common share purchase warrant. Each NFT Unit will consist of one common share and one whole common share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one common share of the Company at a price of \$0.80 with expiry of December 14, 2008. In connection with the private placement and in accordance with a mandate agreement, the Company paid Endeavour Financial Ltd. ("**Endeavour**"), a company in which an officer is a director of the Company, a fee of \$39,990. The Company also paid a finders fee in the amount of \$109,218 which includes the fee paid to Endeavour.

URACAN RESOURCES LTD.
Notes to the unaudited Financial Statements
for the three month period ended October 31, 2006

8. SUBSEQUENT EVENTS (continued)

- b) On December 19, the Company completed a non-brokered private placement of 1,000,000 units with Sprott Asset Management at a price of \$0.65 per unit for gross proceeds of \$650,000. Each unit will consist of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire one common share of the Company at a price of \$0.90 with expiry of December 19, 2008. In connection with the private placement and in accordance with a mandate agreement, the Company paid Endeavour a fee of \$6,500.
- c) Subsequent to October 31, 2006, 500,000 stock options with an exercise price of \$0.29 were exercised for proceeds of \$145,000.

**URACAN RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
Three month period ended October 31, 2006**

Prepared as of December 22, 2006

The following discussion is management's assessment and analysis of the results and financial condition of Uracan Resources Ltd. (the "**Company**") and should be read in conjunction with the accompanying unaudited financial statements for the three month period ended October 31, 2006 and related notes. The preparation of interim financial statements is in accordance with Canadian generally accepted accounting principles and all figures are reported in Canadian dollars unless otherwise indicated.

Additional information relating to the Company is available on SEDAR at www.sedar.com.

Description of Business

The Company was incorporated as 583860 B.C. Ltd. in the province of British Columbia on April 21, 1999. The Company changed its name to UFM Ventures Ltd. on March 4, 2004 and to Uracan Resources Ltd. on July 27, 2006.

The Company's principal business activity is the acquisition and exploration of uranium properties in the natural resource industry.

Mineral Properties

Title to mineral 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 mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

North Shore Properties

On July 27, 2006, the Company completed an option agreement with Sheridan Platinum Group Limited ("**Sheridan**") whereby the Company has been granted an option to purchase a 100% interest in the Lac Turgeon, Wee Gee, Pontbriand and Ne Costbelle properties (the "**North Shore Properties**") located in Quebec (the "**Acquisition**"). In order to exercise the option, the Company paid Sheridan \$600,000 and issued it 350,000 common shares of the Company. In order to comply with the terms of the agreement, the Company must also pay \$200,000 by November 30, 2006, \$200,000 by March 31, 2007 and \$1,000,000 or 1,000,000 common shares of the Company (at Sheridan's option) by November 30, 2007. The payments to be made on November 30, 2006 and March 31, 2007 may be reduced by 25% for any property dropped by the Company before the due date for such payment. The Company has also agreed to grant Sheridan a Net Smelter Royalty ("**NSR**") of 3% in the first 2 years after commencement of commercial production, increasing to 5% thereafter. With a payment of \$3,000,000 within the first 30 days after commencement of commercial production, the Company has the right to reduce the NSR to 1.5% for the entire term. The Company has agreed to make advance quarterly royalty payments of \$25,000 beginning January 1, 2008.

North Shore Properties (continued)

The North Shore Properties are located along the Quebec North Shore of the Gulf of St. Lawrence and are located in the vicinity of known uranium occurrences characterized by a highly favourable geological setting for large tonnage and low grade uranium mineralization.

In September 2006, the Company completed Phase I of its budgeted work program which included analyzing previous work performed on the properties, conducting regional and detailed mapping and bedrock sampling, carrying out an airborne geophysical survey, and completing uranium modeling and target validation. The Company identified two priority drill targets and the field and geophysical observations suggest that the Lac Turgeon Lake Intrusive Complex remains the priority target.

Phase II will consist of target definition and is expected to be conducted in the first half of calendar 2007.

Saskatchewan Properties

On September 25, 2006, the Company announced that it has staked two claim blocks in the Pipewrench Lake and Narrows Lake areas in Saskatchewan. The Company has a 100% interest in these properties.

The following table summarizes the capitalized costs associated with the Company's mineral properties as at October 31, 2006:

	<u>North Shore Properties</u>	<u>Saskatchewan Properties</u>	<u>Total</u>
Acquisition costs:			
Balance, July 31, 2006	\$ 767,650	\$ -	\$ 767,650
Staking costs	-	11,065	11,065
Balance, October 31, 2006	<u>767,650</u>	<u>11,065</u>	<u>778,715</u>
Exploration costs:			
Balance, July 31, 2006	1,060,617	-	1,060,617
Air support and fuel	100,833	-	100,833
Assaying and analysis	28,182	-	28,182
Consultants	272,107	-	272,107
Geophysical survey	215,101	-	215,101
Travel and accommodation	21,436	-	21,436
Balance, October 31, 2006	<u>1,698,276</u>	<u>-</u>	<u>1,698,276</u>
Total costs, October 31, 2006	<u><u>\$ 2,465,926</u></u>	<u><u>\$ 11,065</u></u>	<u><u>\$ 2,476,991</u></u>

Selected Annual Information

Total assets decreased from \$4,982,892 at July 31, 2006 to \$4,098,196 at October 31, 2006, a difference of \$884,696. The most significant assets at October 31, 2006 were mineral properties of \$2,476,991 (July 31, 2006: \$1,828,267) and cash of \$1,503,840 (July 31, 2006: \$3,087,163). The mineral properties consist of capitalized costs relating to the Acquisition noted in "*Mineral Properties*" above.

Cash Flow Analysis

The items contributing to the \$1,583,323 decrease in cash during the three month period ended October 31, 2006 were cash of \$648,724 spent on mineral properties and \$934,599 used in operating activities.

Selected Quarterly Information

	Q1 2007	Q4 2006	Q3 2006	Q2 2006
Interest income	\$ 17,352	\$ 20,066	\$ 8,081	\$ 3,255
Expenses	103,522	580,324	92,575	29,895
Net loss for the period	<u>\$ (86,170)</u>	<u>\$ (560,258)</u>	<u>\$ (84,494)</u>	<u>\$ (26,640)</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.02)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>

	Q1 2006	Q4 2005	Q3 2005	Q2 2005
Interest income	\$ 918	\$ 845	\$ 873	\$ 532
Expenses	25,600	15,762	23,241	26,338
Net loss for the period	<u>\$ (24,682)</u>	<u>\$ (14,917)</u>	<u>\$ (22,368)</u>	<u>\$ (25,806)</u>
Basic and diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>

Results of Operations

Income and expenses for the five quarters from Q2, 2005 to Q2, 2006 were relatively consistent. Income and expenses for the three most recent quarters have increased as a result of the Acquisition. Interest income for the eight most recent quarters has been generated exclusively from cash maintained in bank accounts. Interest income increased in Q3 and Q4 2006 and Q1, 2007 because of higher bank balances as a result of the receipt of private placement proceeds and cash from the exercise of warrants and stock options.

The most significant expenses for the most recent quarter were shareholder service costs of \$44,336 and consulting fees of \$50,475. The shareholder service costs included a fair value of \$13,327 for the vested portion of the 350,000 stock options that were granted to Vanguard Shareholder Solutions Inc. ("**Vanguard**"). The consulting fees consisted of \$35,475 paid to Endeavour Financial Ltd. ("**Endeavour**"), a company in which an officer is a director and an officer of the Company and \$15,000 paid to the Chairman. In accordance with an advisory agreement, Endeavour charges the Company US\$10,000 per month. The Chairman charges the Company \$5,000 per month.

The most significant expenses in Q4, 2006 were stock-based compensation of \$312,001, professional fees of \$95,682 and consulting fees of \$59,570. The stock-based compensation expense represented the fair value of the 2,000,000 stock options granted on March 30, 2006. The professional fees consisted of legal fees of \$69,198 and accounting and audit fees of \$26,484.

Liquidity and Capital Resources

As at October 31, 2006, the Company had working capital of \$1,574,029. In management's opinion, this will be sufficient to cover the Company's intended work program costs and short-term obligations as they become due.

Outstanding Share Data

Authorized

Unlimited common shares with no par value
Unlimited preferred shares with no par value

Issued and Fully Paid Common Shares

	<u>Number of Shares</u>	<u>Amount</u>
Balance, July 31, 2006 and October 31, 2006	<u>41,087,432</u>	<u>\$ 6,310,388</u>

As at the date of this report, there were 49,237,432 common shares issued and outstanding.

Outstanding Share Data (continued)

The following table summarizes information about the stock options outstanding and exercisable at October 31, 2006:

<u>Outstanding</u>	<u>Exercisable</u>	<u>Exercise price</u>	<u>Expiry date</u>
375,000	375,000	\$ 0.10	November 21, 2008
500,000	500,000	0.29	March 2, 2011
2,000,000	2,000,000	0.40	March 30, 2011
<u>350,000</u>	<u>175,000</u>	0.70	April 12, 2008
<u>3,225,000</u>	<u>3,050,000</u>		

The following table summarizes information about the agent warrants outstanding and exercisable at October 31, 2006:

<u>Outstanding & exercisable</u>	<u>Exercise price</u>	<u>Expiry date</u>
<u>183,600</u>	<u>\$ 0.50</u>	<u>July 27, 2007</u>

As of the date of this report, there were 2,725,000 stock options, 183,600 agent warrants and 5,150,000 warrants outstanding.

Investor Relations

The Company's Annual General Meeting was held on January 10, 2006. Effective April 2006, the Company has engaged Vanguard to provide public relations services to the Company.

Related Party Transactions

- a) During the three month period ended October 31, the Company incurred the following expenses with companies or individuals related by way of directors and/or officers in common:

	<u>2006</u>	<u>2005</u>
Consulting fees	\$ 50,475	\$ 7,500
Rent	3,000	3,000

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

Commitments

- a) Effective April 2006, the Company has engaged Vanguard to provide public relations services to the Company. The agreement includes consulting fees of \$10,000 per month plus expenses. The term of the agreement is 12 months.
- b) Effective July 1, 2006, the Company has entered into an agreement with GJS Capital Corp. ("**GJS**"), whereby GJS will provide the Company with the services of Gregg. J. Sedun, who will hold the position of the Chairman of the Board of the Company. GJS charges \$5,000 per month plus expenses incurred on behalf of the Company. The term of the agreement is for 12 months and the agreement may be terminated by either party at any time by giving 3 months written notice.

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

Critical accounting policies and estimates

A detailed summary of all the Company's significant accounting policies is included in Note 2 to the annual financial statements for the year ended July 31, 2006.

Stock-based compensation

The Company uses the Black-Scholes Option Pricing Model ("**Black-Scholes**") in determining the fair value of options granted for stock-based compensation. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective price assumptions can materially affect the fair value estimate.

Outlook

The Company is continuing to analyze the results of its Phase I work program on the North Shore Properties and has commenced its Phase II work program. The Company is also continuing to perform initial work on its Saskatchewan Properties while continuing to seek additional opportunities in the natural resource sector.

Subsequent Events

- a) On December 14, 2006, the Company completed a non-brokered private placement of 5,000,000 flow-through units ("**FT Units**") at a price of \$0.60 per FT Unit and 1,650,000 non flow-through units ("**NFT Units**") at a price of \$0.60 per NFT Unit for gross proceeds of \$3,990,000. Each FT Unit will consist of one flow-through common share ("**FT Share**") and one half of a common share purchase warrant. Each NFT Unit will consist of one common share and one whole common share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one common share of the Company at a price of \$0.80 with expiry of December 14, 2008. In connection with the private placement and in accordance with a mandate agreement, the Company paid Endeavour a fee of \$39,990. The Company also paid a finders fee in the amount of \$109,218 which includes the fee paid to Endeavour.

Subsequent Events (continued)

- b) On December 19, the Company completed a non-brokered private placement of 1,000,000 units with Sprott Asset Management at a price of \$0.65 per unit for gross proceeds of \$650,000. Each unit will consist of one common share and one common share purchase warrant, with each warrant entitling the holder to acquire one common share of the Company at a price of \$0.90 with expiry of December 19, 2008. In connection with the private placement and in accordance with a mandate agreement, the Company paid Endeavour a fee of \$6,500.
- c) Subsequent to October 31, 2006, 500,000 stock options with an exercise price of \$0.29 were exercised for proceeds of \$145,000.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different from those expressed or implied.

Risks and Uncertainties

The Company is subject to a number of risk factors due to the nature of the mining business in which it is engaged, not least adverse movements in commodity prices, which are impossible to forecast. The Company seeks to counter this risk to the extent possible by selecting exploration areas on the basis of their recognized geological potential to host economic deposits.

Industry

The Company is engaged in the acquisition and exploration of mineral properties, an inherently risky business, and there is no assurance that an economic mineral deposit will ever be discovered and subsequently put into production. Most exploration projects do not result in the discovery of commercially mineable ore deposits. The geological focus of the Company is on areas in which the geological setting is well understood by management.

Uranium and Metal Prices

The price of uranium is affected by numerous factors beyond the control of the Company including strategic stock pile sales, the relative exchange rate of the U.S. dollar with other major currencies, demand, political and economic conditions and production levels. In addition, the price of uranium has been volatile over short periods of time due to speculative activities. The price of other metals and mineral products that the Company may explore for have the same or similar price risk factors.

Cash Flows and Additional Funding Requirements

The Company currently has no revenues from operations. Substantial additional capital will be required to put the North Shore Properties into commercial production. The sources of funds currently available to the Company for its acquisition and exploration projects are solely due from equity financing. Although the Company presently has sufficient financial resources to undertake its currently planned exploration programs and has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Dependence on Management

The Company strongly depends on the business and technical expertise of its management team and there is little possibility that this dependence will decrease in the near term.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management's discussion and analysis, management evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws.

Based on that evaluation, management has concluded that the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

Internal Controls and Procedures

The Company evaluated the design of its internal controls and procedures over financial reporting as defined under Multilateral Instrument 52-109 for the three months ended October 31, 2006. Based on this evaluation, management has concluded that the design of these internal controls and procedures over financial reporting was effective.