Form 51-102F1
Management Discussion and Analysis
For
El Nino Ventures Inc.

MANAGEMENT DISCUSSION & ANALYSIS

The following discussion and analysis is management's assessment of the results and financial condition of El Nino Ventures Inc. (the "Company" or "El Nino") for the nine month period ended October 31, 2006 and should be read in conjunction with the financial statements for the period ended October 31, 2006 and related notes contained in the report. The date of this management's discussion and analysis is December 22, 2006. Additional information on the Company is available on SEDAR at www.sedar.com.

Business of El Nino

El Nino is an exploration stage company engaged in the acquisitions, exploration and development of mineral properties of merit in Canada, United States (Alaska) and in Europe with the aim of developing them to a stage where they can be exploited at a profit or to arrange joint ventures whereby other companies provide funding for development and exploitation.

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 than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Project Overview

Bathurst, New Brunswick Project

On May 26th, 2006, the Company announced that it had entered into an option agreement with Falconbridge Limited ("Falconbridge") to explore the Bathurst Mining Camp in New Brunswick. Since the signing of this agreement, Falconbridge was taken over by Xstrata plc and the Company is now working with Xstrata Zinc ("Xstrata").

The Company will initially have the opportunity to earn a 50% interest in a large number of mineral claims and two permitted areas held by Xstrata Zinc, occupying approximately 108,800 hectares. In order to vest with a 50% interest, the Company is required to spend $5.0 million on exploration by March 31, 2008 with a minimum expenditure of $2.5 million by March 31, 2007.

Upon vesting with a 50% interest in the Property, the Company will have 90 days in which to elect to carve out one or more Project Areas from the existing Property, in each of which the Company can increase its interest to 65% by spending an additional $2.0 million over three years and can increase its interest in each Project Area still further to 75% by spending an additional $3.0 million over another two years. Xstrata Zinc can back-in to increase its position from either a 35% or 25% interest level to 50% by contributing 2.5 times the Company expenditures made to increase its interest above 50%. Falconbridge may increase its interest in one or more Project Areas from 50% to 70% at any time by electing to complete a Feasibility Study, or expend an additional $20 million on each Project Area within three years: or five years if underground work is necessary to complete the study. Xstrata Zinc will have the right to process the Company's share of ore from any future operations.

This year's exploration program will include geophysics work on the Western part of the Bathurst camp with 15,000 meters of drilling and a Megatem airborne survey and 10,000 meters of drilling on the Eastern part of the mining camp.

As of December 15th, 2006 close to 8,000 meters of drilling has been done with a further 15,500 meters to be drilled by March 30th, 2007.

Bancroft Uranium Project

The Company completed the third phase of exploration on the Bancroft Uranium Project in early August, 2006. The Project is comprised of eight properties in the Bancroft region of Ontario, which is well known for its historical uranium production from four former producing mines. Under two separate agreements, El Nino may earn up to 100% interest on the Project. The Company is looking to joint venture these properties over the next few months. Preliminary discussions have been held with regards to joint ventures potential partners.

Preliminary Exploration Program – May 2005

A preliminary exploration program of geological and scintillometer reconnaissance was conducted in May 2005 on all eight of the Bancroft properties. In addition, the Halo Property (North West Zone) and Amalgamated Rare Earth Property, which host the properties' largest known uranium reserves (not 43-101 compliant), were targeted for more detailed exploration. This program included mechanical stripping, scintillometer surveying, and chip and grab rock sampling for uranium and thorium assaying, and was successful in confirming the historically established grades. Based on the results of this program, El Nino's consulting geologist, T.J. Beesley, P.Eng., recommended a follow up deep drilling program to verify down dip extension of uranium mineralization for these properties. Details for this program are in development.

Second Phase Exploration – October 2005

The second exploration phase was completed in late 2005, during which the remaining six properties were each examined radiometrically. Grids were established over the extent of the anomalous radioactivity, with 50 metre lines and 12.5 metre stations, and were then surveyed by scintillometer. Previous workings and high radioactive anomalies were tied in and chip and grab samples taken for assaying for uranium and thorium content. Based on the results, the Company plans further work on three of the properties. A 3.02% U_3O_8 result (apparently one of the highest U_3O_8 results recorded in this camp) was returned from an outcrop of limonitic coarse phlogopite-pyroxene pegmatite on the Canadian All Metals Property in Monmouth Township. Results of 0.22% U_3O_8 were also returned. On the Silver Crater #2 Showing in Faraday Township, anomalous radioactivity extends over an area 300 x 150 metres. Highly anomalous radioactivity occurs within a 75 x 30 metre zone in the centre of the grid and is open to the west under overburden. Results from five samples from throughout this zone range from 0.37% to 0.69% U_3O_8 and average 0.53% U_3O_8, in coarse-grained dark pink to red augite syenite pegmatite. An assay of 0.31% U_3O_8 was obtained from coarse biotite-green pyroxene skarn on the McLean-Hogan Property grid in Cardiff Township.

On November 2nd, 2006 El Nino optioned its Bancroft Properties to Boulder Creek Exploration Inc. This agreement will finance the Bancroft properties through the next stages of exploration. Under the terms of this agreement El Nino will receive 275,000 shares of Boulder and cash payments of 125,000 dollars Canadian. Boulder can earn in a 60 percent interest by committing CDN 1,000,000 dollars over the next two years and could earn up to 80 percent of the project by issuing a further 300,000 shares and spending an additional CDN 1,500,000 dollars.

Selected Annual Information

Unless otherwise noted, all currency amounts are stated in Canadian dollars.

The following table summarizes selected financial data for El Nino for each of the three most recently completed financial years. The information set forth below should be read in conjunction with the audited financial statements, prepared in accordance with Canadian generally accepted accounting principles, and related notes.

	Years Ended January 31, (audited)		
	2006	2005	2004
Total Revenues	$Nil	$Nil	$Nil
General and administrative expenses	$104,552	$89,400	$124,491
Mineral property costs	153,362	63,481	2,539
Net income (loss) before income taxes			
➢ In total	(257,914)	(152,881)	(127,030)
➢ Basic and diluted loss per share	(0.04)	(0.03)	(0.04)
Totals Assets	284,220	120,569	33,000
Total long term liabilities	Nil	Nil	Nil
Cash dividends declared	Nil	Nil	Nil

Selected quarterly financial information

The following selected financial information is derived from the unaudited interim financial statements of the Company prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

For the Quarters Ended (unaudited)

	Oct. 31 2006	July 31 2006	April 30 2006	Jan. 31 2006	Oct. 31 2005	July 31 2005	April 30 2005	Jan. 31 2005
Total revenues	$10,617	$5,589	$1,295	$Nil	$Nil	$Nil	$Nil	$Nil
Net loss – before tax	2,858,506	299,363	145,756	63,210	31,443	110,338	52,923	96,886
Net loss per share	0.18	0.01	0.01	0.01	0.01	0.02	0.01	0.01
Total assets	1,912,846	3,697,935	787,264	284,220	253,430	66,924	154,261	120,569

Results of operations

The nine month period ended October 31, 2006 resulted in a net loss of $3,303,625, which compares with a loss of $194,704 for the same period in 2005. $2,519,728 of this loss is a result of the Company's accounting policy that expenses all exploration expenditures as they are incurred until it is determined that a property has economically recoverable ore reserves. General and administrative expenses for the period ended October 31, 2006 were $783,897 an increase of $702,117 over the same period in 2005. Consulting expenses of $274,347 were incurred as compared to $19,259 a year before as the Company required the services of several consultants to further evaluate new mineral projects. All stock-based awards are measured and recognized using a fair value based method. During the period, 1,588,642 stock options were granted but no stock option expense has been recognized as the options are issued subject to a vesting schedule. All other general and administrative costs increased when compared to the previous period as the Company is more active. Interest income was 17,501, an increase of 17,501 over the same period in 2005 as the Company had more funds on deposit.

During the period ended October 31, 2006, the Company incurred mineral property expenditures of $2,519,728. Of this amount, $10,000 was paid as cash option payments on its Bancroft, Ontario properties. A further 30,000 shares were issued at a value of $12,000 for the Bancroft properties. A $40,000 cash payment was received as the Company optioned the Bancroft property to Boulder Creek Explorations Inc. The Company has committed $2,500,000 for the Bathurst, New Brunswick Project.

Shareholder relations and promotional activities undertaken by the Company, which included attendance at various trade shows, cost $167,967 as compared to $0 in the previous year. Travel, food and lodging cost $95,330 compared to $4,859 as the company was actively financing in Europe in order to raise funds for the Bathurst, New Brunswick project.

Liquidity and capital resources

At October 31, 2006, the Company's working capital, defined as current assets less current liabilities, was $416,746 compared with working capital of $266,621 at January 31, 2006. Flow-through funds of $1,438,953 must be spent before Dec. 31, 2007 on qualified Canadian mineral exploration, and is not included in working capital because it is classified as restricted cash on the balance sheet. During the period, 7,990,716 shares were issued for gross proceeds of $5,176,460.

The Company has total issued and outstanding of 16,038,658 shares at October 31, 2006.

Contractual commitments

The Company is committed under an operating lease with a company controlled by Harry Barr for its office premises with the following aggregate minimum lease payments to the expiration of the lease on June 30, 2010. In addition to the below basic rent, the Company is also responsible for its proportionate share of property taxes and operating costs. Mineral option payments have not been included as the Company has the option to terminate these agreements with appropriate notice. Further information on mineral option payments are disclosed in Note 5 to the financial statements dated October 31, 2006.

	2007	2008	2009	2010	2011	Thereafter
Office lease	$10,000	10,000	10,000	10,000	4,000	-

Off-balance sheet arrangements

The Company has no off-balance sheet arrangements.

Critical accounting estimates

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

Significant estimates used in the preparation of these financial statements include, amongst other things, depreciation, determination of net recoverable value of assets, determination of fair value on taxes, contingencies and share compensation.

Changes in Accounting Policies

There are no changes in significant accounting policies.

The Company's auditors for the year ended January 31, 2006, Staley, Okada & Partners, have combined their practice with PricewaterhouseCoopers LLP. The directors subsequently appointed PricewaterhouseCoopers LLP as the Company's auditors for the year ending January 31, 2007.

Financial Instruments and Other Instruments

El Nino's financial instruments consist of cash, restricted cash, GST receivable and accounts payable. Unless otherwise noted, it is management's opinion that El Nino is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

The Company may be exposed to currency risk if acquisition and exploration expenditures are incurred in the U.S. as it will have to convert Canadian dollars raised through equity financing in Canada to US dollars. The Company's expenditures could be negatively impacted by increases in the US versus the Canadian dollar.

Outstanding share data

The Company is authorized to issue unlimited common shares without par value. As at October 31, 2006, there were 16,038,658 outstanding common shares compared to 7,878,213 outstanding shares at January 31, 2006. The increase reflects the issuance of 7,990,716 shares for cash, 139,729 for a finders fee and 30,000 shares for mineral properties.

Directors, officers, employees and contractors are granted options to purchase common shares under the Company Stock Option Plan. This plan and its terms and outstanding balance are disclosed in Notes 6c to the financial statements dated October 31, 2006.

Related party transactions

A total of $31,000 was paid to a company controlled by Harry Barr, a Director, Chairman and CEO of the Company, for management services during the period ended October 31, 2006. A total of $60,000 was paid to a company controlled by Jean Luc Roy, the President and COO of the Company, for management services during the period ended October 31, 2006. Pursuant to an office lease agreement dated October 1, 2005, a total of $11,901 was paid to a company controlled by Harry Barr for office rent during the period ended October 31, 2006. A total of $18,642 was paid to a company controlled by Taryn Downing, an Officer of the Company, for Corporate secretarial services during the period ended October 31, 2006. A total of $16,600 was paid to a company controlled by Gord Steblin, an Officer of the Company for accounting services during the period ended October 31, 2006.

Nomination

Mr. Jean Luc Roy was appointed President and COO of the Company on May 10th, 2006. Mr. Harry Barr from that day on assumed the position of Chairman and CEO.

Risks and Uncertainties

The mineral industry is intensely competitive in all its phases. The company competes with many other companies who have greater financial resources and experience. The market price of precious metals and other minerals is volatile and cannot be controlled. Exploration for minerals is a speculative venture. There is no certainty that the money spent on exploration and development will result in the discovery of an economic ore body.

The Company has limited financial resources, no sources of operating cash flows and no assurances that sufficient funding, including adequate financing, will be available to conduct further exploration and development of its projects or to fulfill its obligations under the terms of any option or joint venture agreements. If the Company's generative exploration programs are successful, additional funds will be required for development of one or more projects. Failure to obtain additional financing could result in the delay or indefinite postponement of further exploration and development or the possible loss of the company's properties.

Outlook

The Company will be proceeding with an aggressive acquisition program for new projects focusing on areas of known mineralization in Europe, Alaska, and Canada. El Nino has cash of $1,806,998 of which $1,438,953 are flow-through funds and working capital of $416,746 as at October 31, 2006. Subsequent to the period-end, the Company announced a brokered private placement of up to 1,818,181 flow-through units (the "Flow-Through Units") at a purchase price of $0.55 per flow-through Unit, for gross proceeds of CDN $1,000,000 and up to 3,000,000 Units (the "Units") at a purchase price of $0.40 per Unit, for gross proceeds of CDN $1,200,000.

Each Flow-Through Unit will consist of one flow-through common share and one common share purchase warrant ("Warrant"). Each Warrant entitles the holder to purchase an additional non flow-through common share at a price of $0.65 for a period of 12 months from closing.

Each Unit will consist of one common share and one-half of one common share purchase warrant ("Warrant"). Each whole Warrant entitles the holder to purchase an additional common share at a price of $0.55 for a period of 12 months from closing.

Subsequent to the period-end, the Company announced a non-brokered private placement of 364,000 flow-through units at a price of $0.55 per unit for gross proceeds of $200,200. Each unit will consist of one flow-through common share in the capital of the Company and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional non-flow-through common share of the Company for a period of one year from the closing date at a price of $0.65 per share. These proceeds will be used for its commitment on the Bathurst New Brunswick project and general working capital.

Approval

The Board of Directors of El Nino has approved the disclosure contained in this interim MD&A. A copy of this interim MD&A will be provided to anyone who requests it.

EL NINO VENTURES INC.
(An Exploration Stage Company)

FINANCIAL STATEMENTS

OCTOBER 31, 2006 and 2005

(Canadian Dollars)

These financial statements have NOT been reviewed by the Company's auditor

El Nino Ventures Inc. Statement 1

(An Exploration Stage Company)

Balance Sheets

Canadian Funds

ASSETS		**October 31, 2006**		January 31, 2006
Current				
Cash	**$**	**368,045**	$	279,567
GST receivable and advances		**57,539**		3,892
		425,584		283,459
Restricted Cash – Flow-through *(Note 6j)*		**1,438,953**		575
Equipment, *net (Note 4)*		**48,309**		186
	$	**1,912,846**	$	284,220

LIABILITIES				
Current				
Accounts payable	**$**	**8,838**	$	16,838
Commitments *(Note 9)*				

STOCKHOLDERS' EQUITY				
Share Capital – *Statement 3 (Note 6)*				
Unlimited authorized shares without par value 16,038,658 (2006 - 7,878,213) shares issued and outstanding		**8,881,300**		3,626,793
Contributed Surplus		**38,516**		38,516
Deficit Accumulated During the Exploration Stage – *Statement 3*		**(7,015,808)**		(3,397,927)
		1,904,008		267,382
	$	**1,912,846**	$	284,220

ON BEHALF OF THE BOARD:

"Harry Barr", Director

"Bernard Barlin", Director

- See Accompanying Notes -

El Nino Ventures Inc.

(An Exploration Stage Company)

Statement 2

Statements of Operations

Canadian Funds

	3 Months Ended Oct. 31, 2006	3 Months Ended Oct. 31, 2005	9 Months Ended Oct. 31, 2006	9 Months Ended Oct. 31, 2005
Expenses				
Amortization	$ 0	$ 0	$ 0	$ 0
Consulting	93,262	1,437	274,347	19,259
Exploration expenditures *(Schedule)*	2,496,812	13,873	2,519,728	112,924
Interest (Income) and bank charges , *net*	(10,617)	(56)	(17,501)	20
Management fees	49,000	6,000	91,000	18,000
Office and miscellaneous	11,129	926	24,395	1,560
Rent	20,327	3,967	28,261	11,901
Professional fees	11,301	3,705	25,843	5,205
Stock exchange and transfer agent fees	9,305	1,227	26,516	20,976
Insurance	38,479	0	38,479	0
Telephone	2,826	0	10,862	0
Wages	11,964	0	18,398	0
Shareholder relations	99,986	0	167,967	0
Travel, food and lodging	24,732	364	95,330	4,859
Loss for the Period	$ (2,858,506)	$ (31,443)	$ (3,303,625)	$ (194,704)

- See Accompanying Notes -

El Nino Ventures Inc. Statement 3

(An Exploration Stage Company)

Statement of Stockholders' Equity (Deficiency)

Canadian Funds

	Common Shares		Contributed		
	Shares	Amount	Surplus	Deficit	Total
Balance – January 31, 2002	3,071,546	$ 2,827,593	$ -	$ (2,789,207)	$ 38,386
Shares issued for cash, private placement	-	-	-	-	-
Share subscriptions received	-	25,000	-	-	25,000
Net Loss – *Statement 2*	-	-	-	(86,545)	(86,545)
Balance – January 31, 2003	3,071,546	2,852,593	-	(2,875,752)	(23,159)
Shares issued for cash, private placement, *net of issue costs*	1,500,000	150,000	-	-	150,000
Shares subscriptions received	-	(5,000)	-	-	(5,000)
Shares issued for share subscriptions	-	(20,000)	-	-	(20,000)
Stock compensation expense	-	-	38,516	-	38,516
Net Loss – *Statement 2*	-	-	-	(127,030)	(127,030)
Balance – January 31, 2004	4,571,546	2,977,593	38,516	(3,002,782)	13,327
Shares issued for cash, private placement, *net of issue costs*	1,000,000	200,000	-	-	200,000
Shares issued for exercise of warrants	85,000	11,050	-	-	11,050
Net Loss – *Statement 2*	-	-	-	(152,881)	(152,881)
Balance – January 31, 2005	5,656,546	$ 3,188,643	$ 38,516	$ (3,155,663)	$ 71,496
Shares issued for cash, private placement, *net of issue costs*	416,667	150,000	-	-	150,000
Shares issuance costs	-	-	-	(1,400)	(1,400)
Shares issued for mineral properties	85,000	31,250	-	-	31,250
Shares issued for exercise of warrants	1,710,000	272,450	-	-	272,450
Shares issued for exercise of options	10,000	1,500	-	-	1,500
Future income tax on flow-through *(Note 8)*	-	(17,050)	-	-	(17,050)
Net Loss – *Statement 2*	-	-	-	(240,864)	(240,864)
Balance – January 31, 2006	7,878,213	$ 3,626,793	$ 38,516	$ (3,397,927)	$ 267,382
Shares issued for cash, private placement, *net of issue costs*	7,828,883	5,118,300	-	-	5,118,300
Shares issuance costs	139,729	66,047	-	(314,256)	(248,209)
Shares issued for mineral properties	30,000	12,000	-	-	12,000
Shares issued for exercise of warrants	111,833	50,660	-	-	50,660
Shares issued for exercise of options	50,000	7,500	-	-	7,500
Future income tax on flow-through *(Note 8)*	-	-	-	-	-
Net Loss – *Statement 2*	-	-	-	(3,303,625)	(3,303,625)
Balance – October 31, 2006	16,038,658	$ 8,881,300	$ 38,516	$ (7,015,808)	$ 1,904,008

El Nino Ventures Inc. Statement 4

(An Exploration Stage Company)

Statements of Cash Flows

Canadian Funds

Cash Provided by (Used in)	3 Months Ended Oct. 31, 2006	3 Months Ended Oct. 31, 2005	9 Months Ended Oct. 31, 2006	9 Months Ended Oct. 31, 2005
Operating Activities				
Net loss	$ (2,858,506)	$ (31,443)	$ (3,303,625)	$ (194,704)
Items not involving cash:				
Stock compensation expense	-	-	-	-
Shares issued for mineral properties	-	-	12,000	31,250
Amortization	-	-	-	-
	(2,858,506)	(31,443)	(3,291,625)	(163,454)
Changes in non-cash working capital:				
Accounts receivable	506,116	2,905	(53,647)	4,452
Accounts payable	(3,000)	(12,001)	(8,000)	(37,735)
	503,116	(9,096)	(61,647)	(33,283)
	(2,355,390)	(40,539)	(3,353,272)	(196,737)
Investing Activities				
Purchase of auto and equipment	(6,899)	-	(48,123)	-
Financing Activities				
Issuance of shares for cash	1,126,897	229,950	5,176,460	334,050
Share issue costs	(50,480)	-	(248,209)	-
	1,076,417	229,950	4,928,251	334,050
Net Increase (Decrease) in Cash	(1,285,872)	189,411	1,526,856	137,313
Cash – Beginning of year	3,092,870	61,350	280,142	113,448
Cash – End of Period	$ 1,806,998	$ 250,761	$ 1,806,998	$ 250,761
Cash consists of:				
Cash	368,045	209,904	368,045	209,904
Restricted cash – flow-through	1,438,953	40,857	1,438,953	40,857
	$ 1,806,998	$ 250,761	$ 1,806,998	$ 250,761
Non-Cash Financing Activities				
Shares issued for mineral properties	$ -	$ -	$ 12,000	$ 31,250
Shares issued for finders fee	$ 26,047	$ -	$ 66,047	$ -
Stock compensation expense	$ -	$ -	$ -	$ -

- See Accompanying Notes -

El Nino Ventures Inc.
(An Exploration Stage Company)

Schedule

Schedule of Exploration Expenditures

Canadian Funds

		October 31, 2006		January 31, 2006
Anderson Lake Property, Ontario, Canada				
Option payments – cash		**-**		-
Option payments – shares		**-**		7,250
		-		7,250
Exploration expenditures				
Geological and field expenses		**-**		2,520
Engineering and consulting		**-**		8,290
Assays		**-**		675
Total		**-**		18,735
Halo Property, Bancroft, Ontario, Canada				
Option payments – cash		**5,000**		2,500
Option payments – shares		**8,000**		12,000
Staking costs		**-**		-
		13,000		14,500
Exploration expenditures				
Geological and field expenses		**616**		19,997
Engineering and consulting		**300**		54,300
Assays		**-**		-
Total		**13,916**		88,797
Silver Crater Project, Bancroft, Ontario, Canada				
Option payments – cash		**5,000**		2,500
Option payments – shares		**4,000**		12,000
Staking costs		**-**		-
		9,000		14,500
Exploration expenditures				
Geological and field expenses		**-**		1,025
Engineering and consulting		**-**		13,540
Assays		**-**		772
Total		**9,000**		29,837
Cash received for Bancroft Properties		**(40,000)**		
Other Properties				
Staking costs		**-**		15,993
Balance Forward	**$**	**(17,084)**	$	153,362

- See Accompanying Notes -

El Nino Ventures Inc.
(An Exploration Stage Company)

Schedule

Schedule of Exploration Expenditures

Canadian Funds

	October 31, 2006	January 31, 2006
Balance Carried Forward	**(17,084)**	153,362
Bathurst Project, New Brunswick, Canada		
Staking costs	**36,812**	-
General geology	**119,845**	-
Geophysics	**586,980**	-
Assays	**12,824**	-
Diamond drilling	**146,103**	-
Advances	**1,634,248**	-
	2,500,000	-
Total	**2,536,812**	-
Costs for the Period	**$ 2,519,728**	$ 153,362

- See Accompanying Notes -

1. INCORPORATION

El Nino Ventures Inc. (the "Company") was incorporated on February 19, 1988 in British Columbia, Canada. The Company is in the business of exploring mineral properties and is considered to be an exploration stage company.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and highly liquid debt investments with remaining maturities at point of purchase of three months or less. The Company places its cash and cash investments with institutions of high credit worthiness. At times, such investments may be in excess of federal insurance limits.

b) Exploration Expenditures

The Company is in the exploration stage and expenses all exploration expenditures as they are incurred until it is determined that a property has economically recoverable ore reserves. At that point, further exploration expenditures will be capitalized.

c) Equipment

Equipment is recorded at cost. The Company provides for amortization on office equipment using the 30% declining balance method, with half of this rate used in the year of acquisition.

d) Earnings (Loss) per Share

Basic earnings (loss) per share is computed by dividing income (or loss) attributable to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

e) Revenue Recognition

Revenue from the sale of minerals is recognized when title and the risks and rewards of ownership pass to the buyer.

Incidental revenues from mineral sales during the exploration phase are offset against mineral exploration expense.

2. SIGNIFICANT ACCOUNTING POLICIES - *Continued*

f) Stock-Based Compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of the options is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital

g) Management Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported years. Actual results could differ from those estimates.

h) Asset Retirement Obligations – Change in Accounting Policy

Effective February 1, 2004, the Company adopted the recommendations of CICA Handbook Section 3110, Asset Retirement Obligations. This new section requires recognition of a legal liability for obligations relating to retirement of property, plant, and equipment, and arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement cost must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life.

There is no material impact on the financial statements resulting from the adoption of Section 3110 either in the current or prior years presented.

i) Flow-Through Shares

During the prior year, the Company adopted the new recommendations of the Emerging Issues Committee relating to flow-through shares effective for all flow-through agreements dated after March 19, 2004. Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital.

If a company has sufficient unused tax losses and deductions (“losses”) to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, a portion of such unrecognized losses (losses multiplied by the effective corporate tax rate) is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

2. SIGNIFICANT ACCOUNTING POLICIES - *Continued*

j) **Share Capital**

i) The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the options or warrants were exercised.

ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

k) **Income Taxes**

The asset and liability method is used for determining future income taxes. Under the asset and liability method, the change in the net future income tax asset or liability is included in income. The income tax effects of differences in the periods when revenue and expenses are recognized, in accordance with Company accounting practices, and the periods they are recognized for income tax purposes are reflected as future income tax assets or liabilities. Future income tax assets and liabilities are measured using the statutory income tax rates which are expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

l) **Variable Interest Entities**

The Accounting Standards Board (AcSB) issued Accounting Guideline AcG 15 "*Consolidation of Variable Interest Entities,*" to harmonize the Guideline with the equivalent FASB Interpretation No. 46R, "Consolidation of Variable Interest Entities" ("VIE"). The Guideline provides criteria for identifying VIEs and further criteria for determining what entity, if any, should consolidate them. The Guideline is effective for annual and interim periods beginning on or after November 1, 2005, and upon adoption, will not materially impact the Company's results of operations and financial position.

m) **Mineral Exploration**

The Company recognizes METC amounts and applies those amounts against exploration costs when the Company's application for tax credits is approved by Canada Revenue Agency. Assessments, if any for taxes, penalties and interest under Part XII.6 under section 2.11.91 of the Income Tax Act are deducted from the tax credits when assessed.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, GST receivable, and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

4. EQUIPMENT

2006		**Cost**		**Accumulated Amortization**		**Net**
Office equipment	**$**	**21,517**	**$**	**1,677**	**$**	**19,840**
Automobile	**$**	**28,469**	**$**	**-**	**$**	**28,469**
Total	**$**	**49,986**	**$**	**1,677**	**$**	**48,309**

2005		Cost		Accumulated Amortization		Net
Computers	$	1,863	$	1,677	$	186

5. EXPLORATION EXPENDITURES

a) Anderson Lake Property, Ontario

By agreement dated December 19, 2004, the Company may earn a 100% interest in certain properties known as the Anderson Lake Property, Ontario, by making, at its option, the following:

		Payments	Shares	Exploration Expenditures
Upon execution of agreement	*(paid)*	$ 10,000	-	$ -
Upon regulatory approval	*(issued)*	-	25,000	-
On or before December 19, 2005		20,000	25,000	15,000
On or before December 19, 2006		20,000	25,000	30,000
On or before December 19, 2007		25,000	25,000	45,000
On or before December 19, 2008		50,000	25,000	60,000
		$125,000	125,000	$150,000

On or before December 19, 2009, and each subsequent anniversary, the Company is required to make payments of $20,000. Each of these payments is to be treated as pre-production advance royalty payments, deductible from all future net smelter royalty (“NSR”) payments payable to the optionors.

Prior to earning its 100% interest the Company may joint venture the property upon payment of 50,000 shares or $20,000 to the optionors.

The property is subject to a 3% NSR. The Company has the option to purchase 2% of the total NSR for $1,000,000.

During the previous year, the Company terminated the option agreement.

5. EXPLORATION EXPENDITURES - *Continued*

b) Halo Project, Bancroft, Ontario

By agreement dated March 9, 2005 and amended April 14, 2005, the Company may earn a 100% interest in certain properties known as the Halo Project, Bancroft, Ontario, by making, at its option, the following:

		Payments	Shares	Exploration Expenditures
Upon execution of agreement	*(paid)*	$ 2,500	-	$ -
Upon regulatory approval	*(issued)*	-	20,000	-
On or before December 31, 2005	*(incurred)*	-	-	15,000
On or before March 9, 2006 *(paid/issued)*		5,000	20,000	-
On or before December 31, 2006		-	-	20,000
On or before March 9, 2007		5,000	20,000	-
On or before December 31, 2007		-	-	30,000
On or before December 31, 2008		-	-	40,000
		$12,500	60,000	$105,000

Prior to earning its 100% interest the Company may joint venture the property upon payment of 40,000 shares or $5,000 to the optionors.

The property is subject to a 3% NSR. The Company has the option to purchase 1% of the total NSR for $250,000.

The Company is required to reimburse the optionors for all related staking costs.

c) Silver Crater Project, Bancroft, Ontario

By agreement dated March 9, 2005, the Company may earn a 100% interest in certain properties known as the Silver Crater Project, Bancroft, Ontario by making, at its option, the following:

		Payments	Shares	Exploration Expenditures
Upon execution of agreement	*(paid)*	$ 2,500	-	$ -
Upon regulatory approval	*(issued)*	-	20,000	-
On or before December 31, 2005	*(incurred)*	-	-	15,000
On or before March 9, 2006	*(paid/issued)*	5,000	10,000	-
On or before December 31, 2006		-	-	20,000
On or before March 9, 2007		5,000	10,000	-
On or before December 31, 2007		-	-	30,000
On or before December 31, 2008		-	-	40,000
		$12,500	40,000	$105,000

Prior to earning its 100% interest the Company may joint venture the property upon payment of 40,000 shares or $15,000 to the optionors.

The property is subject to a 3% NSR. The Company has the option to purchase 1% of the total NSR for $250,000.

The Company is required to reimburse the optionors for all related staking costs.

5. EXPLORATION EXPENDITURES - *Continued*

By agreement dated October 23, 2006, the Company optioned its Bancroft properties to Boulder Creek Explorations Inc. ("Boulder"). Under the terms of this agreement, the Company will receive 275,000 shares of Boulder, and cash payments totalling CDN $125,000. Boulder can earn in a 60%interest by committing CDN $1,000,000 over the next two years and could earn up to 80 % of the project by issuing a further 300,000 shares and spending an additional CDN $1,500,000.

The Company will remain the operator for the first two years of this agreement and will receive a management fee of 10% of exploration expenditures and cash payments of CDN $40,000 for the first year (received) and CDN $20,000 per year thereafter.

d) **Bathurst Project, Bathhurst, New Brunswick**

By agreement dated 26 May, 2006, the Company entered into an option agreement with Xstrata plc ("Xstrata") formerly Falconbridge Limited to explore the Bathhurst Mining Camp in New Brunswick.

The Company will initially have the opportunity to earn a 50% interest in a large number of mineral claims and two permitted areas held by Xstrata occupying approximately 108,800 hectares. In order to vest with a 50% interest, the Company is required to spend $5.0 million on exploration by March 31, 2008 with a minimum expenditure of $2.5 million by March 31, 2007.

Upon vesting with a 50% interest in the Property, the Company will have 90 days in which to elect to carve out one or more Project Areas from the existing Property, in each of which the Company can increase its interest to 65% by spending an additional $2.0 million over three years and can increase its interest in each Project Area still further to 75% by spending an additional $3.0 million over another two years. Xstrata can back-in to increase its position from either a 35% or 25% interest level to 50% by contributing 2.5 times the Company expenditures made to increase its interest above 50%. Xstrata may increase its interest in one or more Project Areas from 50% to 70% at any time by electing to complete a Feasibility Study, or expend an additional $20 million on each Project Area within three years: or five years if underground work is necessary to complete the study. Xstrata will have the right to process the Company's share of ore from any future operations.

6. SHARE CAPITAL

a) Authorized:

Unlimited common voting shares without par value (no additional paid-in capital).

b) At October 31 the following stock options were outstanding:

Expiry Date		Exercise Price	**2006 Shares**	2005 Shares
March 17, 2005 (expired)	$	0.55	**-**	250,000
September 10, 2008	$	0.15	**269,000**	354,000
March 29, 2011	$	0.50	**1,573,642**	-
			1,842,642	604,000

c) The Company has granted founders, directors and certain employees stock options. Stock option activity is summarized as follows:

	Number of Shares	Exercise Price *
Balance outstanding – January 31, 2003 and 2002	250,000	$0.55
Granted – Year ended January 31, 2004	354,000	$0.15
Exercised – Year ended January 31, 2006	(10,000)	$0.15
Cancelled– Year ended January 31, 2006	(25,000)	$0.15
Expired – Year ended January 31, 2006	(250,000)	$0.55
Granted – Period ended April 30, 2006	1,588,642	$0.50
Cancelled – Period ended October 31, 2006	(15,000)	$0.50
Exercised – Period ended July 31, 2006	(50,000)	$0.15
Balance outstanding – October 31, 2006	1,842,642	$0.44

* Weighted average exercise price

During the period, 1,588,642 stock options were granted under a graded vesting schedule to employees, consultants and insiders at an exercise price of $0.50 per common share for a period of five years.

d) During the previous year ended January 31, 2004, the Company granted options to purchase up to 354,000 shares. This resulted in stock compensation expense of $38,516, which has been recorded in consulting fees. The offsetting entry is to contributed surplus.

The fair value of stock options used to calculated stock compensation expense for both employees and non-employees is estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	January 31, 2004
Average risk-free interest rate	3.82%
Expected dividend yield	NIL
Expected stock price volatility	106%
Average expected option life	5 years

Option pricing models require the input of highly subjective assumptions including the expected stock price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

6. SHARE CAPITAL – *Continued*

e) At October 31, 2006, the following warrants were outstanding:

Expiry Date	Number of Shares	Exercise Price
April 24, 2007	562,500	$0.50
February 28, 2008	1,600,000	$0.33
July 14, 2007	2,363,040	$1.00
August 29, 2007	495,550	$1.00
October 19, 2007	49,613	$0.75
Balance outstanding – October 31, 2006	5,070,703	

f) During the period, the Company closed a 1,600,000 unit private placement at a price of $0.25 per unit for gross proceeds of $400,000 consisting of one common share in the capital of the Company and one non-transferable share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share of the Company until February 28, 2008 at a price of $0.33 per warrant share. A finder's fee of 80,000 shares were issued in connection with this financing.

g) During the period, the Company closed a 600,000 unit private placement at a price of $0.40 per unit consisting of one common share in the capital of the Company and one non-transferable share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share of the Company until April 24, 2007 at a price of $0.50 per warrant share.

h) During the period, the Company closed a 678,000 unit private placement at a price of $0.80 per unit consisting of one common share in the capital of the Company and one-half of one non-transferable share purchase warrant. Each warrant entitles the holder thereof to purchase one additional common share of the Company until July 14, 2007at a price of $1.00 per warrant share.

i) During the period, 30,000 shares were issued for mineral properties.

j) During the period, the Company closed a 4,454,750 flow-through unit private placement at a price of $0.80 per unit, for gross proceeds of $2,879,200. Each unit consists of one common share in the capital of the Company and one-half of one common non-transferable, non-flow-through share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional common share of the Company until July 14, 2007 at a price of $1.00 per warrant share. A finders fee of 25,000 shares were issued in connection with this financing.

During the period, the Company closed a 496,133 flow-through unit private placement at a price of $0.75 per unit, for gross proceeds of $372,100. A finder's fee of 34,729 shares were issued in connection with this financing.

Flow-through shares are shares issued by a company that incurs certain resource expenditures and then renounces them for Canadian tax purposes. This allows the expenditures to flow through to the subscriber for tax purposes. The subscribers may in turn claim the expenditure as a deduction on their personal or corporate tax returns.

The total amount of funds raised through the flow-through shares must be spent on qualified mineral exploration. The use of proceeds from flow-through shares is restricted to certain Canadian Exploration Expenditures under Canadian Income Tax Legislation. Restricted Cash - Flow-Through represents funds received from flow-through issuances that management estimates have not been spent as at the balance sheet date.

6. SHARE CAPITAL – *Continued*

k) During the previous year, shareholders approved the reservation of 298,077 performance shares at an exercise price of $0.01 per share. To date, none of these shares have been allotted, issued and have not been booked into these financial statements as they must receive regulatory approval. Subsequent to year-end, a further 509,410 nominal value performance shares were reserved subject to shareholder and regulatory approval. At the discretion of the Board, these shares may be issued to such arm's length parties as the Board considers desirable to attract to the Company.

7. RELATED PARTY TRANSACTIONS

Except as noted elsewhere in these financial statements, related party transactions are as follows:

a) During the period, the Company paid $31,000 for management fees to a company controlled by the Chairman, CEO and director.

b) During the period, the Company paid $60,000 for management fees to a company controlled by the President and COO.

c) During the period, the Company paid $18,642 for consulting fees to a company controlled by the Corporate Secretary.

d) During the period, the Company paid $16,600 for professional fees to a company controlled by the Chief Financial Officer.

e) During the period, the Company paid rent of $11,901 to a company controlled by the Chairman, CEO and director.

The above 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.

8. INCOME TAX LOSSES

The Company has incurred certain resource related expenditures of approximately $847,000, which may be carried forward indefinitely and used to reduce prescribed taxable income in future years.

The Company has incurred non-capital losses for income tax purposes of approximately $580,000. They may be carried forward and used to reduce taxable income of future years. These losses will expire as follows:

2007	$	95,000
2008		86,000
2009		67,000
2010		81,000
2011		86,000
2015		86,000
2016		79,000
	$	580,000

8. INCOME TAX LOSSES – *Continued*

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

Future Tax Assets		2006
Statutory tax rate		34.1%
Non-capital losses	$	197,780
Undepreciated capital cost in excess of accounting net book value		635
Exploration and development expenditures		288,827
		487,242
Less: Valuation allowances		(487,242)
Reversal of valuation allowance		17,050
Income tax recovery	$	17,050

The potential future tax benefits of these expenditures and tax losses have not been recognized in these financial statements.

Future Income Tax Recovery

During the previous year, flow-through shares totalling $50,000 were issued, which funds are required to be spent on certain Canadian Exploration Expenditures. Because the Company on longer has the ability to use the expenditures for tax purposes, the Company is required to record a future tax liability which is equal to the renunciation, times the corporation tax rate when expenditures are renounced. However, because the Company has unused tax losses and resource pools in excess of the renunciation, the future tax liability becomes a future income tax recovery.

9. COMMITMENTS

By agreement dated July 1, 2005, the Company entered into a five year lease for premises with a company controlled by the President and director. Minimum basic rent commitments are approximately as follows:

2007	$	10,000
2008		10,000
2009		10,000
2010		10,000
2011		4,000
	$	44,000

In addition to basic rent, the Company is also responsible for its proportionate share of property taxes and operating costs.

10. SUBSEQUENT EVENTS

a) Subsequent to the period-end, the Company announced a brokered private placement of up to 1,818,181 flow-through units (the “Flow-Through Units”) at a purchase price of $0.55 per flow-through Unit, for gross proceeds of CDN $1,000,000 and up to 3,000,000 Units (the “Units”) at a purchase price of $0.40 per Unit, for gross proceeds of CDN $1,200,000.

   Each Flow-Through Unit will consist of one flow-through common share and one common share purchase warrant (“Warrant”). Each Warrant entitles the holder to purchase an additional non flow-through common share at a price of $0.65 for a period of 12 months from closing.

   Each Unit will consist of one common share and one-half of one common share purchase warrant (“Warrant”). Each whole Warrant entitles the holder to purchase an additional common share at a price of $0.55 for a period of 12 months from closing.

b) Subsequent to the period-end, the Company announced a non-brokered private placement of 364,000 flow-through units at a price of $0.55 per unit for gross proceeds of $200,200. Each unit will consist of one flow-through common share in the capital of the Company and one share purchase warrant. Each warrant will entitle the holder thereof to purchase one additional non-flow-through common share of the Company for a period of one year from the closing date at a price of $0.65 per share.