

MANAGEMENT DISCUSSION & ANALYSIS

For the quarter ended July 31, 2006

Date of Report: September 29, 2006

Directors and Officers as at September 29, 2006:

Directors:

Martin Auyeung
David Baker
Walter Peredery
Earl Terris

Officers:

David Baker, President & CEO
David Cass, VP - Corporate Development

Contact Name:

David Baker

Website:

www.goldbrookventures.com

TSX Venture Exchange Symbol:

GBK

GOLDBROOK VENTURES INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the Quarter Ended July 31, 2006

1.1 Date of This Report

September 29, 2006

1.2 Overall Performance

Description of Business

The Company was incorporated as Goldbrook Explorations Inc. under the Ontario *Business Corporations Act* on May 20, 1983. On July 22, 2002, the Company changed its name to Goldbrook Ventures Inc. In addition, the Company consolidated its capital on a 3 old for 1 new basis. On April 14, 2003, the Company was granted a Certificate of Continuation under the Company Act of British Columbia.

The Company's registered and records office in British Columbia is Suite 802, 700 West Pender Street, Vancouver, British Columbia, V6C 1G8. The Company's telephone number is (604) 683-8083. The Company's Shares are currently listed for trading on the TSX Venture Exchange under the symbol "GBK".

On February 6, 2004, the Company announced that shares of Goldbrook Ventures Inc. would commence trading on the Frankfurt Stock Exchange under the trading symbol "GVE".

The Company is a publicly traded junior resource company. In the past fiscal years until 2001, the Company was involved, to a limited extent, in the exploration of various mineral properties. As of 2001, the Company had written down all of its investments in its mineral properties; and was deemed inactive by the Exchange on September 7, 2001. On August 1, 2002, the Company completed its reactivation plan and the Exchange removed the inactive status.

On September 6, 2005, the Company announced that in accordance with TSX Venture Exchange policy 2.5, the Company had met the requirements for a Tier 1 company. Effective September 2, 2005, the Company's tier classification changed from Tier 2 to Tier 1 – mineral exploration and development company.

The Company's mineral properties consist of the following:

- Onaman River, Onaman Lake Township, Ontario;

Raglan Area, District of Northern Quebec:

- Ungava;
- Nuvilik,
- Belanger;
- Wakeham (Inlet);
- Masuparia;
- Ubex;
- VVC; and
- Scott.

1.3 Selected Annual Information

The highlights of financial data for the Company for the three most recently completed financial years are as follows:

	<u>April 30, 2006</u>	<u>April 30, 2005</u>	<u>April 30, 2004</u>
(a) Net sales	-	-	-
(b) Loss before extraordinary items			
(i) Total loss	\$1,480,235	\$3,013,618	\$876,654
(ii) Loss per share – basic	\$0.03	\$0.07	\$0.03
(iii) Loss per share – diluted	\$0.03	\$0.07	\$0.03
(c) Net loss			
(i) Total loss	\$1,480,235	\$3,013,618	\$876,654
(ii) Loss per share – basic	\$0.03	\$0.07	\$0.03
(iii) Loss per share – diluted	\$0.03	\$0.07	\$0.03
(d) Total assets	\$14,576,162	\$14,288,182	\$8,209,860
(e) Total long-term liabilities	-	-	-
(f) Cash dividends declared per-share	N/A	N/A	N/A

1.4 **Results of Operations**

Discussion of Acquisitions, Operations and Financial Condition

The following should be read in conjunction with the financial statements of the Company and notes attached hereto.

Mineral Properties

Onaman River Property

For the year ended April 30, 2002, these mining claims were carried at a nominal value of \$1.00 and represented an 80% interest in the Onaman River Property, Onaman Lake Township, Ontario, subject to 30% net profits royalties on two separate groups of claims and a net smelter royalty of 2% - 3% on the balance of claims. The Company wrote-off the nominal value of \$1.00 in the year ended April 30, 2003. The Onaman claims remain in good standing.

As at July 31, 2006, the Onaman claims are in good standing.

Raglan Area Properties – District of Northern Quebec

The Company currently has eight separate property agreements in the Ungava Region and on April 25, 2005 announced an option and joint venture agreement with Anglo American Exploration (Canada) Ltd.

Anglo American Exploration (Canada) Ltd. option and joint venture agreement

On April 25, 2005, the Company signed the definitive option and joint venture agreement (“Agreement”) with Anglo American Exploration (Canada) Ltd. (“AAEC”) with respect to the Company’s Nuvilik and Belanger properties (the “Properties”). The Agreement granted AAEC the option to acquire up to a 70% interest in the Properties by funding exploration and delivering a full feasibility study.

AAEC may earn an undivided 51% interest in the Properties by funding not less than \$20 million in exploration expenditures on or before the fourth anniversary of the Agreement. AAEC has committed to fund \$5 million in exploration before March 31, 2006. AAEC may earn an additional 19%, taking its total interest to 70%, by funding and delivering a full feasibility study. AAEC may terminate the option at any time after incurring a minimum of \$5 million in exploration expenditures. AAEC shall be the operator during the exploration phase and all other phases provided it holds at least a 50% interest.

Should a decision be made to proceed to development, AAEC has agreed to use reasonable efforts to arrange development financing based on the then prevailing market conditions for financings of the project then contemplated. The Company will have the option of either accepting the financing arranged by AAEC or arranging its own financing. Following a development decision, each party shall be obligated to fund its pro rata share of all costs. A party who fails to fund its share of costs shall be diluted pro rata. A party that has its interests reduced to 10% or less shall have the option of receiving a 3% net smelter royalty (1.5% of which may be purchased for \$5 million) or receiving the fair market value of the 3% net smelter royalty.

On August 2, 2005, the Company announced that AAEC had begun diamond drilling on the Belanger property in the Raglan District of northern Quebec.

The 2005 exploration program by AAEC included geological mapping and prospecting, ground based geophysical surveys, and soil geochemistry surveys on both the Belanger and Nuvilik properties. Diamond drilling during the 2005 exploration program was to be completed on the Belanger property to follow-up areas of mineralization identified during the 2004 exploration program, and to test emerging targets elsewhere on the Belanger Property. The results of this program were subsequently reported by the Company in press releases dated October 11 and November 23 2005.

On December 15, 2005, AAEC had given notice to the Company that they will be proceeding with a 2006 exploration program on the Belanger and Nuvilik properties. Subsequent management meetings were held between the Company and AAEC on January 20, 2006, March 31, 2006 and June 5, 2006, to discuss budget, assessment report filing, and field program technicalities and logistics. Transportation of fuel and equipment was completed and crews were mobilized and the program commenced in June, based out of the Lac Mitiq exploration camp.

On June 10, 2006, the Company announced that AAEC had begun diamond drilling on the Belanger property in the Raglan District of northern Quebec.

Goldbrook's 100%-owned claims

On June 5 2006 the Company announced its own plans for a \$4 million exploration program on the remainder of the claims not included under the AAEC agreement. These claims include the Ungava, Wakeham and Masuparia claims blocks, and part of the Nuvilik claims located in the west, central and east parts of the Raglan district. Logistical preparations including the mobilization of fuel and equipment to the Company's exploration camp on Lac Guindeau were completed on schedule in time the commencement of the program in early July. Field work will comprise the investigation of targets generated by the Company's geologists and include mapping, prospecting, geochemistry and ground geophysical surveys. A 3,000m diamond drill program is planned for August to test priority targets. A helicopter-borne electromagnetic survey comprising approximately 9,000 line kilometers also commenced in July.

Property #1 - Ungava:

By Letter of Intent dated January 23, 2003, and subsequent regulatory approvals dated January 31, 2003, the Company acquired from Peter Bambic a 100% interest in 99,014 acres in the Ungava region of Northern Quebec under the following terms:

- (i) The Company will make a payment of \$100,000 to the vendor upon receipt of Exchange approval (Paid);
- (ii) The Company will issue one million common shares of Goldbrook to the vendor upon receipt of Exchange approval (issued). These shares were issued at a price of \$0.27 per share for a total of \$270,000;
- (iii) The property is subject to a 1% net smelter return on any mineral production from the property and the Company has the option to purchase up to one-half of the 1% royalty for \$1,000,000.

Exploration Results and Future Developments

Field work commenced in July and comprised geological traverses and prospecting of targets areas with known or anticipated ultramafic rocks associated with near-surface electromagnetic and magnetic anomalies and/or anomalous geochemistry. Several new showings have been discovered at the time of writing, which warrant further follow up including gridding, mapping and ground geophysics. Priority targets will be drill tested. Additionally, a program some 2,230 line kilometers of helicopter-borne aeromagnetic surveys (AeroTEM) commenced in July. Areas of interest will be followed up with ground electromagnetic and magnetic surveys in order to define drill targets. Drilling of priority targets is planned for September.

Property # 2 - Nuvilik:

By Letter of Intent dated March 26, 2003, and subsequent regulatory approvals dated April 4, 2003, the Company acquired from Peter Bambic a 100% interest in 55,421 acres in the Ungava region of Northern Quebec under the following terms:

- (i) The Company will make a payment of \$50,000 to the vendor upon receipt of Exchange approval (paid);
- (ii) The Company will issue 800,000 common shares of Goldbrook to the vendor upon receipt of Exchange approval (issued). These shares were issued at a deemed price of \$0.42 per share for a total of \$336,000;
- (iii) The property is subject to a 1% net smelter return on any mineral production from the property and the Company has the option to purchase up to one-half of the 1% royalty for \$1,000,000.

On April 25, 2005, the Company signed the definitive option and joint venture agreement (“Agreement”) with Anglo American Exploration (Canada) Ltd. (“AAEC”) with respect to the Company’s Nuvilik and Belanger properties (see above for details).

Exploration Results and Future Developments

Work on these claims commenced in July and is consisting of mapping, prospecting and soil geochemical surveys of targets generated last year. Areas of interest will be followed up with ground electromagnetic and magnetic surveys in order to define drill targets. Drilling of priority targets is planned for August.

Property # 3 - Belanger:

By Letter of Intent dated March 26, 2003, and subsequent regulatory approvals dated April 4, 2003, the Company acquired from Mackenzie James a 100% interest in 90,675 acres in the Ungava region of Northern Quebec under the following terms:

- (i) The Company will make a payment of \$90,000 to the vendor upon receipt of Exchange approval (paid);
- (ii) The Company will issue 1,200,000 common shares of Goldbrook to the vendor upon receipt of Exchange approval (issued). These shares were issued at a deemed price of \$0.42 per share, for a total of \$504,000;
- (iii) The property is subject to a 1% net smelter return on any mineral production from the property and the Company has the option to purchase up to one-half of the 1% royalty for \$1,000,000.

On January 6, 2004, the Company announced the acquisition of five mineral claims comprising 198 acres located within the boundaries of the Company’s 90,675-acre Belanger Property in the western part of the Raglan District, northern Quebec. The consideration payable for a 100% interest in the subject property is 200,000 common shares to be issued on receipt of Exchange approval. On January 16, 2004, the TSX Venture Exchange approved the Company’s “Expedited Acquisition Filing” and the 200,000 shares were issued at a price of \$0.45 per share for a total of \$90,000.

On April 25, 2005, the Company signed the definitive option and joint venture agreement (“Agreement”) with Anglo American Exploration (Canada) Ltd. (“AAEC”) with respect to the Company’s Nuvilik and Belanger properties (see above for details).

Exploration Results and Future Developments

The 2006 program commenced in June, and will include an anticipated 5,000m of diamond drilling. The nickel, copper and PGE-bearing sulphide drill hole intercepts and surface occurrences discovered to date at Belanger are part of a minimum 18 kilometer trend known as the Belanger Trend. The 2006 program is to be focused within this trend, to test new and existing targets, including Pad-1 (24.73m @ 0.85% Ni, 1.49% Cu, 1.28 g/t PGE), and at Timtu (8.65m @ 1.01% Ni, 0.63% Cu, and 2.38 g/t PGE's) discovered during 2005. Interpretation of results from 3D modeling of the Getty and Sylvie areas has resulted in several drill targets to test down plunge and along-strike extensions. Elsewhere prospecting, mapping, soil geochemical sampling and ground geophysics will focus on early-stage "regional" targets in the western portion of the Belanger claims. Results from drilling, including assays are pending and expected to be released by AAEC in Q4.

Property # 4 – Wakeham (Inlet):

On August 7, 2003, the Company announced the acquisition from Inlet Resources Ltd. ("Inlet") of the exclusive option to earn up to an 80% interest in and to a 74,280-acre parcel of staked mineral claims located in the Ungava region of Quebec (the "Wakeham Property").

The terms of the property acquisition provide for the Company to earn a 60% undivided interest in the Wakeham Property (the "Property") through the delivery of 500,000 common shares (200,000 shares, after receipt of Exchange approval, 100,000 shares on August 7, 2004, 100,000 on August 7, 2005, and 100,000 shares on August 7, 2007) and incurring an aggregate of \$3,500,000 of work expenditures on the Property.

The agreement also included other options for the Company to acquire additional interests in the property. The TSX Venture Exchange accepted the agreement on September 24, 2003 and Goldbrook issued Inlet 200,000 common shares on October 2, 2003 at a price of \$0.61 per share for a total of \$122,000.

This agreement has since been replaced by a new agreement discussed below.

On July 30, 2004, the Company announced that it had reached an agreement with Inlet whereby the Company will acquire all of Inlet's interest in the Wakeham Property in consideration of the issuance of 3,000,000 common shares of the Company.

This Agreement replaces the option previously granted to the Company by Inlet to earn up to an 80% interest in the Property. The Wakeham Property is subject to a 1% net smelter return royalty on any mineral production from the Property. The Company has the option to purchase one-half of this royalty for \$1 million.

On August 31, 2004, the Company received TSX acceptance pertaining to the acquisition from Inlet of a 100% interest in the Wakeham Property. The TSX deemed the value of the shares to be \$0.53 per share but the issued shares were to be placed into escrow, and released to Inlet on the basis of one share for each \$0.42 in expenditures made by the Company.

The Company issued 3 million common shares to Inlet in accordance with the property agreement. The shares were held in escrow by the Company's escrow and transfer agent, Computershare Investor Services Inc.

Exploration Results and Future Developments

Field work including the investigation of numerous target areas that have been generated by Goldbrook's geologist using proprietary and public data commenced in July. Work is ongoing and comprises geological traverses and prospecting, mapping, soil and till geochemistry, ground electromagnetic and magnetic surveys, followed by drilling of priority targets. Additionally, some 2,140 line kilometers of helicopter-borne aeromagnetic surveys (AeroTEM) commenced in July. Work has concentrated in the Nancy area located at the eastern end of the Wakeham property, where previous work by the Company identified prospective ultramafic-mafic and sulphide-rich sedimentary outcrops, with surface samples taken during this previous work assayed up to 0.4% Ni, 0.6% Cu and 1.2 g/t PGE. Limited drilling intersected ultramafic rocks with low grade, but significant Ni-Cu-PGE intercepts. Work to date in 2006 has located several new sulphide showings and has extended surface showings to the east and south-east. Drilling is planned in August.

Property # 5 (Masuparia):

On August 7, 2003, the Company announced the acquisition from Masuparia Gold Corporation ("Masuparia") of the exclusive option to earn up to an 80% interest in and to 71,252 acres in the Ungava region of northern Quebec.

The terms of the property acquisition provide for the Company to earn a 60% undivided interest in Masuparia's property through the delivery of 500,000 common shares (200,000 shares, after receipt of Exchange approval, 100,000 shares on August 7, 2004, 100,000 on August 7, 2005, and 100,000 shares on August 7, 2007) and incurring an aggregate of \$3,500,000 of work expenditures on the property.

The agreement also included other options for the Company to acquire additional interests in the property. The TSX Venture Exchange accepted the agreement on October 23, 2003 and Goldbrook issued 200,000 common shares on November 4, 2003, at a deemed price of \$0.61 per share for a total of \$122,000.

This agreement has since been replaced by a new agreement discussed below.

On July 30, 2004, the Company announced that it had reached an agreement with Masuparia whereby the Company will acquire all of Masuparia's interest in Masuparia's 71,252 acres in the Raglan region of northern Quebec (the "Property"). In consideration of the acquisition, the Company will issue 3,000,000 of its common shares to Masuparia.

This Agreement replaces the option previously granted to the Company by Masuparia to earn up to an 80% interest in the Property. The Masuparia Property is subject to a 1% net smelter return royalty on any mineral production from the Property. The Company has the option to purchase one-half of this royalty for \$1 million.

On August 30, 2004 the Company received TSX acceptance pertaining to the acquisition from

Masuparia of a 100% interest in the Property. The TSX deemed the value of the shares to be \$0.53 per share but the issued shares were to be placed into escrow, and released to Masuparia on the basis of one share for each \$0.42 in expenditures made by the Company.

The Company issued 3 million common shares to Masuparia in accordance with the property agreement. The shares are held in escrow by the Company's escrow and transfer agent, Computershare Investor Services Inc.

Exploration Results and Future Developments

Field work commenced in July and comprised geological traverses and prospecting of targets areas with known or anticipated ultramafic rocks associated with near-surface electromagnetic and magnetic anomalies and/or anomalous geochemistry. Several new showings had been discovered at the time of writing, which warrant further follow up including gridding, mapping and ground geophysics. Priority targets will be drill tested. Additionally, a program some 2,200 line kilometers of helicopter-borne aeromagnetic surveys (AeroTEM) commenced in July. Areas of interest will be followed up with ground electromagnetic and magnetic surveys in order to define drill targets. Drilling of priority targets is planned for September.

Property # 6 (Ubex):

On March 30, 2004, the Company entered into an agreement with Ubex Capital Inc., Menace Capital Corp., and Monaco Investment Corp. (collectively, the "Vendors") to acquire a 100% interest in 334 mineral claims comprising approximately 31,850 acres located as four property groups in the Ungava Area, Province of Quebec. The consideration payable for a 100% interest in the subject property was 125,000 common shares issued on receipt of Exchange approval and cash payments totaling \$30,000 (paid). The TSX Venture Exchange accepted the agreement on April 12, 2004 and Goldbrook issued 125,000 common shares on April 12, 2004, at a deemed price of \$0.48 per share for a total of \$60,000.

Pursuant to the agreement, the Vendors will retain a 1% net smelter return royalty of which 0.5% may be purchased by the Company for \$1,000,000.

Exploration Results and Future Developments

The Ubex claims are located immediately south of the Wakeham property. Field work commenced in July and comprised geological traverses and prospecting of targets areas with known or anticipated ultramafic rocks associated with near-surface electromagnetic and magnetic anomalies and/or anomalous geochemistry. Several new showings have been discovered at the time of writing, which warrant further follow up including gridding, mapping and ground geophysics. Priority targets will be drill tested. Areas of interest will be followed up with ground electromagnetic and magnetic surveys in order to define drill targets. Drilling of priority targets is planned for September.

Property # 7 (VVC):

On March 29, 2004, the Company entered into an agreement with VVC Exploration Corporation and Aavdex Corporation to acquire a 70% interest in 894 mineral claims comprising 36,753.40 hectares located in the Ungava Area, Province of Quebec from VVC Exploration Corporation (“the property”). Aavdex Corporation acquired the remaining 30% interest in the claims and agreed to form a joint venture with the Company to further explore and develop the property. As consideration for the 70% interest, the Company issued 200,000 common shares to VVC Exploration Corporation on receipt of Exchange approval and incurred sufficient work expenditures to extend the expiry date of all claims for a period of one year.

Additional joint venture work expenditures with Aavdex Corporation will be split 70/30 between the Company and Aavdex Corporation per the joint venture arrangement. In addition, there is a 2% net smelter return of which 1.5% can be purchased by the Company and Aavdex for \$500,000 per 0.5%.

The TSX Venture Exchange accepted the agreement on April 8, 2004 and Goldbrook issued 200,000 common shares on April 8, 2004, at a deemed price of \$0.48 per share for a total of \$96,000.

On April 5, 2005, the Company entered into an agreement with Aavdex to buy its 30% interest in the property. The transaction will give the Company a 100% stake in the claims subject to a 2% NSR.

Under the terms of the agreement, the Company will pay to Aavdex \$90,000 (paid) and issue from treasury 225,000 common shares (issued) to Aavdex. The Company has the right to buy back, at any time, at a price of \$500,000 per 0.5% NSR, up to a total of 1.5% NSR. The TSX Exchange accepted the agreement on April 26, 2005 and the 225,000 common shares were issued on the same day.

Exploration Results and Future Developments

The VVC properties comprise a number of claim blocks distributed throughout the Raglan District and are blocks are contiguous with the Nuvilik, Masuparia, Wakeham, and Ungava Properties. The work completed on these properties and planned exploration activities are included in the relevant property descriptions above. As per all of the East Raglan properties, field work commenced in July and comprised geological traverses and prospecting of targets areas with known or anticipated ultramafic rocks associated with near-surface electromagnetic and magnetic anomalies and/or anomalous geochemistry. Areas of interest will be followed up with ground electromagnetic and magnetic surveys in order to define drill targets. Drilling of priority targets is planned for September.

Property # 8 (Scott):

On April 6, 2004, the Company entered into an agreement with Mr. Peter Bambic to acquire a 100% interest in 278 mineral claims comprising 29,057.48 acres located in Raglan District, Province of Quebec. The consideration payable for the property was \$21,291 (paid).

Pursuant to the agreement, the property is subject to a 1% net smelter return on any mineral production from the property. The Company has the option to purchase up to 50% of the 1% royalty for \$500,000.

Exploration Results and Future Developments

The Scott property comprises two blocks of claims. The first block of claims is contiguous with the Nuvilik although not included with the AAEC agreement. The second block of claims is contiguous with the Ungava property. Field work will be undertaken in July and August as part of the Company's program on the Marsuparia, Ungava and Wakeham properties and comprise prospecting, geological mapping, soil and till geochemistry, ground electromagnetic and magnetic surveys, followed by drilling of priority targets.

Results of Operations

The loss for the three months ended July 31, 2006 was \$264,970 as compared with a loss of \$298,213 for the three months ended July 31, 2005. The increases and decreases in the expenses for the three months were in the following categories:

- Consulting fees decreased by \$51,066 as the geological consulting expenses have been capitalized to properties;
- Professional fees decreased by \$15,898 due to the decreased sponsor/financial advisory fees compare to the quarter of July 31, 2005;
- Stock option compensation expenses increased by \$102,680;

Below is a comparison of the General and Administration Expenses during the three months ended July 31, 2006 and 2005:

	July 31, 2006	July 31, 2005	Increase (Decrease)
Amortization	3,536	3,154	382
Consulting fees	60,000	111,066	(51,066)
Foreign exchange	-	5,750	(5,750)
Office & general expenses	12,799	21,181	(8,382)
Management fees	20,000	15,000	5,000
Professional fees	35,813	51,711	(15,898)
Property investigation	2,277	-	2,277
Regulatory fees and services	1,951	6,183	(4,232)
Rent and telephone	14,695	21,398	(6,703)
Shareholders' communication, travel and promotions	83,687	91,613	(7,926)
Stock option compensation	102,680	-	102,680
Wages and benefits	21,069	16,222	4,847
Total	\$358,507	\$343,278	\$15,229

Investor Relations Activities

Currently, the Company has no formal arrangements in place with respect to investor relations. Three spokespersons are assigned to respond to any shareholder or investor calls. They are also responsible for handling shareholder mail-outs and represent the Company in trade shows and conferences.

During the three months, the Company issued press releases, responded to investor inquiries and conducted shareholder and investor mail outs.

Financings, Principal Purposes & Milestones

During the three months ended July 31, 2006, there were no financing activities concluded.

1.4 Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Q1 <u>31-Jul-06</u>	Q4 <u>30-Apr-06</u>	Q3 <u>31-Jan-06</u>	Q2 <u>31-Oct-05</u>	Q1 <u>31-Jul-05</u>	Q4 <u>30-Apr-05</u>	Q3 <u>31-Jan-05</u>	Q2 <u>31-Oct-04</u>
Net sales	-	-	88,478	-	34,867	-	-	-
Net Loss:								
Total	\$264,970	\$297,978	\$508,398	\$375,646	\$298,213	\$1,026,494	\$281,280	\$724,609
Per share	\$0.004	\$0.01	\$0.01	\$0.01	\$0.01	\$0.03	\$0.01	\$0.02
Per share - diluted	\$0.004	\$0.031	\$0.01	\$0.01	\$0.01	\$0.03	\$0.01	\$0.02

Discussion

For the quarter ended July 31, 2006, please refer to Section 1.4 - *Results of Operations*.

1.5 Liquidity

As the Company has no revenue generating projects at this time, the ability of the Company to carry out its business plan rests with its ability to secure equity and other financings.

At July 31, 2006, the Company has total assets of \$14,585,927. The primary assets of the Company are cash of \$998,520, accounts receivable of \$568,862, short term investments in public companies at cost of \$302,743, and mineral properties with a historic cost of \$12,630,502. The Company has no long-term liabilities and has working capital of \$1,716,721.

The Company will require additional financing to fund any new acquisitions, exploration programs as well as its holding costs on all of its properties. The ability of the Company to successfully fund the Ungava properties and to acquire additional projects is conditional on its ability to secure financing when required. The Company proposes to meet any additional financing requirements through the exercise of outstanding warrants, or arranging other forms of equity financing. In light of the continually changing financial markets, there is no assurance that funding by equity subscriptions will be possible at the times required or desired by the Company.

1.6 Capital Resources

The only capital resource of the Company is the mineral properties with a historic cost of \$12,630,502. The Company is committed to further expenditures on these properties, as detailed in Section 1.4 - *Results of Operations*.

1.7 Off Balance Sheet Arrangements

There is no off-balance sheet arrangements to which the Company is committed.

1.8 Transactions with Related Parties

There is no amount due to related parties included in accounts payable and accrued liabilities at July 31, 2006 (July 31, 2005 - \$480).

During the three months ended July 31, 2006 and 2005, the Company was charged the following amounts by directors and officers of the Company or by companies controlled by directors, officers, and related parties:

	July 31	
	<u>2006</u>	<u>2005</u>
Consulting fees		
- Financial	\$ 7,500	\$ 17,500
- Marketing	10,500	5,500
- Shareholders' communication	15,000	-
Corporate and administration fees	-	12,500
Management fees	20,000	15,000
Website fees	4,500	4,500
Deferred exploration costs	52,000	40,000
Total	\$ 109,500	\$ 95,000

1.9 First Quarter

First quarter results do not differ significantly from other quarters except the charging of non-cash stock-based compensation expenses in the amount of \$102,680.

1.10 Proposed Transactions

None.

1.11 Critical Accounting Estimates

N/A

1.12 Changes in Accounting Policies

N/A

1.13 Financial Instruments and Other Instruments

For cash and equivalents, accounts receivable, investment in public company shares, and accounts payable and accrued liabilities, the carrying amounts of these financial instruments approximate their fair value, except for the investment in public company shares which are recorded at cost of \$302,743, with a market value of \$353,860 at July 31, 2006. The increase in value of \$51,117 is not recorded in these financial statements.

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 statements.

The recoverability of the amounts capitalized for the mineral properties under exploration is dependent upon the determination of economically recoverable ore reserves, the ability to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

1.14 Other MD&A Requirements

Disclosure of Outstanding Share Capital

	Number of shares	Book Value
Common Shares	61,346,213	\$ 20,420,975
Incentive Stock Options	6,079,000	\$ 1,456,915
Warrants	10,838,481	\$ 3,481,548

Additional Disclosure

The Company is a venture issuer that has not had significant revenue from operations in either of its last two financial years. The Company has capitalized all expenditures relating to the exploration of its mineral properties. Details of deferred expenditures for each property are as follows:

Summary of Mineral Properties, July 31, 2006

Refer to the financial statements and notes of the Company.

Other Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Subsequent Events

- a) On September 8, 2006, the Company announced that it had arranged a private placement with Pacific International Securities Inc. (the "Agent") for up to 9,250,000 flow through units at a price of \$0.38 per unit (the "FT Units"), and up to 1,500,000 non-flow through units at a price of \$0.33 per unit (the "Common Share Units"), for total gross proceeds of up to \$4.01 million (the "Offering"). Flow-through funds raised through the issuance of the FT Units will be renounced for the 2006 taxation year.

Each FT Unit shall consist of: i) one flow-through common share; ii) one half of one transferable non-flow-through share purchase warrant, with each whole such warrant exercisable into one common share of the Company for three years from closing date at a price of \$0.45; and iii) one half of one transferable non-flow-through share purchase warrant, with each whole such warrant exercisable into one common share of the Company for three years from closing date at a price of \$1.00.

Each Common Share Unit shall consist of: i) one non flow-through common share; ii) one half of one transferable non-flow-through share purchase warrant, with each whole such warrant exercisable into one common share of the Company for three years from closing date at a price of \$0.45; and iii) one half of one transferable non-flow-through share purchase warrant, with each whole such warrant exercisable into one common share of the Company for three years from closing date at a price of \$1.00.

The Company has agreed to grant the Agent an over allotment option to cover potential over subscription of the Offering for 1,850,000 additional FT Units and 300,000 additional Common Share Units on the same terms.

On September 21, 2006, the Company further announced that it had increased the size of its previously announced brokered private placement to total gross proceeds of up to \$6.56 million inclusive of any over-allotment option. The Company will now issue up to 17.2 million FT Units, repriced to \$0.35 per FT Unit, and up to 1.8 million Common Share Units, repriced to \$0.30 per Common Share Unit. The other terms of the private placement, including the terms of the warrants attached to the FT Units and Common Share Units, are the same as announced originally.

As consideration for acting as Agent, the Company has agreed to pay a commission of 7.0 percent of the total proceeds raised in the Offering upon closing, payable in cash, Common Share Units or a combination thereof, at the election of the Agent. In addition, the Agent will receive Agent's options (the "Agent's Options") in an amount equal to 10.0 percent of the aggregate FT Units and Common Share Units sold pursuant to the Offering. Each Agent's Option is exercisable at \$0.45 into one common share of the company for two years from the closing date.

The private placements are subject to TSX Venture Exchange acceptance for filing. All securities issued pursuant to the Offering will be subject to a four month hold period from the date of closing.

The proceeds from this offering will be used for exploration on the Company's eastern and central parts of its property in Raglan, Quebec.

- b) In September 2006, the 3 million common shares issued to Inlet Resources Ltd. in escrow (Note 5(e)) were fully released.
- c) In September 2006, 578,864 of the 3 million common shares issued to Masuparia Gold Corporation in escrow (Note 5(f)) were released.