COMMANDER RESOURCES LTD.

CMD

INTERIM REPORT

For the Nine Months Ended
September 30, 2006

(See Notice)

Notice of No Auditor Review of the Interim Financial Statements

The accompanying unaudited interim financial statements of Commander Resources Ltd. ("the Company"), for the nine months ended September 30, 2006, have been prepared by management and have not been the subject of a review by the Company's independent auditor.

COMMANDER RESOURCES LTD.

Balance Sheets
(See Notice)

		September 30, 2006		December 31, 2005 (Audited)
ASSETS				
Current assets				
Cash and cash equivalents	$	2,777,240	$	121,722
Cash, exploration funds (Note 13)		-		565,645
Marketable securities (Note 3)		272,378		311,354
Accounts receivable		217,251		100,320
Due from related parties (Note 9(a))		59,913		5,707
Prepaid expenses		44,396		55,992
Field supplies (Note 4)		112,867		84,175
Deposits (Note 5)		36,385		94,045
		3,520,430		1,338,960
Mineral properties (Note 6)		15,360,517		11,703,260
Property, plant and equipment (Note 7)		54,232		60,293
	$	18,935,179	$	13,102,513
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Note 9)	$	956,681	$	217,888
Future income taxes (Note 13)		593,915		593,915
		1,550,596		811,803
SHAREHOLDERS' EQUITY				
Share capital (Note 8(b))		29,995,644		25,316,856
Contributed surplus		17,043		17,043
Option compensation (Note 8(f))		1,122,541		1,097,149
Deficit		(13,750,645)		(14,140,338)
		17,384,583		12,290,710
	$	18,935,179	$	13,102,513

Nature of Operations and Going Concern (Note 1)
Commitment (Note 10)
Subsequent Events (Note 14)

Approved by the Directors: "Kenneth E. Leigh" Kenneth E. Leigh — "Victor A. Tanaka" Victor A. Tanaka

See Accompanying Notes to the Financial Statements

COMMANDER RESOURCES LTD.

Statements of Operations and Deficit
(Unaudited – See Notice)

	For the Three Months Ended September 30, 2006	September 30, 2005	For the Nine Months Ended September 30, 2006	September 30, 2005
General and administrative expenses				
Accounting and audit	$ 19,739	$ 21,727	$ 55,778	$ 53,762
Amortization	5,701	5,203	15,429	15,084
Annual report and meeting	-	-	14,845	14,624
Consultants	11,697	14,517	32,100	53,301
Insurance	7,979	8,865	33,604	23,115
Investor relations and promotion	35,323	32,026	125,584	140,761
Legal	12,511	5,361	21,810	14,859
Office and miscellaneous	1,783	12,162	39,796	41,259
Regulatory and transfer agent fees	8,762	4,352	33,524	20,538
Rent and storage	19,117	17,784	60,843	59,400
Salaries and benefits	50,424	46,325	230,672	145,623
Stock-based compensation	48,274	258,342	96,548	368,310
	221,310	426,664	760,533	950,636
Loss before the undernoted	(221,310)	(426,664)	(760,533)	(950,636)
Investment income	16,703	2,490	42,086	8,672
Property investigation	(14,597)	(17,521)	(15,567)	(55,870)
Write down of mineral properties	(209,618)	-	(209,618)	(21,007)
Write down of marketable securities	-	(1,000)	-	(9,000)
Gain on marketable securities	36,747	111,623	93,791	150,519
Loss before taxes	(392,075)	(331,072)	(849,841)	(877,322)
Future income tax recovery (Note 13)	-	323,406	1,269,864	173,906
Income tax expense	(4,330)	-	(30,330)	-
Income (loss) for the period	(396,405)	(7,666)	389,693	(703,416)
Deficit, beginning of period	(13,354,240)	(14,726,183)	(14,140,338)	(14,030,433)
Deficit, end of period	$ (13,750,645)	$ (14,733,849)	$ (13,750,645)	$ (14,733,849)
Earnings (loss) per share				
-Basic	$ (0.00)	$ (0.00)	$ 0.01	$ (0.02)
-Diluted	$ (0.00)	$ (0.00)	$ 0.01	$ (0.02)
Weighted average number of shares outstanding				
-Basic	55,106,372	36,208,162	47,548,171	32,828,431
-Diluted	55,106,372	36,208,162	60,248,576	32,828,431

See Accompanying Notes to the Financial Statements

COMMANDER RESOURCES LTD.

Statements of Cash Flows
(Unaudited – See Notice)

	For the Three Months Ended September 30, 2006	For the Three Months Ended September 30, 2005	For the Nine Months Ended September 30, 2006	For the Nine Months Ended September 30, 2005
Cash provided from (used for):				
Operating activities				
Income (loss) for the period	$ (396,405)	$ (7,666)	$ 389,693	$ (703,416)
Items not involving cash:				
Amortization	5,701	5,203	15,429	15,084
Gain on sale of marketable securities	(36,747)	(111,623)	(93,791)	(150,519)
Stock-based compensation	48,274	258,342	96,548	368,310
Write down of mineral properties	209,618	-	209,618	21,007
Write down of marketable securities	-	1,000	-	9,000
Future income tax recovery	-	(323,406)	(1,269,864)	(173,906)
	(169,559)	(178,150)	(652,367)	(614,440)
Net change in non-cash working capital items:				
Accounts receivable	(62,708)	(50,334)	(116,931)	(91,381)
Due from related parties	(45,887)	(39)	(54,206)	16,120
Prepaid expenses	(1,075)	42,665	11,596	12,430
Field supplies	(28,692)	62,977	(28,692)	88,977
Bid deposits and deposits	(20,335)	15,716	57,660	(95,845)
Accounts payable and accrued liabilities	(80,312)	(22,103)	(50,139)	(57,489)
	(408,568)	(129,268)	(833,079)	(741,628)
Investing activities				
Cash, exploration funds	1,506,090	908,443	565,645	488,500
Proceeds from sale of marketable securities	66,748	316,498	177,767	440,643
Mineral property acquisition and exploration costs	(2,364,244)	(1,535,399)	(3,758,745)	(2,548,276)
Accounts payable and accrued liabilities related to mineral properties	302,076	245,735	788,932	497,288
Purchase of equipment	(5,880)	(1,471)	(9,368)	(7,529)
	(495,210)	(66,194)	(2,235,769)	(1,129,374)
Financing activity				
Shares issued for cash, net of issue costs	415,842	-	5,724,366	1,220,862
Increase (decrease) in cash and cash equivalents	(487,936)	(195,462)	2,655,518	(650,140)
Cash and cash equivalents, beginning of period	3,265,176	294,786	121,722	749,464
Cash and cash equivalents, end of period	$ 2,777,240	$ 99,324	$ 2,777,240	$ 99,324

Supplemental Cash Flow Information (Note 12)

See Accompanying Notes to the Financial Statements

1. Nature of Operations and Going Concern

The Company is in the process of actively exploring and developing its mineral properties and has not yet determined whether these properties contain ore resources which are economically recoverable ("ore reserves"). The Company is considered to be in the exploration stage.

The recoverability of amounts shown for mineral property interests is dependent upon one or more of the following:

- the discovery of ore reserves;
- the ability of the Company to obtain financing to complete development; and
- future profitable production from the properties or proceeds from disposition.

At September 30, 2006, the Company had an accumulated deficit of $13,750,645 and had working capital of $2,563,749, which is sufficient to achieve the Company's planned business objectives for fiscal 2006.

These interim financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent on continued financial support from its shareholders and other related parties, the ability of the Company to raise equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Company's liabilities as they become payable. These interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

2. Significant Accounting Policies

(a) Use of 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

(b) Basis of presentation

The accompanying interim financial statements have not been reviewed by an auditor and are prepared in accordance with GAAP in Canada with respect to the preparation of interim financial statements. Accordingly, they do not include all of the information and disclosure required by Canadian GAAP in the preparation of annual financial statements. The accounting policies used in the preparation of the accompanying unaudited interim financial statements are the same as those described in the annual financial statements and the notes thereto for the year ended December 31, 2005. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim financial statements should be read in conjunction with the Company's financial statements including the notes thereto for the year ended December 31, 2005.

2. Significant Accounting Policies (continued)

(c) Certain comparative figures

Certain comparative figures have been reclassified to conform to the current period's presentation.

3. Marketable Securities

The quoted market value of marketable securities at September 30, 2006 is $524,361.

4. Field Supplies

The Company has pre-purchased $112,867 of field supplies for the 2007 Baffin Island exploration program. The supplies consist of fuel and other supplies which are stored in a facility in the Hamlet of Clyde River, Nunavut.

5. Deposits

In fiscal 2005, the Company posted $94,045 for bonds in lieu of work on its Baffin Island, Nunavut and Newfoundland projects. The bonds are refundable upon approval of assessment reports that are filed with the government. During the period, $88,045 in bonds was refunded to the Company. In fiscal 2006, the Company posted $30,384 for bonds in lieu of work on its Newfoundland project.

6. Mineral Properties

At September 30, 2006, the Company's mineral properties are comprised of properties located in Canada. Expenditures incurred on mineral properties are as follows:

	Sarah Lake, Labrador	Green Bay , Nflnd.	Adlatok 1, Labrador	Big Hill, Nflnd.	Hermitage Project(1), Nflnd.	Nepisiguit/ Stewart, New Bruns.	Sally, Labrador	Qimmiq, Nunavut	Dewar Lake, Nunavut	Bravo Lake, Nunavut	Other Properties	Total
Balance at December 31, 2005	$ 1,155,423	$ 416,225	$ 130,778	$ 208,523	$ 517,995	$ 1,352,957	$ 61,173	$ 5,336,615	$ 249,761	$ 775,795	$ 1,498,015	$11,703,260
Additions during the												
Acquisition costs:	-	-	-	-	169,420	-	-	-	-	-	107,586	277,006
Exploration costs:												
Drilling	-	1,903	-	165	-	800	-	1,404,508	16,477	602,959	-	2,026,812
Geochemistry	-	628	-	225	38,277	-	-	221	-	40	-	39,391
Geology	1,717	6,286	339	189	164,268	2,615	21	47,469	5,410	26,990	30,136	285,440
Geophysics	-	1,218	-	-	437,514	-	-	13,952	-	5,004	-	457,688
Mobilization/demob.	-	-	-	-	-	-	-	48,022	-	20,581	-	68,603
Permitting	-	8,007	-	-	400	-	-	57,915	-	10	15,224	81,556
Prospecting	-	-	-	566	468,338	-	-	176,433	4,181	63,418	2,997	715,933
Trenching/line	-	-	-	-	450	-	-	-	-	-	-	450
	1,717	18,042	339	1,145	1,109,247	3,415	21	1,748,520	26,068	719,002	48,357	3,675,873
Less:												
Recoveries	-	-	-	(50)	(54,829)	-	-	(19,847)	-	(7,074)	(4,204)	(86,004)
Write down	-	-	-	(209,618)	-	-	-	-	-	-	-	(209,618)
	-	-	-	(209,668)	(54,829)	-	-	(19,847)	-	(7,074)	(4,204)	(295,622)
Net additions	1,717	18,042	339	(208,523)	1,223,838	3,415	21	1,728,673	26,068	711,928	151,739	3,657,257
Balance at September 30, 2006	$ 1,157,140	$ 434,267	$ 131,117	$ -	$1,741,833	$ 1,356,372	$ 61,194	$ 7,065,288	$ 275,829	$ 1,487,723	$ 1,649,754	$15,360,517

(1) The Hermitage, Newfoundland project see Note 6(e).

6. Mineral Properties (continued)

(a) Sarah Lake Joint Venture, Labrador

The Company owns a 48.2% interest in the Sarah Lake Joint Venture with partner, Donner Minerals, operator of the joint venture, owning 51.8%.

(b) Green Bay, Newfoundland

The Company holds a 100% interest in the Green Bay property.

(c) Adlatok 1, Labrador

The Company has a 59.9% interest in the Adlatok 1 property.

(d) Big Hill, Newfoundland

In February 2004, the Company finalized an option agreement with Black Bart Prospecting Inc. under which the Company may acquire a 100% interest in the Big Hill property, consisting of four claims in the Baie Verte Electoral District, Newfoundland. Under the terms of the agreement, the Company paid $7,000 in cash and agreed to issue an aggregate of 200,000 common shares (120,000 shares have been issued) and expend a total of $480,000 in exploration expenses on the property over four years. The option is subject to a 2.5% net smelter return royalty with a buy-down provision to 1.0% to $1.6 million.

During the period, the Company allowed the option terminate and accordingly, the carrying value of the property was written down $209,618 to $Nil.

(e) The Hermitage Uranium Project, Newfoundland

On March 16, 2005, the Company entered into an option agreement with a private consortium based in Newfoundland to earn a 100% interest in the Blue Hills and White Bear Uranium properties over a four year term by making cash payments of $82,200, issuing 201,000 common shares and completing $1,000,000 in exploration work. Of this, $17,200 in cash has been paid and 60,000 common shares have been issued. On April 13, 2005, the Company issued a warrant to the optionors to purchase 250,000 common shares exercisable at a price of $1.00 per share**,** see Note 8(g) for warrant terms. The agreement is subject to a 2% of net smelter returns royalty for the vendors with a buy-back of one half of the royalty for $1 million.

On April 22, 2005, the Company completed a second option agreement to earn a 100% interest in the Couteau Lake Property from prospector Lai Lai Chan over a four year term by making total cash payments of $60,000, issuing 150,000 common shares and completing $300,000 in exploration work. Of this, $25,000 in cash has been paid and 60,000 common shares have been issued. The agreement is subject to a 2% net smelter returns royalty for the vendor with a buy-back of one half of the royalty for $1 million.

On November 1, 2005, the Company acquired an additional 1,600 claims bringing the total property size to 99,200 acres (40,000 hectares) covering a major geological belt known as the “Hermitage Flexure”. The Hermitage Flexure ties together the Blue Hills and White Bear River uranium properties and becomes part of the Blue Hills and White Bear option agreement.

6. Mineral Properties (continued)

(e) The Hermitage Uranium Project, Newfoundland (continued)

On November 3, 2005, the Company entered into an agreement with Bayswater Uranium Corporation (“Bayswater”) (Bayswater and Pathfinder Resources Ltd. amalgamated in August 2006) in conjunction with the acquisition by Bayswater of 1,429 claims aggregating 35,725 hectares to the east and west of the Company’s property. In consideration, the Company is entitled to receive a 2% royalty on all commodities produced from the claims staked by Bayswater and was issued 150,000 common shares of Bayswater.

On June 19, 2006, the Company entered into a 50:50 joint venture agreement with Bayswater to stake approximately 151,000 acres (61,000 hectares) to the north of the Hermitage West, Blue Hills, White Bear River and Hermitage East properties. The new property is called ‘Cochrane Pond’. If either party’s interest dilutes below 10%, than that party’s interest will automatically be converted into a royalty, by way of a 10% of Net Proceeds of Production Royalty. The Company is the Operator of the project.

On June 26, 2006, the Company staked 147 claims on-line totalling 9,100 acres (3,675 hectares) on the south west of the Hermitage property. The new property is called ‘Strickland’.

On August 16, 2006 the Company announced that it had entered into an option agreement with prospectors E and R Quinlan to purchase claims located within the Company’s Hermitage Uranium Project, Newfoundland. The Company may earn a 100% interest in the claims through cash payments totaling $43,000 ($3,000 paid) and by issuing 160,000 shares of the Company (25,000 issued) over a four year period. The vendors will retain a 2% NSR, half of which may be bought by the Company at any time for $1 million. The first year’s obligation of $3,000 cash was paid and 25,000 shares were issued.

(f) Nepisiguit/Stewart, New Brunswick

The Company’s 100% owned Nepisiguit/Stewart copper/zinc property is located in the Bathurst area of New Brunswick. On September 27, 2005, the Company negotiated a royalty agreement with BHP Billiton World Exploration Inc. (“BHP Billiton”) on the Nepisiguit only portion of the property. Prior to this agreement, BHP Billiton retained the right to earn back a 55% interest in the property and held a 2% net smelter returns royalty with no buy-down provision. Under the new royalty agreement, the Company provided BHP Billiton with a 2.75% net smelter returns royalty subject to a buy-down to 1.0% net smelter returns royalty for $1.5 million at any time. In exchange for the increased net smelter returns royalty, BHP Billiton agreed to waive its right to earn back a 55% interest and therefore, has no future right to earn a participating interest in the property.

(g) Sally, Labrador

The Company owns a 100% interest in the Sally property.

6. Mineral Properties (continued)

(h) Qimmiq, Nunavut

The Company has an option agreement with BHP Billiton Diamonds Inc. ("BHP Billiton") to explore for gold on 50,000 hectares of Nunavut Tunngavik Incorporated leases on Baffin Island, Nunavut. Under the option agreement, the Company may earn 50% of BHP Billiton's exploration rights by expending $4 million by 2007, 80% by expending an aggregate $10 million by 2012 and a 100% interest by delivering a feasibility study to BHP Billiton by December 31, 2014. As at December 31, 2005, the Company had made sufficient expenditures to vest a 50% interest. Since the initial date of the agreement, the property has been reduced to five (5) leases totaling 58,000 acres (23,600 hectares).

The option agreement is subject to a variable net smelter return gold royalty ranging from 1% to 3% based on gold prices, payable to BHP Billiton and a 12% royalty on net profits payable on production from the Nunavut Tunngavik Incorporated leases. If a mineral discovery is made, excluding gold, BHP Billiton may exercise a back-in option on the mineral discovery allowing BHP Billiton to re-acquire up to an aggregate of a 75% interest for a period of up to ten years after the Company has earned a 100% interest in the property.

(i) Dewar Lake, Nunavut

The Company earned a 100% interest in sixteen Nunavut Exploration Permits from BHP Billiton Diamonds Inc. ("BHP Billiton"), Nunavut by incurring $200,000 in expenditures on the property. This expenditure was completed by December 31, 2004. BHP Billiton retains a net smelter return royalty ranging from 1% to 3% based on gold prices. If a mineral discovery is made, excluding gold, BHP Billiton may exercise a back-in option on the mineral discovery allowing BHP Billiton to re-acquire up to an aggregate of a 75% interest. The property currently consists of one (1) prospecting permit with an area of 20,400 acres (8,255 hectares).

(j) Bravo Lake, Nunavut

The Company has an option agreement with Falconbridge Limited ("Falconbridge") to explore for gold, diamonds and other metals on twelve Nunavut Exploration Permits covering over 720,000 acres (290,000 hectares) all on Baffin Island, Nunavut. The permits adjoin the Qimmiq and Dewar Lake properties optioned from BHP Billiton. The Company may earn a 100% interest in Falconbridge's exploration rights and interest on Baffin Island by incurring $8 million of exploration expenditures on the property by 2011.

If a nickel and/or base metal mineral discovery is made, Falconbridge may exercise a back-in option on the mineral discovery allowing Falconbridge to re-acquire up to an aggregate of a 75% interest. If a diamond resource discovery is made, Falconbridge may exercise a back-in option on the mineral discovery allowing Falconbridge to re-acquire up to an aggregate of a 50% interest. The property is also subject to a back-in right to provide BHP Billiton the right to earn a 75% interest in sedex deposits.

The option agreement is subject to the following royalties payable to Falconbridge:

- on gold, a sliding scale net smelter return royalty from 1% to 3% based on gold prices;
- on nickel production, a 2% net smelter return royalty;
- on diamonds, a 2% gross overriding royalty; and
- on base metal production, a 1.5% net smelter return royalty.

In the fall of 2005, Commander staked nineteen (19) mineral claims to cover the favourable portions of the prospecting permits in advance of their expiry. The revised area of the Bravo Lake property is 14,668 acres (5,900 hectares).

COMMANDER RESOURCES LTD.

6. Mineral Properties (continued)

(k) Other Properties

The Company owns several other properties in Canada in which it holds interests ranging from 30% to 100%. The Company has granted options on some of these properties. The carrying values of those properties included under Other Properties at September 30, 2006 are as follows:

British Columbia		
Abe and Pal	$	105,752
Aten and Tam (1)		70,116
Link, Mate and Tut		18,900
Nunavut		
Talik		71,038
Newfoundland and Labrador		
Sadie		8,767
Ontario		
Matheson		14,213
McVean		8,694
Sabin		92,613
Quebec		
Despinassy		91,941
Yukon		
Olympic, Rob (2)/(3)		1,164,809
Rein		2,911
	$	1,649,754

(1) On September 9, 2005, the Company entered into an agreement with prospector Lorne Warren that provided the Company with a 10% Carried Interest in approximately 20,800 acres (8,400 hectares) of mineral claims in the Omineca area of British Columbia, herein after referred to as the “Tam/Misty” property. In addition, the Company will receive 50% of any royalties granted to Lorne Warren under any subsequent third party agreement on the property. In exchange for the interest, the Company agreed to transfer title and all associated data for three legacy claims (the Tam claims) totaling 75 hectares owned by the Company which lie within the boundary area of the Tam/Misty property.

On February 13, 2006, Teck Cominco Limited (“Teck Cominco”) entered into an option agreement with prospectors Lorne Warren and Westley Grant Luck on the Tam/Misty property. Teck Cominco can earn 100% of Warren and Luck’s 90% interest by making $525,000 in staged cash payments and incurring $2.6 million in exploration expenditures before December 31, 2011. As part of the Company’s 10% carried interest in the Tam/Misty property, the Company received a cash payment of $2,500. In addition, the Company may receive a 1.5% net smelter returns royalty of which $250,000 is payable, as an advance royalty, starting on December 31, 2012. This royalty is subject to a buy-down provision that, if exercised, would pay $1.0 million to the Company.

6. **Mineral Properties** (continued)

(k) **Other Properties** (continued)

(2) On May 1, 2006, the Company signed a Letter of Intent with Blackstone Ventures Inc. ("Blackstone") to acquire Blackstone's 50% interest in the Rob uranium property, Yukon Territory, to increase the Company's interest to 100%. In consideration, the Company issued 305,000 common shares to Blackstone and granted a 1% Net Smelter Returns Royalty ("NSR") on metal production from the Property which may be reduced to 0.5% at any time for $1,000,000.

(3) On August 2, 2006, the Company signed a Letter of Intent ("LOI") with Fjordland Exploration Inc. ("Fjordland") on its wholly-owned Olympic-Rob Property in the Yukon. Under the terms of the agreement, Fjordland may earn an initial 60% interest in the property by paying the Company $250,000 in cash, issuing 1.6 million treasury shares to the Company and incurring exploration expenditures on the property totaling $7 million over a five year period ending on December 31, 2011. Of this, $50,000 (received) and 350,000 treasury shares (received) were payable to the Company upon receipt of regulatory approval and Fjordland must incur $600,000 in exploration expenditures by December 31, 2007, including a minimum of 2,000 metres of drilling. At least $75,000 in exploration must be completed by December 31, 2006.

Once Fjordland has earned a 60% interest, a joint venture will be formed or, within 60 days of vesting, Fjordland may elect to earn an additional 20% interest, for a total of 80%, by issuing to the Company either 1 million shares or paying $3 million cash, and by carrying all further costs through to completion of a bankable feasibility study. Upon completion of a bankable feasibility study, a final lump sum payment of $7 million cash is payable to the Company to vest Fjordland's 80% interest. If Fjordland vests at 80%, then the Company may make an election at any time up to commencement of commercial production, to convert its 20% interest into a 2% NSR subject to a buy-down provision to 1% for $10 million cash.

Alternatively, if Fjordland elects not to increase its interest to 80%, the Company may then elect to earn back 20% to an aggregate 60% interest by funding 100% of the next $3.0 million in exploration expenditures on the property. Once a 60:40 JV is formed, each party shall fund its share of on-going costs pro-rata. Should either party's interest be reduced below 10%, its interest shall convert to a 10% NPI.

7. **Property, Plant and Equipment**

	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	$ 57,240	$ 52,040	$ 5,200
Computer equipment	151,500	120,152	31,348
Leasehold improvements	28,293	10,609	17,684
	$ 237,033	$ 182,801	$ 54,232

8. Share Capital

(a) Authorized:

Unlimited common shares without par value

(b) Issued and outstanding common shares:

	Number of Shares		Amount
Balance, December 31, 2005	39,599,648	$	25,316,856
Issued for cash:			
Private placements, net of issue costs (Note 8(c))	14,586,152		5,252,957
Exercise of options, for cash	574,332		141,346
Exercise of warrants, for cash	670,125		330,063
Issued for other consideration:			
Income tax effect on flow-through share renunciation (Note 8(d))			(1,269,864)
Exercise of options, stock-based compensation			71,156
For mineral property	409,000		153,130
Balance, September 30, 2006	55,839,257	$	29,995,644

(c) Private placements

On May 12, 2006, the Company completed a brokered private placement for gross proceeds $3,885,000 consisting of 10,500,000 units at a purchase price of $0.37 per unit. Each unit consists of one common share and one-half non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share at a price of $0.50 per share until May 15, 2008. The Agents received $144,226 in cash, 390,500 units at a deemed price of $0.37 per unit in lieu of cash, 1,040,400 Agent's warrants and an administration fee of $5,000. The Agent's warrants have the same terms as the client's warrants.

In addition, the Company completed, a non-brokered flow-through private placement for gross proceeds of $1,699,999 consisting of 3,695,652 common shares at a purchase price of $0.46 per share. Fees paid include $98,017 in cash and 213,089 Agent's warrants. Each Agent's warrant entitles the holder to purchase one common share at a price at $0.50 per share until May 11, 2007.

All of the warrants and the Agent's warrants are subject to an early expiry provision once resale restrictions have ended. Upon the Company's shares trading at or above a weighted average trading price of $0.80 for 20 consecutive trading days, the Company may give notice to the warrant holders and issue a news release advising that the warrants will expire 30 days from the date of the news release.

8. Share Capital (continued)

(d) Income tax effect on flow-through share renunciation

In March 2006, the Company renounced $2,021,757 of exploration expenditures under its flow-through share program, resulting in a future tax liability of $689,824, which was deducted from share capital. The Company subsequently reduced the future income tax liability by recognizing previously unrecorded future income tax assets equal to the amount of the future tax liability. This decrease in the valuation allowance has resulted in a future income tax recovery of $689,824 disclosed on the Statement of Operations as a future income tax recovery.

In May 2006, the Company renounced $1,699,999 of exploration expenditures under its flow-through share program, resulting in a future tax liability of $580,040, which was deducted from share capital. The Company subsequently reduced the future income tax liability by recognizing previously unrecorded future income tax assets equal to the amount of the future tax liability. This decrease in the valuation allowance has resulted in a future income tax recovery of $580,040 disclosed on the Statement of Operations as a future income tax recovery.

(e) Stock options

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. Under the Company's Stock Option Plan, the Company may grant stock options for the purchase of up to 7,944,396 common shares. Vesting of stock options is made at the discretion of the board of directors at the time the options are granted. At September 30, 2006, the Company had stock options outstanding for the purchase of 4,023,003 common shares with an average remaining contractual life of 3.10 years, of which 3,517,003 stock options are exercisable at September 30, 2006.

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2005	3,585,335	$0.39
Granted	1,012,000	$0.33
Exercised	(574,332)	$0.25
Outstanding at September 30, 2006	4,023,003	$0.40

8. **Share Capital** (continued)

The following summarizes information about stock options outstanding at September 30, 2006:

Number of Shares	Exercise Price	Expiry Date
330,337	$0.20	January 23, 2008
221,666	$0.26	August 20, 2008
75,000	$0.50	December 18, 2008
700,000	$0.53	January 21, 2009
50,000	$0.64	February 19, 2009
781,000	$0.56	May 18, 2009
100,000	$0.40	September 6, 2009
200,000	$0.40	September 21, 2009
25,000	$0.34	January 24, 2010
528,000	$0.25	July 19, 2010
282,000	$0.39	May 11, 2011
730,000	$0.30	June 18, 2011
4,023,003		

For stock options granted and exercised after September 30, 2006, see Note 14(b).

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

Risk-free interest rate	2.65%
Expected dividend yield	-
Expected stock price volatility	112.42%
Expected option life in years	3.13

Option pricing models require the input of highly subjective assumptions including the expected 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 granted during the period.

8. Share Capital (continued)

(f) Stock-based and option compensation

The following summarizes information about option compensation:

Option compensation, beginning of period	$	1,097,149
Stock-based compensation expense		96,548
Reallocated to capital stock		(71,156)
Reallocated to contributed surplus		-
Option compensation, end of period	$	1,122,541

(g) Warrants and Agent's Warrants

At September 30, 2006, the Company has outstanding warrants for the purchase of an aggregate 7,624,663 common shares as follows:

Exercise Price	Expiry Date	Outstanding at December 31, 2005	Issued	Exercised	Expired	Outstanding at September 30, 2006
$0.45	October 20, 2006	544,788	-	100,000	-	444,788
$0.50	December 8, 2006	2,500,000	-	555,125	-	1,944,875
$0.50	May 15, 2008*	-	5,250,000	15,000	-	5,235,000
		3,044,788	5,250,000	670,125	-	7,624,663

Under an option agreement on the Blue Hills and White Bear, Newfoundland project, the Company issued a warrant to the optionors to purchase 250,000 common shares exercisable at a price of $1.00 per share. The warrant is exercisable only if a Mineral Reserve (as defined by CIM Classification under National Instrument 43-101) with a gross value of at least $500 million is defined. The warrant will expire on the earlier of the date the Company exercises the option or March 4, 2009.

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8. Share Capital (continued)

(g) Warrants and Agent's Warrants (continued)

At September 30, 2006, the Company has outstanding agent's warrants for the purchase of an aggregate 1,448,739 common shares as follows:

Exercise Price	Expiry Date	Outstanding at December 31, 2005	Issued	Exercised	Expired	Outstanding at September 30, 2006
$0.50	May 11, 2007*	-	213,089	-	-	213,089
$0.37	May 15, 2008*	-	1,040,400	-	-	1,040,400
$0.37	May 15, 2008*	-	195,250	-	-	195,250
		-	1,448,739	-	-	1,448,739

* All of the warrants and the Agent's warrants are subject to an early expiry provision once resale restrictions have ended. Upon the Company's shares trading at or above a weighted average trading price of $0.80 for 20 consecutive trading days, the Company may give notice to the warrant holders and issue a news release advising that the warrants will expire 30 days from the date of the news release.

For warrants exercised after September 30, 2006, see Note 14(b).

9. Related Party Transactions

In addition to the Commitment disclosed in Note 10, the Company has the following related party transactions and balances:

(a) The Company shares certain administrative costs with four other companies related by virtue of common directors. Included in due from related parties is an aggregate of $59,913 owed by those companies for shared administrative expenses.

(b) Included in accounts receivable is an aggregate of $5,025 owed by the President and CEO of the Company. The amount was repaid subsequent to September 30, 2006.

(c) The Company paid or accrued $11,718 in legal fees to a law firm in which a director of the Company is a partner. Included in accounts payable and accrued liabilities is $4,176.

(d) The Company paid or accrued $4,800 geological consulting services to a director of the Company. Included in accounts payable and accrued liabilities is $4,800.

(e) Included in marketable securities are 29,400 common shares of Bayswater Uranium Corporation ("Bayswater") and 167,647 common shares of Fjordland Exploration Inc., a company related by virtue of a common director and 470,000 common shares of Diamonds North Resources Ltd. ("Diamonds North"), a company related by virtue of another common director. During the period, the Company sold 58,800 common shares of Bayswater.

(f) Included in accounts payable is $5,790 owed to Diamonds North.

10. Commitment

The Company entered into an agreement for the lease of new office premises for a six year period expiring on June 30, 2010. The cost of the entire premises is shared amongst several companies in proportion to the area occupied. Certain of the companies are related by virtue of common directors. The Company's proportionate share of minimum annual basic rental payments under this arrangement is approximately $66,000.

11. Segmented Information

The Company has one operating segment, mineral exploration, and all assets of the Company are located in Canada.

12. Supplemental Cash Flow Information

Significant non-cash operating, investing and financing activities:		
Investing activities:		
Marketable securities received for mineral property	$	45,000
Shares issued for mineral property		153,130
	$	198,130
Financing activities:		
Income tax effect on flow-through share renunciation	$	(1,269,864)
Shares issued for mineral property		153,130
Fair value of options exercised		71,156
	$	(1,045,578)
Other cash flow information:		
Interest received	$	32,394
Income taxes paid	$	30,330

13. Income Taxes

The Company's future income tax liability arises primarily from the renunciation of mineral exploration costs on flow-through shares issued to investors. Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares. A future income tax liability arises from the renunciation of mineral exploration costs to investors of flow-through shares.

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date, represent the funds received from flow-through share issuances which have not been spent as at September 30, 2006 and which are held in trust for such expenditures.

14. Subsequent Events

(a) On October 23, 2006, the Company granted incentive stock options under the Company's stock option plan to a consultant to purchase an aggregate of 100,000 treasury shares. The options are exercisable for a period of five years at a price of $0.56 per share and are subject to the policies of the TSX Venture Exchange.

(b) Subsequent to September 30, 2006, the Company issued 60,000 common shares for proceeds of $30,000 pursuant to the exercise of stock options and 755,580 common shares for proceeds of $307,654 pursuant to the exercise of warrants.