COLIBRI RESOURCE CORPORATION

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED MAY 31, 2006

(Unaudited – Prepared by Management)

COLIBRI RESOURCE CORPORATION

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UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited consolidated financial statements for the period ended May 31, 2006.

The accompanying unaudited consolidated financial statements of Colibri Resource Corporation have been prepared by and are the responsibility of the Company's management.

COLIBRI RESOURCE CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

FOR THE THREE AND SIX MONTHS ENDED MAY 31, 2006 AND 2005

(Unaudited – Prepared by Management)

	Three Months Ended May 31,		Six Months Ended May 31,	
	2006	**2005**	**2006**	**2005**
EXPENSES, ADMINISTRATIVE AND GENERAL				
Accounting and audit fees	$ 18,242	$ -	$ 22,647	$ 350
Amortization	407	310	755	620
Consulting	-	5,000	9,729	5,000
Foreign exchange	11,596	-	19,020	-
Legal	15,413	13,318	18,341	16,226
Management fees	25,000	12,750	40,000	25,500
Office and miscellaneous	6,310	1,466	8,859	2,511
Printing	24	561	24	561
Rent	8,300	3,306	16,973	6,703
Shareholder costs	243	-	766	-
Telephone	1,006	528	1,973	1,055
Transfer agent and filing fees	626	1,859	6,753	2,235
Travel and related costs	2,097	2,847	2,255	6,276
LOSS BEFORE OTHER ITEM	(89,264)	(41,945)	(148,095)	(67,037)
OTHER ITEM				
Interest	9,385	292	20,084	637
NET LOSS FOR THE PERIOD	(79,879)	(41,653)	(128,011)	(66,400)
DEFICIT, beginning of period	(384,049)	(147,311)	(335,917)	(122,564)
DEFICIT, end of period	$(463,928)	$(188,964)	$(463,928)	$(188,964)
BASIC AND DILUTED LOSS PER SHARE	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Weighted average number of shares outstanding	20,319,867	6,843,808	20,319,867	6,406,210

The accompanying notes are an integral part of these consolidated financial statements.

COLIBRI RESOURCE CORPORATION

CONSOLIDATED BALANCE SHEET

MAY 31, 2006

(Unaudited – Prepared by Management)

	May 31 2006	Nov. 30 2005 (Audited)
ASSETS		
CURRENT		
Cash	$1,564,811	$2,146,598
Accounts receivable	37,057	17,617
Prepaid expenses	84,867	9,536
	1,686,735	2,173,751
EQUIPMENT (Note 3)	5,371	4,800
MINERAL PROPERTIES (Note 4)	1,267,527	934,458
	$2,959,633	$3,113,009
LIABILITIES		
CURRENT		
Accounts payable and accruals	$ 6,202	$ 61,705
Accounts payable to related parties (Note 5)	35,138	5,000
	41,340	66,705
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 6)	3,234,104	3,234,104
CONTRIBUTED SURPLUS (Note 6)	148,117	148,117
DEFICIT	(463,928)	(335,917)
	2,918,293	3,046,304
	$2,959,633	$3,113,009

NATURE AND CONTINUANCE OF OPERATIONS (Note 2)

The accompanying notes are an integral part of these consolidated financial statements.

COLIBRI RESOURCE CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE THREE AND SIX MONTHS ENDED MAY 31, 2006 AND 2005

(Unaudited – Prepared by Management)

	Three Months Ended May 31,		Six Months Ended May 31,	
	2006	**2005**	**2006**	**2005**
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss for the period	$ (79,879)	$ (41,653)	$(128,011)	$ (66,400)
Add: Item not requiring the use of cash				
Amortization	407	310	755	620
Change in non-cash working capital items:				
Increase in receivables	(11,870)	(3,729)	(19,440)	(9,124)
Increase in prepaid expenses	(70,146)	-	(75,331)	5,000
(Decrease) increase in accounts payable and accrued liabilities	(39,546)	(5,616)	(55,503)	492
Increase (decrease) in accounts payable to related parties	30,138	(26,625)	30,138	-
Net cash used in operating activities	(170,896)	(77,313)	(247,392)	(69,412)
CASH FLOWS FROM FINANCING ACTIVITIES				
Deferred share issue costs	-	(23,267)	-	(49,966)
Proceeds from issuance of capital stock	-	172,265	-	202,265
Share subscriptions received	-	-	-	(25,000)
Net cash used in financing activities	-	148,998	-	127,299
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of equipment	-	-	(1,326)	-
Acquisition of mineral properties and deferred exploration costs	(118,852)	(23,640)	(333,069)	(170,790)
Net cash used in investing activities	(118,852)	(23,640)	(334,395)	(170,790)
(DECREASE) INCREASE IN CASH DURING THE PERIOD	(289,748)	48,045	(581,787)	(112,903)
CASH, beginning of period	1,854,559	120,757	2,146,598	281,705
CASH, end of period	$1,564,811	$168,802	$1,564,811	$168,802

Supplemental disclosure with respect to cash flows (Note 7)

The accompanying notes are an integral part of these consolidated financial statements.

COLIBRI RESOURCE CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED MAY 31, 2006 AND 2005

(Unaudited – Prepared by Management)

1. BASIS OF PRESENTATION

The consolidated financial statements contained herein include the accounts of Colibri Resource Corporation and its wholly owned subsidiary, Minera Halcones S.A. de C.V. (“Halcones”). Halcones was incorporated on March 30, 2004 in Mexico. All significant inter-company accounts and transactions have been eliminated upon consolidation.

The interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. All financial summaries included are presented on a comparative and consistent basis showing the figures for the corresponding period in the preceding year. The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of annual financial statements. Certain information and footnote disclosure normally included in annual financial statements prepared in accordance with Canadian generally accepted accounting principles has been condensed or omitted. These interim period consolidated statements should be read together with the Company’s audited consolidated financial statements and the accompanying notes for the year ended November 30, 2005. In the opinion of the Company, its unaudited consolidated financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim periods presented.

2. NATURE AND CONTINUANCE OF THE BUSINESS

The Company was incorporated on February 20, 2004 in the province of British Columbia. The Company is pursuing opportunities in the exploration of mineral and natural resource properties in Mexico and is considered to be in the exploration stage.

The Company is in the process of acquiring and exploring its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather that through a process of forced liquidation. Continued operations of the Company are dependent on the company’s ability to receive continued financial support, complete public equity financing, or generate profitable operations in the future.

3. EQUIPMENT

	May 31, 2006			Nov. 30, 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office furniture	$ 2,802	$ 493	$ 2,309	$ 2,802	$ 382	$ 2,420
Computer equipment	5,448	2,386	3,062	4,122	1,742	2,380
	$ 8,250	$ 2,879	$ 5,371	$ 6,924	$ 2,124	$ 4,800

4. MINERAL PROPERTIES

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Colibri Property

On June 16, 2004, the Company agreed to an option agreement with Minera Cadenza S de RL (“Cadenza”), a private Mexican company controlled by a director and a former director of the Company, to purchase a 90% interest in the Colibri property, located in the State of Sonora, Mexico. Upon signing the option agreement, the Company paid $50,000 and issued 200,000 common shares with a value of $30,000. The Company agreed to pay $300,000, issue a total of 1,200,000 common shares and incur a total of $1,800,000 in exploration expenditures by June 16, 2009, to earn its 90% interest. To date, the Company has paid $100,000 and issued 450,000 common shares with a total value of $67,500. The Company is required to incur $420,000 (incurred) in exploration expenditures on or before April 30, 2006, to pay $50,000 ($25,000 paid on December 15, 2005), and to issue 250,000 common shares on or before June 16, 2006.

Once the terms of the option agreement have been completed, Cadenza has the option to maintain its remaining 10% interest or revert to a sliding scale Net Smelter Returns (“NSR”) royalty. The Company has the option to purchase the NSR royalty at any time for $6,000,000.

4. MINERAL PROPERTIES (continued)

Colibri Property (continued)

As part of the Colibri property, on June 16, 2004, the Company agreed to an assignment of contract agreement to have the right to purchase a 100% interest in two mineral claims known as the San Francisco and the Juarez claims for a total of US$1,000,000 to be paid over a six year period ending January 1, 2010. All option payments made under this agreement will be applied to the purchase price of US$1,000,000 if the Company elects to purchase these two mineral claims. To date, the Company has paid US$30,000 (CDN$40,986). The Company is required to pay US$32,000 (US$5,000 paid on January 17, 2006) on or before November 30, 2006.

Ramaje Ardiente Property

On June 16, 2004, the Company agreed to an option agreement with Minera El Sahuaro S.A. de C.V. ("Sahuaro"), a private Mexican company owned 50% each by a director and former director of the Company, to purchase a 100% interest in the Ramaje Ardiente property, located in the State of Sonora, Mexico. Upon signing the option agreement, the Company paid $20,000 and issued 200,000 common shares with a value of $30,000. The Company agreed to pay $70,000, issue a total of 200,000 common shares, incur a total of $500,000 in exploration expenditures and initiate a scoping/pre-feasibility study by June 16, 2009, to earn its 100% interest. To date, the Company has paid $30,000 and issued 300,000 common shares with a value of $45,000. The Company is required to incur $225,000 (incurred) in exploration expenditures on or before April 30, 2006 and to pay $15,000 on or before June 16, 2006.

The property is subject to a 2.5% NSR royalty. The Company has the option to purchase 50% of the royalty for $1,000,000.

Leon Property

On June 16, 2004, the Company agreed to an option agreement with Minera La Pitahaya S.A. de C.V. ("Pitahaya"), a private Mexican company, which is 50% owned by a former director of the Company, to purchase a 100% interest in the Leon property, located in the State of Sonora, Mexico. Upon signing the option agreement, the Company paid $20,000 and issued 200,000 common shares with a value of $30,000.

The Company agreed to pay a total of $190,000, issue a total of 200,000 common shares, incur a total of $500,000 in exploration expenditures and commence a scoping/pre-feasibility study by June 16, 2009, to earn its 100% interest. To date, the Company has paid $40,000 and issued 300,000 common shares with a value of $45,000. The Company is required to incur $250,000 (incurred $17,033) in exploration expenditures and to pay $30,000 ($15,000 paid on December 19, 2005) on or before June 16, 2006.

4. MINERAL PROPERTIES (continued)

Leon Property (continued)

The property is subject to a 2.5% NSR royalty. The Company has the option to purchase 50% of the royalty for $1,000,000.

	Colibri Property	Ramaje Ardiente Property	Leon Property	May 31, 2006 Total	Nov. 30, 2005 Total
Balance, beginning of period	$838,984	$182,967	$126,724	$1,148,675	$292,619
Additions:					
Mineral claims	8,659	-	-	8,659	174,829
Accommodation and meals	-	-	-	-	11,697
Assays and lab tests	-	2,436	-	2,436	43,084
Drilling/mobilization /demobilization	-	-	-	-	182,912
Field expenses and personnel	2,680	10,722	-	13,402	6,986
Geological consulting	15,005	69,540	450	84,995	100,544
Geophysics	-	-	-	-	62,129
Maps and reproduction	-	2,005	-	2,005	3,002
Miscellaneous	-	7,014	-	7,014	9,019
Property and claim taxes	-	-	-	-	33,915
Telephone	-	-	-	-	1,198
Travel and transport	49	292	-	341	12,524
	26,393	92,009	450	118,852	641,839
Balance, end of period	$865,377	$274,976	$127,174	$1,267,527	$934,458

5. RELATED PARTY TRANSACTIONS

Accounts payable to related parties of $35,138 (November 30, 2005 - $5,000) is comprised of consulting fees due to a company controlled by a director of the Company and reimbursable travel costs to a director.

During the three month period ended May 31, 2006, the Company entered into the following transactions with related parties:

a) Paid or accrued management fees of $40,000 (2005 - $12,750) to a company controlled by a previous director of the Company.

b) Paid or accrued $46,837 (2005 - $20,750) in geological consulting fees, which are included in deferred exploration costs, to a company controlled by a former director.

c) As outlined in Note 4, Colibri Property, the Company paid $25,000 (2005 - $NIL) to a private Mexican company controlled by a director of the Company and a former director.

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

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Authorized
100,000,000 common shares without par value

Issued

	Number of Shares	Amount	Contributed Surplus
Balance –November 30, 2005	$20,319,867	$3,234,104	$148,117
No change during the period	-	-	-
Balance – May 31, 2006	$20,319,867	$3,234,104	$148,117

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)

On January 6, 2006, 429,000 common shares were released from escrow. A total of 2,145,000 common shares are subject to an escrow agreement with their release at the discretion or determination of the applicable regulatory authority.

Stock options

The Company grants stock options in accordance with the policies of the TSX-V under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common shares of the Company. Under the policies, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 5 years.

At May 31, 2006, the following stock options were outstanding:

Number of Shares	Exercise Price	Expiry Date
550,000	$0.25	July 28, 2010

Warrants

At May 31, 2006, the Company had non-publicly traded (non-transferable) share purchase warrants outstanding enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
1,948,275	$0.30	July 28, 2007

At May 31, 2006, the Company had publicly traded (transferable) share purchase warrants outstanding enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
5,679,250	$0.30	July 28, 2007

7. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	May 31 2006	Nov. 30 2005
Cash paid during the period for income taxes	$ -	$ -
Cash paid during the period for interest	$ -	$ -

There were no significant non-cash transactions during the six month period ended May 31, 2006.

The significant non-cash transactions that occurred during the period ended May 31, 2005 consisted of the Company issuing 166,667 common shares for $25,000 which were recorded as share subscriptions received at November 30, 2004.

8. SEGMENTED INFORMATION

The Company currently conducts substantially all of its operations on one business segment, being the acquisition and exploration of mineral properties in Mexico (Note 4). The loss from operations for the three month period ended May 31, 2006 is attributed to the Company's corporate office in Canada except for $19,442 of the loss which relates to the operations in Mexico.

9. FINANCIAL INSTRUMENTS

The Company's financial instruments consists of cash, receivables, accounts payable and accrued liabilities and accounts payable to related party. In management's opinion, the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

COLIBRI RESOURCE CORPORATION
Form 51-102F1
Management's Discussion & Analysis
for the Three Month Period Ended May 31, 2006

The following Management Discussion and Analysis ("MD&A") for Colibri Resource Corporation ("the Company") prepared as of July 31, 2006 should be read together with the unaudited consolidated financial statements for the three month period ended May 31, 2006 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All figures are in Canadian dollars unless otherwise noted.

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of the Company exploration properties. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

Description of Business

The Company was incorporated on February 20, 2004 in the province of British Columbia. On August 5, 2005, the Company's common shares and purchase warrants began trading on the TSX Venture Exchange under the symbols CBI and CBI.WT respectively.

Through its Subsidiary, Minera Halcones S.A. de C.V., the Company is engaged in the acquisition, exploration, and if warranted, development of gold, silver, copper, molybdenum and other metal deposits in Mexico. Halcones has the right to acquire a majority interest in three large mineral properties located in Sonora, Mexico. Sonora is the northernmost state in Mexico and borders the United States of America. All of the Company's property interests are located within or adjacent to, a free trade zone within the State, a fact that facilitates cross-border access and general business. The properties are characterized by ease of accessibility, well developed infrastructure, access to a ready and skilled labour pool and a large degree of common logistics due to their relative proximity to each other.

The Company's mineral property interests are the Colibri Property, the Leon Property, and the Ramaje Ardiente (Ramard) Property. These properties are in the exploration stage only and are without a known body of commercial ore. Additional information related to the Company is available for view on the Company's website at www.colibriresourcecorp.com and on SEDAR at www.sedar.com.

Highlights for the period ended May 31, 2006

At the May 1, 2006 Annual General Meeting, a new Board of Directors was elected. The new Board Members are as follows:

Lance D. Geselbracht, P.E.	President and C.E.O.
William R. Walker	Chief Financial Officer
Gregory F. Bridges	Vice President and Corporate Secretary
Jonathan A. Nourse, Ph. D.	Vice President, Exploration

Any further information is available at our website www.colibriresourcecorp.com.

Performance Summary

1) On April 10, 2006, the Company paid $8,659 for the San Francisco and Juarez claims which are part of the Colibri property.

2) The Company announced the drill results from the 3,554 metres drilled to date which can be viewed at www.sedar.com.

Selected Annual Information

The following table provides a brief summary of the Company's consolidated financial operations. For more detailed information, refer to the consolidated Financial Statements.

	Three Month Period Ended May 31, 2006	Three Month Period Ended May 31, 2005
Total revenues	$ 9,385	$ 292
Net (loss) before extraordinary items	(79,879)	(41,653)
Net (loss)	(79,879)	(41,653)
Basic and diluted earnings (loss) per share	(0.01)	(0.01)
Total assets	2,959,633	724,781
Total long-term liabilities	-	-
Cash dividends	-	-

The Company earns interest revenue from cash held in banks. It has no intention of paying dividends on its common shares as it anticipates that all available funds will be invested to finance the growth of its business.

Results of Operations

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may be different from those estimates. Additional significant accounting policies are detailed in Note 2 of the Company's November 30, 2005 audited consolidated financial statements.

Period from November 30, 2004 to May 31, 2005

Operations in the three month period ended May 31, 2005 were focused on the preparation of the Company's Initial Public Offering and in maintaining the Company's interests in the properties for which it has entered into agreements to acquire interests in. The Company has not generated any revenues from operations for the three month period ended May 31, 2005.

The net loss for the three month period ended May 31, 2005 was $41,653 which was a loss of $0.01 per share on both a basic and a fully diluted basis. This loss was primarily attributed to general administrative expenses of $41,945, the major component of which was management fees of $12,750 paid to a company controlled by the Company's President, professional fees and expenses related to our IPO and geological consulting fees.

Period from November 30, 2005 to May 31, 2006

Operations in the period from November 30, 2005 to May 31, 2006 were focused on maintaining the Company's interests in the properties for which it has entered into option agreements. The Company also conducted a drill program on the Colibri property. The Company has not generated any revenues except for interest revenue during the period.

The net loss for the three month period ended May 31, 2006 was $79,879 which was a loss of $0.01 per share on both a basic and a fully diluted basis. This loss was primarily attributed to general and administrative expenses of $89,264. A major component of the loss was $25,000 for management fees, $18,242 for audit and accounting fees and $15,413 for legal fees. Accounting and audit fees increased significantly as a result of more activity primarily attributed to the Company's exploration activities.

Summary of Quarterly Results

The following table sets forth selected unaudited quarterly (except periods ended November 30) financial information for each of the last eight most recently completed quarters.

	Three Months Ended			
	May 31, 2006	February 28 2006	November 30, 2005	August 31, 2005
Total assets	$2,959,633	$3,048,920	$3,113,009	$2,913,213
Mineral property costs	1,267,527	1,148,675	934,458	604,277
Working capital	1,645,395	1,843,719	2,107,046	2,255,798
Shareholders' equity	2,918,293	2,998,172	3,046,304	2,865,186
Revenues	9,385	10,699	14,969	529
Net loss	(79,879)	(48,132)	(27,985)	(118,968)
Loss per share	(0.01)	0.01)	(0.01)	(0.01)

	Three Months Ended			
	May 31, 2005	February 28 2005	November 30, 2004	August 31, 2004
Total assets	$724,781	$ 626,410	$ 613,424	$ 456,157
Mineral property costs	463,409	439,769	292,619	169,540
Working capital	148,088	64,073	257,359	246,635
Shareholders' equity	692,133	561,521	581,268	434,441
Revenues	292	365	265	265
Net loss	(41,653)	(24,747)	(8,711)	(28,339)
Loss per share	(0.01)	(0.01)	(0.01)	(0.01)

Liquidity

The Company has no history of profitable operations and its mineral projects are at an early stage. Therefore, it is subject to many risks common to comparable junior venture resource companies, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources as well as a lack of revenues.

The Company's ability to continue as a going concern in the short term is dependent upon its ability to obtain financing. The Company has obtained financing by the issuance of share capital. Although the Company has been successful in the past in obtaining financing, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

	May 31, 2006	November 30, 2005
Working capital	$1,645,395	$2,107,046
Deficit	(463,928)	(335,917)

Net cash used in operating activities during the period was $170,896 compared to $77,313 during the previous comparable period. Net cash used in operating activities primarily consists of the operating loss and a change in non-cash working capital.

Financing activities acquired net cash of $Nil during the current period and $148,998 during the previous comparable period. The net inflow of cash in the comparable period was attributed to issuance of common shares.

Net cash used in investing activities was $118,852 during the current period and $23,640 in the previous comparable period. Cash was expended on the acquisition of equipment, mineral claims and exploration work conducted on the claims in Mexico.

Capital Resources

The Company's sources of funds have been derived from private placement financings and most recently the completion of the Company's IPO. The Company closed its IPO on July 28, 2005, pursuant to which it received gross proceeds of $2,500,000 from the sale of 10,000,000 units (the "Units") with each Unit consisting of one common share in the capital of the Company (a "Share") and one transferable common share purchase warrant (a "Warrant"). Two whole Warrants will entitle the holder thereof to acquire one additional common share of the Company (a "Warrant Share") until July 28, 2007 at an exercise price of $0.30 per Warrant Share. The Company has granted Canaccord Capital Corporation (the "Agent") an option (the "Greenshoe Option") exercisable within 60 days of the closing of the Offering to acquire from the Company, at the Offering Price, 1,500,000 Units which is equal to 15% of the number of Units sold pursuant to the Offering. In the event the Agent exercises the Greenshoe Option in full, up to 1,500,000 additional Shares and 750,000 Warrant Shares may be issued for gross proceeds to the Company of $375,000. During the 2005 fiscal year, the Agent exercised 1,358,500 for gross proceeds of $339,625 and allowed the remaining 141,500 Greenshoe Options to expire.

Additional disclosure concerning the Company's general and administrative expenses and resource property obligations and commitments are provided in the Company's unaudited consolidated statements of operations and deficit and notes therein.

The Company does not have any commitments for specific capital expenditures, as the agreements under which it may earn the interests in the mineral exploration properties are option agreements. However, the Company anticipates incurring the following expenditures from its available funds:

Description

(1) To make property option payments on the San Francisco and Juarez claims on the Colibri gold property, collectively for the sum of US$5,000 on 01 January, 2006 (paid), and US$9,000 on each of 01 April, 2006 (paid), 01 July, 2006, and 01 October 2006 — $ 40,000
Note: C$/US$ foreign exchange assumption = 1.25

(2) To make property option payments of C$ due per schedule below — $ 55,000

	16 June, 2006
Colibri property	$25,000
Leon property	$15,000 (paid)
Ramard property	$15,000

(3) To make mineral property tax estimated payments due per schedule below — $ 27,908

	01 January, 2006	01 July 2006
Colibri property	$5,851 (paid)	$6,436 (paid)
Leon property	$2,439 (paid)	$2,682 (paid)
Ramard property	$5,000 (paid)	$5,500 (paid)

Note: Mexican peso/C$ foreign exchange assumption = 8.5

(4) (a) To conduct the Phase I exploration – Colibri property — $500,000

(b) To conduct the Phase I exploration program on the Ramard Property (consisting of $50,000 for line cutting, soil sampling and geological mapping; $100,000 for ground geophysics; and $100,000 for a 1,000 meter drill program) — $250,000

(c) To conduct a basic exploration program on the Leon Property to maintain it in good standing and Mexican Mining Regulations. — $ 40,000

(5)	To cover estimated general and administrative expenses for a 12-month period	$264,684
(6)	To provide general working capital	$716,875

Transactions with Related Parties

Accounts payable to related parties of $35,168 is comprised of consulting fees due to a company controlled by a director of the company and reimbursable travel costs to a director.

During the three month period ended May 31, 2006, the Company entered into the following transactions with related parties:

a) Paid or accrued management fees of $25,000 (2005 - $20,750) to a company controlled by a director of the Company.

b) Paid or accrued $46,837 (2005 - $20,750) in geological consulting fees, which are included in deferred exploration costs, to a company controlled by a former director.

c) As outlined in Note 4, Colibri Property, the Company paid $25,000 (2005 - $Nil) to a private Mexican company controlled by a director of the Company and a former director.

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

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and account payable to related party. In management's opinion, the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Outstanding Share Data

Capital stock

	Number of Shares	Amount	Contributed Surplus
Authorized			
100,000,000 common shares without par value			
Issued			
Balance as at November 30, 2005	20,319,867	$3,234,104	$148,117
No change during the two periods	-	-	-
Balance as at May 31, 2006	20,319,867	$3,234,104	$148,117

On January 6, 2006, 429,000 common shares were released from escrow. A total of 2,145,000 common shares are subject to an escrow agreement with their release at the discretion or determination of the applicable regulatory authority.

Stock options

At May 31, 2006, the following stock options were outstanding:

Number of Options	Exercise Price	Expiry Date
550,000	$ 0.25	July 28, 2010

Warrants

At May 31, 2006, the Company had non-publicly traded (non transferable) share purchase warrants outstanding enabling the holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
1,948,275	$ 0.30	July 28, 2007

At May 31, 2006, the Company had the following publicly traded (transferable) share purchase warrants outstanding enabling the holders to acquire common shares as follows:

Number of Warrants	Exercise Price	Expiry Date
5,679,250	$ 0.30	July 28, 2007

Approval

The Board of Directors of the Company has approved the disclosure in this MD&A.