

**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](http://www.colibriresourcecorp.com) and on SEDAR at [www.sedar.com](http://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](http://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](http://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.

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|   | Three Month<br>Period Ended<br><u>May 31, 2006</u> | Three Month<br>Period Ended<br><u>May 31, 2005</u> |
|---|--|--|
| 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                              | -  | -  |

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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,<br>2006    | February 28<br>2006 | November 30,<br>2005 | August 31,<br>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,<br>2005    | February 28<br>2005 | November 30,<br>2004 | August 31,<br>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,<br>2006 | November 30,<br>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<br><b>Note:</b> C\$/US\$ foreign exchange assumption = 1.25 | \$ 40,000  |
| (2) To make property option payments of C\$ due per schedule below<br><u>16 June, 2006</u>   | \$ 55,000  |
| 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  |
|  | <u>01 January, 2006</u> <u>01 July 2006</u>        |
| Colibri property   | \$5,851 (paid)                      \$6,436 (paid) |
| Leon property  | \$2,439 (paid)                      \$2,682 (paid) |
| Ramard property  | \$5,000 (paid)                      \$5,500 (paid) |
| <b>Note:</b> 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

|   | <u>Number<br/>of Shares</u> | <u>Amount</u> | <u>Contributed<br/>Surplus</u> |
|---|-----------------------------|---------------|--------------------------------|
| 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:

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| <u>Number of Options</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|--------------------------|-----------------------|--------------------|
| 550,000                  | \$ 0.25               | July 28, 2010      |

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## 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:

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| <u>Number of Warrants</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|---------------------------|-----------------------|--------------------|
| 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:

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| <u>Number of Warrants</u> | <u>Exercise Price</u> | <u>Expiry Date</u> |
|---------------------------|-----------------------|--------------------|
| 5,679,250                 | \$ 0.30               | July 28, 2007      |

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## Approval

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