

# BRAVO VENTURE GROUP

**Bravo Venture Group Inc.**  
**Interim Consolidated Financial Statements**  
**Three Months Ended October 31, 2006**

**Notice of No Auditor Review of Interim Statements**

These interim consolidated financial statements of the Company for the three months ended October 31, 2006, were prepared by management and have not been reviewed or audited by the Company's auditors.

# Bravo Venture Group Inc.

## Consolidated Balance Sheets

Expressed in Canadian Dollars

		October 31, 2006 (Unaudited)	July 31, 2006 (Audited)
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		\$ 9,302,044	\$ 2,748,618
Short-term investment		-	1,399,995
Subscriptions receivable	Note 3	20,396	-
Prepaid expenses		27,748	27,640
Receivables	Note 4	140,480	69,392
Demand loan	Note 5	1	1
		<b>9,490,669</b>	<b>4,245,646</b>
Equipment, net	Note 6	2,951	3,150
Mineral properties	Note 7	7,333,049	5,054,005
Reclamation bonds	Note 8	54,814	37,517
		<b>\$ 16,881,483</b>	<b>\$ 9,340,318</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 665,690	\$ 383,699
<b>Shareholders' Equity</b>			
Share capital	Note 10	24,921,954	17,986,640
Share issuance obligations	Note 10 (c)	719,999	-
Contributed surplus	Note 10 (b)	3,039,985	2,566,162
Deficit		(12,466,145)	(11,596,183)
		<b>16,215,793</b>	<b>8,956,619</b>
		<b>\$ 16,881,483</b>	<b>\$ 9,340,318</b>

Nature and Continuance of operations (Note 1)

Subsequent events (Note 13)

Approved on behalf of the Board:



Joseph A. Kizis, Jr.



Robert Gayton

**Bravo Venture Group Inc.**  
**Consolidated Statements of Operations and Deficit**

Expressed in Canadian Dollars  
(Unaudited - Prepared by Management)

	Three Months Ended	
	2006	2005
		October 31,
<b>Expenses</b>		
Amortization	\$ 199	\$ -
Consulting	43,827	24,601
Foreign exchange (gain) loss	29,282	5,229
General exploration	714	-
Investor relations	14,075	31,955
Office and administration	83,010	66,446
Professional fees	5,581	16,090
Regulatory fees	243	381
Shareholders communications and printing	31,882	9,496
Stock based compensation	591,146	590,359
Transfer agent	6,562	3,050
Travel and promotion	116,475	22,013
	922,996	769,620
Interest income	(53,034)	(8,197)
<b>Net loss for the period</b>	<b>869,962</b>	<b>761,423</b>
Deficit, beginning of the period	11,596,183	8,665,013
<b>Deficit, end of the period</b>	<b>\$ 12,466,145</b>	<b>\$ 9,426,436</b>
<b>Loss per share - basic and diluted</b>	<b>\$ 0.01</b>	<b>\$ 0.01</b>
<b>Weighted average number of common shares outstanding</b>	<b>66,819,282</b>	<b>51,583,864</b>

**Bravo Venture Group Inc.**  
**Consolidated Statements of Cash Flows**  
Expressed in Canadian Dollars  
(Unaudited - Prepared by Management)

	Three Months Ended October 31,	
	2006	2005
<b>Cash provided by (used for):</b>		
<b>Operating Activities</b>		
Net loss for the period	\$ (869,962)	\$ (761,423)
Items not involving cash:		
Amortization	199	-
Stock based compensation	591,146	590,359
Interest income accrued	(13,961)	(494)
Exchange adjustment for reclamation bond	184	140
	<b>(292,394)</b>	<b>(171,418)</b>
Change in non-cash working capital items:		
Receivables	(57,127)	(33,613)
Prepaid expenses	(108)	-
Accounts payable and accrued liabilities	68,498	19,330
	<b>(281,131)</b>	<b>(185,701)</b>
<b>Investing Activities</b>		
Mineral properties	(2,065,551)	(659,719)
Purchase of equipment	-	-
Short-term investment	1,399,995	-
Reclamation bonds	(17,481)	-
	<b>(683,037)</b>	<b>(659,719)</b>
<b>Financing Activities</b>		
Shares issued for cash, net of share issue costs	6,797,595	568,439
Subscriptions receivable	-	122,500
Share issuance obligations	719,999	-
	<b>7,517,594</b>	<b>690,939</b>
Increase in cash and cash equivalents	6,553,426	(154,481)
Cash and cash equivalents, beginning of the period	2,748,618	1,254,838
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 9,302,044</b>	<b>\$ 1,100,357</b>
<b>Cash and cash equivalents consists of the following:</b>		
Cash	3,090,546	498,395
Term deposit	-	601,962
Bankers' acceptance (period less than three months)	6,211,498	-
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 9,302,044</b>	<b>\$ 1,100,357</b>

Supplemental information regarding non-cash transactions (Note 12)

# **Bravo Venture Group Inc.**

Notes to Consolidated Financial Statements

Three Months Ended October 31, 2006

Expressed in Canadian Dollars

(Unaudited – Prepared by Management)

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## **1. Nature and Continuance of Operations**

Bravo Venture Group Inc. (the “Company”) is an exploration-stage corporation incorporated under the British Columbia Business Corporations Act. The Company’s shares trade on the Tier 2 Board of the TSX Venture Exchange (“TSX-V”) under the symbol BVG and trade on the Frankfurt Stock Exchange and the Berlin Stock Exchange under the symbol B6I. The Company’s primary business activity is the acquisition and exploration of resource properties, located in Alaska, Nevada, and British Columbia.

The Company is in the process of acquiring and exploring its mineral properties and it has not yet determined whether they contain economically recoverable ore reserves. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable ore reserves, the ability of the Company to obtain the necessary financing to complete the development, and upon future profitable production from, or the proceeds from the disposition of, its mineral properties.

## **2. Basis of Presentation and Consolidation**

The consolidated unaudited interim financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly owned subsidiary, Bravo Alaska, Inc., incorporated in Alaska, U.S.A. All intercompany accounts and transactions were eliminated on consolidation.

These unaudited interim consolidated financial statements do not contain all of the information required for annual financial statements, and they should be read in conjunction with the Company’s annual audited consolidated financial statements for the fiscal year ended July 31, 2006. All material adjustments necessary for a fair presentation of the results of the interim periods have been reflected. The results for the three months ended October 31, 2006 were stated utilizing the same accounting policies and methods of application as the most recent annual financial statements, but are not necessarily indicative of the results to be expected for the full year.

The Company’s reporting currency is the Canadian dollar and all dollar amounts in these statements are in Canadian dollars, unless otherwise indicated. Certain of the prior periods’ comparative figures in the statement of operations have been reclassified to conform to the presentation adopted in the current period. These reclassifications were reflected in the audited year-end consolidated financial statements as at July 31, 2006.

**Bravo Venture Group Inc.**  
Notes to Consolidated Financial Statements  
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**3. Subscriptions Receivable**

The subscriptions receivable balance as at October 31, 2006 was \$20,396, which represented proceeds receivable from subscribers whose subscription agreements were executed during the quarter, but which funds were not received by quarter end. Subsequently, \$20,396 was received in November 2006.

The subscriptions receivable balance as at July 31, 2005 was \$122,500, which represented proceeds receivable from six subscribers that participated in the flow-through share private placement executed by July 29, 2005. These outstanding funds were received during the quarter ended October 31, 2005.

**4. Receivables**

As at October 31, 2006, the Company had \$103,262 in GST receivable from Canada Revenue Agency, \$23,257 receivable from related parties and \$13,961 accrued interest for unmatured bankers' acceptances.

**5. Demand Loan**

In 2002, the Company considered a change of business to the wine and hospitality industry and loaned \$200,000 to Saturna Beach Estates Limited ("SBEL"). In 2004, SBEL received creditor protection under the Companies' Creditors Arrangement Act ("CCAA") and the Company wrote down the SBEL loan and accrued interest of \$228,332 to \$1. A director of the Company is the president of SBEL and remains a guarantor of the \$200,000 loan.

**6. Equipment**

Equipment is carried at cost less accumulated amortization. Amortization is calculated over the estimated useful life of the asset using the declining-balance method at an annual rate of 20% for office equipment and furniture and of 30% for computer equipment.

	October 31, 2006			July 31, 2006	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	
Office equipment and furniture	\$ 1,605	\$ 184	\$ 1,421	\$	1,496
Computer equipment	11,254	9,724	1,530		1,654
	<b>\$ 12,859</b>	<b>\$ 9,908</b>	<b>\$ 2,951</b>	<b>\$</b>	<b>3,150</b>

**7. Mineral Properties**

The Company has interests in several mineral properties in Nevada, British Columbia, and Alaska, referred to as the Battle Mountain, Homestake Ridge and Woewodski properties, respectively.

**Bravo Venture Group Inc.**  
Notes to Consolidated Financial Statements  
Three Months Ended October 31, 2006  
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**7. Mineral Properties (continued)**

A summary of capitalized acquisition and exploration expenditures on the Company's properties for the three months ended October 31, 2006 is as follows:

Mineral Properties	Battle Mountain	Homestake Ridge	Woewodski	Total
<b>Acquisition costs:</b>				
Balance as at July 31, 2006	\$ 528,557	386,000	375,367	1,289,924
Additions during the period	317,010	638	92,849	410,497
<b>Balance as at October 31, 2006</b>	<b>845,567</b>	<b>386,638</b>	<b>468,216</b>	<b>1,700,421</b>
<b>Exploration costs:</b>				
Balance as at July 31, 2006	368,777	1,432,195	1,963,109	3,764,081
Additions during the period:				
Advance	-	(50,000)	-	(50,000)
Assays and analysis	10,306	27,111	3,933	41,350
Drilling	190,095	580,125	3,092	773,312
Exploration	4,865	654,421	20,567	679,853
Geological services	32,149	294,288	48,966	375,403
Project supervision	5,488	15,567	4,620	25,675
Travel and other	3,136	14,586	5,232	22,954
Total additions during the period	246,039	1,536,098	86,410	1,868,547
<b>Balance as at October 31, 2006</b>	<b>614,816</b>	<b>2,968,293</b>	<b>2,049,519</b>	<b>5,632,628</b>
<b>Total Mineral Property expenditures</b>				
<b>As at October 31, 2006</b>	<b>\$ 1,460,383</b>	<b>\$ 3,354,931</b>	<b>\$ 2,517,735</b>	<b>\$ 7,333,049</b>

A summary of capitalized acquisition and exploration expenditures on the Company's properties for the year ended July 31, 2006 is as follows:

Mineral Properties	Battle Mountain	Homestake Ridge	Woewodski	Total
<b>Acquisition costs:</b>				
Balance as at July 31, 2005	\$ 433,285	\$ 301,000	\$ 247,333	\$ 981,618
Additions during the year	178,737	85,000	128,034	391,771
Recovery of costs	(83,465)	-	-	(83,465)
<b>Balance as at July 31, 2006</b>	<b>528,557</b>	<b>386,000</b>	<b>375,367</b>	<b>1,289,924</b>
<b>Exploration costs:</b>				
Balance as at July 31, 2005	222,103	556,123	1,810,847	2,589,073
Additions during the year:				
Advance	-	79,523	-	79,523
Assays and analysis	6,736	13,056	27,676	47,468
Drilling	8,803	204,308	20,868	233,979
Exploration	35,578	461,986	32,363	529,927
Geological services	115,026	84,972	62,976	262,974
Project supervision	65,721	11,385	1,633	78,739
Travel and other	29,318	46,926	6,746	82,990
Recovery of costs	(114,508)	(26,084)	-	(140,592)
Total additions during the year	146,674	876,072	152,262	1,175,008
<b>Balance as at July 31, 2006</b>	<b>368,777</b>	<b>1,432,195</b>	<b>1,963,109</b>	<b>3,764,081</b>
<b>Total Mineral Property expenditures</b>				
<b>As at July 31, 2006</b>	<b>\$ 897,334</b>	<b>\$ 1,818,195</b>	<b>\$ 2,338,476</b>	<b>\$ 5,054,005</b>

**Bravo Venture Group Inc.**  
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**7. Mineral Properties (continued)**

**(a) Battle Mountain Properties, Nevada**

The Company has the right to earn a 100% beneficial interest in several properties located within the Battle Mountain-Eureka gold trend in Nevada, also referred to as the “Cortez” gold trend. Capitalized mineral property costs in the Battle Mountain area, by property, are presented below:

Battle Mountain Properties	Balance July 31, 2005	Additions 2006	Balance July 31, 2006	Additions Q1 - 2007	Balance October 31, 2006
Battle Mountain, general	\$ 172,723	\$ 10,172	\$ 182,895	\$ -	\$ 182,895
Gabel Canyon	70,782	4,741	75,523	11,290	86,813
Granite Mountain	41,547	7,927	49,474	2,454	51,928
Half Ounce	23,564	11,663	35,227	7,440	42,667
North Lone Mountain	58,553	3,322	61,875	12,214	74,089
Pete Hanson	56,645	(52,931)	3,714	3,504	7,218
SF Claims	78,162	41,232	119,394	13,530	132,924
Shoshone	-	46,079	46,079	191,989	238,068
Mountain Boy	96,036	192,821	288,857	105,243	394,100
South Gold Bar	18,444	534	18,978	10,143	29,121
South Lone Mountain	17,813	(32,888)	(15,075)	183,165	168,090
Three Bar Claims	21,119	9,274	30,393	22,077	52,470
<b>Total Battle Mountain</b>	<b>\$ 655,388</b>	<b>\$ 241,946</b>	<b>\$ 897,334</b>	<b>\$ 563,049</b>	<b>\$ 1,460,383</b>

**(i) Trend Resources Agreement**

Pursuant to an agreement made November 2003 with Trend Resources LLC (“Trend”), the Company had the right to acquire certain groups of mineral claims located in Eureka and Lander Counties, Nevada introduced by Trend to the Company. Properties located within a specific area of the Southern Battle Mountain-Eureka Gold trend were identified, evaluated and introduced to the Company by Trend for acquisition purposes. The Company had no obligation to acquire any property introduced by Trend. Certain proprietary research data was provided to the Company over the term of the agreement.

The Company could acquire a 100% interest in properties introduced, subject to a 1% net smelter return royalty (“NSR”) retained by Trend, by paying a US \$5,000 finder’s fee and issuing 50,000 common shares for each property. The NSR may be reduced from 1% to 0.5% by paying US \$3,000,000 at any time. In addition, any property that is staked or otherwise acquired directly by the Company within the area of interest is subject to a 0.5% NSR payable to Trend.

The Company, in proceeding with these rights, purchased six projects, namely Three Bar, South Lone Mountain, South Gold Bar, Pete Hanson, North Lone Mountain, and Gabel prospects. In fiscal 2005, the Company issued 50,000 common shares valued at \$8,249 to Trend on the first anniversary of the agreement, issued an additional 300,000 shares for \$49,500 and paid US \$30,000 in finders’ fees.

**Bravo Venture Group Inc.**  
Notes to Consolidated Financial Statements  
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(Unaudited – Prepared by Management)

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**7. Mineral Properties (continued)**

**(a) Battle Mountain Properties, Nevada (continued)**

**(ii) SF Claims**

Pursuant to a property option agreement dated April 1, 2004 and amended in November 2006, the Company acquired the right to earn a 100% interest in 66 mineral claims, named the SF claims, located in Eureka County. The Trend agreement does not apply to the SF claims, which were specifically excluded in the terms of reference.

The Company paid US \$75,000 and issued 25,000 common shares at \$0.20 per share. To earn its interest, the Company is required to pay an additional US \$230,000 as follows:

- i) US\$6,000 on or before by December 11, 2006 (paid on November 20, 2006);
- ii) US\$14,000 on or before by December 11, 2007;
- iii) US\$25,000 on or before by December 11, 2008;
- iv) US\$35,000 on or before by December 11, 2009;
- v) US\$50,000 on or before by December 11, 2010; and
- vi) US\$100,000 on or before by December 11, 2011.

If the Company meets these terms and conditions and elects to exercise its option, the Company would acquire a 100% undivided interest in the property subject to a 1% NSR, which the Company may reduce to 0.5% by paying US \$3,000,000 prior to the commencement of commercial production.

As at October 31, 2006, the Company expended \$112,624 (US \$93,290) at acquisition and \$20,300 (US \$16,755) at exploration on the SF Claims.

**(iii) Placer Dome U.S. Inc. Agreements**

**1<sup>st</sup> JV earn-in agreement**

In an agreement dated October 20, 2004, as amended, Placer Dome U.S. Inc. (“PDUS”) (recently acquired by Barrick Gold Corporation) agreed to fund preliminary exploration and development of the Company’s South Lone Mountain, Three Bar, and South Gold Bar prospects located within the Battle Mountain-Eureka trend. Pursuant to the agreement, the Company is entitled to charge back PDUS for geological consulting services provided by its personnel and other consultants, plus a 10% overhead fee.

By September 30, 2005, PDUS had incurred approximately US \$462,000 on South Lone Mountain and elected to designate it as a “Selected Project” and relinquish its option with respect to the Three Bar and South Gold projects. On May 1, 2006, the Company received notice from PDUS that it would not continue to fund exploration of the South Lone Mountain property. All property rights and exploration data were returned to the Company.

**Bravo Venture Group Inc.**  
Notes to Consolidated Financial Statements  
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(Unaudited – Prepared by Management)

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**7. Mineral Properties (continued)**

**(a) Battle Mountain Properties, Nevada (continued)**

**(iii) Placer Dome U.S. Inc. Agreements (continued)**

2<sup>nd</sup> JV earn-in agreement – Pete Hanson Project

The Pete Hanson project is a group of 191 claims located within the Battle Mountain trend.

Pursuant to an agreement made June 10, 2005 and amended on December 7, 2005, PDUS made US \$75,000 option payments to the Company towards earning a right to a 51% interest in the project. To exercise its option, PDUS is required to incur a minimum of US \$1,000,000 in exploration work and to pay an additional US \$210,000 in installments over a four-year period, as follows:

- i) US \$45,000 on or before June 10, 2007;
- ii) US \$50,000 on or before June 10, 2008;
- iii) US \$55,000 on or before June 10, 2009; and
- iv) US \$60,000 on or before June 10, 2010.

PDUS may elect to earn an additional 19% interest by funding exploration through to a bankable feasibility study. As in the 1<sup>st</sup> JV earn-in agreement, the Company charges PDUS for geological services provided by its personnel.

3<sup>rd</sup> option and earn-in agreement – Shoshone Pediment Claims

The Shoshone Pediment project is located in Lander County, Nevada. On August 18, 2005, the Company entered into an agreement with PDUS whereby PDUS quitclaimed the claims to the Company in exchange for the Company agreeing to fund and conduct the next phase of exploration. The Company is required to pay claim maintenance fees and incur US \$100,000 in exploration work over two years. PDUS now has a one-time right to fund the further exploration of US \$500,000 over a five-year period, after which PDUS can elect to form a formal joint venture at 51%.

As at October 31, 2006, the Company paid claim maintenance fees of \$46,468 (US \$40,283), incurred exploration expenditures of \$191,600 (US \$169,694) and deposited a reclamation bond of \$1,515 (US \$1,351).

**Bravo Venture Group Inc.**  
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**7. Mineral Properties (continued)**

**(a) Battle Mountain Properties, Nevada (continued)**

**iv) Mountain Boy Parcel (Signal, Temple and Shiva projects)**

On June 13, 2005, the TSX-V accepted an option agreement whereby the Company acquired the right to earn a 100% undivided interest in a group of claims in the northwestern portion of the Eureka Mining District, Nevada. To exercise its option to acquire an interest, the Company is required to make AMR payments totaling US \$340,000 over five years. The Company may elect to make 50% of any AMR in cash and 50% in common shares. This parcel of properties is outside of the area of interest of the Trend exploration agreement; thus, no royalty is due to Trend from the Mountain Boy Parcel.

In July 2005, the Company paid an initial US \$20,000 and issued 86,690 common shares at \$0.29 per share for a total of \$25,141 (US \$20,000) in satisfaction of the initial AMR payment of US \$40,000. In June 2006, the Company paid US \$20,000 cash and issued 42,612 common shares at \$0.52 per share for a total of \$22,158 (US \$20,000) in satisfaction of the second AMR payment of US \$40,000. To exercise its option the Company is required to pay an additional US \$260,000 as follows:

- i) US \$50,000 on or before June 20, 2007;
- ii) US \$60,000 on or before June 20, 2008;
- iii) US \$70,000 on or before June 20, 2009; and
- iv) US \$80,000 on or before January 12, 2010.

If the Company meets the terms and conditions and elects to exercise the option, the Company would acquire a 100% undivided interest in the parcel subject to a 2% NSR to the optionors, which the Company may reduce to 1% by paying US \$1,000,000 prior to the commencement of commercial production. The AMR payments will be deductible from any payments due to the optionor under the NSR.

As at October 31, 2006, the Company expended \$210,999 (US \$179,929) at acquisition and \$183,101 (US \$160,582) at exploration on the Mountain Boy Parcel, of which \$186,970 (US \$159,818) at acquisition and \$178,603 (US \$156,635) at exploration were toward the Signal project. The Company has deposited \$15,697 (US \$14,000) as a reclamation bond for the drilling program at the Signal project.

**(v) Granite Mountain Project**

The Company has the right to earn an undivided 100% interest in certain patented fee land called the Granite Mountain Project in Lander County, Nevada pursuant to an option agreement dated June 28, 2004. The Company paid a finder's fee of US \$1,500 to an independent third party to acquire the option to this property, and these claims are subject to a 0.5% NSR to Trend.

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**7. Mineral Properties (continued)**

**(a) Battle Mountain Properties, Nevada (continued)**

**(v) Granite Mountain Project (continued)**

The Company paid US \$24,000 by June 30, 2006, and needs to pay additional AMR payments in equal monthly installments on an escalating scale until the commencement of commercial production or the Company forfeits its interest. The details are as follows:

- i) Monthly payments July 1, 2006 through June 1, 2007 of US \$900;
- ii) Beginning July 1, 2007, the monthly payments will be increased annually by 5% until the commencement of commercial production.

If the Company meets the above terms and conditions and elects to exercise the option, it would acquire a 100% undivided interest in the property subject to a 2% NSR to the optionors, which the Company may reduce to 1% by paying US \$1,000,000 prior to the commencement of commercial production.

On February 7, 2006, the Company signed a Letter of Intent with Agnico-Eagle (USA) Ltd. (“Agnico”), a subsidiary of Agnico-Eagle Mines Ltd., regarding the Company’s Granite Mountain project. Agnico proposed an earn-in agreement whereby Agnico would earn a 60% interest by spending US \$2,500,000 on work over a five-year period, including maintaining the underlying option agreement. In September 2006, Agnico withdrew from the agreement.

**(vi) Half Ounce Claims**

Effective January 12, 2005, the Company entered into an option agreement to acquire the Half-Ounce claims, consisting of 45 lode claims located in the Battle Mountain-Eureka trend, within the Trend area of interest. The Company may earn a 100% interest in the claims, subject to a 2% NSR payable to the optionors and a 0.5% NSR to Trend, by making scheduled AMR payments until the commencement of commercial production.

The Company paid US \$4,000 initially, US \$4,000 on January 10, 2006 and is required to make the following AMR payments:

- i) US \$8,000 on or before January 12, 2007;
- ii) US \$16,000 on or before January 12, 2008;
- iii) US \$32,000 on or before January 12, 2009;
- iv) US \$50,000 on or before January 12, 2010; and
- v) US \$50,000 on each anniversary date thereafter, until commercial production.

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**7. Mineral Properties (continued)**

**(a) Battle Mountain Properties, Nevada (continued)**

**(vi) Half Ounce Claims (continued)**

If the Company meets the above terms and conditions and elects to exercise the option, the Company would acquire a 100% undivided interest in the property subject to a 2% NSR to the optionors, which the Company may reduce to 1% by paying US \$1,000,000 prior to the commencement of commercial production. The AMR payments will be deductible from any payments due to the optionor under the NSR.

**(b) Homestake Ridge Property, BC**

Homestake Ridge is a prospective gold project located in the Skeena Mining Division of British Columbia and consists of 14 unpatented mineral claims (TCL claims) and six patented Crown Granted claims (Crown Grant claims). There are separate option agreements governing the Company's rights to the unpatented and patented claims, but because the claims are contiguous, they are collectively referred to as the Homestake Ridge property.

**(i) Acquisition – TCL claims**

The Company and Teck Cominco Limited ("TCL") entered into a property option agreement dated June 9, 2003, as amended February 28, 2005 and August 23, 2005, pursuant to which the Company acquired the right to earn a 100% interest, subject to a back-in right and net smelter return royalties, in the 14 TCL claims on the Homestake Ridge property. In August 2003, the Company issued 200,000 units to TCL at a value of \$14,000 and assumed TCL's obligations defined in an underlying option agreement ("Underlying Agreement") affecting the property. By October 31, 2006, the Company paid \$145,000 AMR payments to satisfy the agreement.

**(ii) NSR**

Upon the Company exercising the option on the Homestake property, TCL retains a 2% net smelter return royalty ("TCL-NSR") on the property save and except the optionors of the property governed by the underlying agreement. The Crown Grant claims discussed below are subject to a 2% NSR ("CG-NSR"), of which no portion of this can be purchased.

The TCL claims are subject to a 2% NSR ("Underlying NSR"), which may be purchased from the underlying optionor for \$1,000,000. If TCL elects to purchase the Underlying NSR, then the Company may purchase 1% of the TCL-NSR and 1% of the Underlying NSR for \$2,000,000 after commencement of commercial production. If TCL does not elect to purchase the Underlying NSR, then the Company may purchase 1% of the TCL-NSR and the right to purchase the Underlying NSR for \$1,000,000.

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**7. Mineral Properties (continued)**

**(b) Homestake Ridge Property, BC (continued)**

**(iii) Back-in Right**

TCL maintains a back-in right whereby once the Company earns its 100% interest in the TCL claims, TCL may acquire up to a 70% interest by incurring 200% of the Company's aggregate exploration expenditures. The back-in right may be exercised by TCL once the Company has earned a 100% interest in the TCL claims by the expenditure of \$3 million and up to an aggregate expenditure of \$5 million by the Company.

**(iv) Crown Grants**

Pursuant to a property option agreement dated August 11, 2003, the Company acquired the right to earn a 100% interest in six patented mineral claims ("Crown Grants"), contiguous to the mineral claims governed by the terms of the TCL agreement.

By October 31, 2006, the Company had paid \$110,000 and issued 400,000 common shares at a fair market value of \$117,000 in satisfaction of the agreement.

To exercise its option, the Company is required to pay an additional \$100,000 as follows:

- i) pay \$50,000 on or before December 31, 2006; and
- ii) pay \$50,000 on or before December 31, 2007.

By September 30, 2005, the Company had incurred combined aggregate exploration expenditures on the TCL and Crown Grant claims in excess of \$1,000,000 in accordance with the terms of the agreement. During fiscal 2006, the Company elected to incur an aggregate of \$1,500,000 in exploration expenditures by December 31, 2006. As at October 31, 2006, the Company expended aggregate exploration expenditures of \$2,968,293.

**(c) Woewodski Property, Alaska**

Pursuant to an option agreement made with Olympic Resource Group, LLC ("Olympic") on March 7, 2003, as amended and made effective on August 29, 2003, the Company acquired the right to earn a 100% interest in 501 federal and three state mineral claims located in the Petersburg Recording District of Alaska, on Woewodski Island.

In fiscal 2004, the Company issued 200,000 common shares to the optionors of the Woewodski property at a price of \$0.07 per share, for a total of \$14,000, and in fiscal 2006, the Company issued an additional 200,000 common shares at a price of \$0.44 per share in full settlement of its obligation to issue shares.

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**7. Mineral Properties (continued)**

**(c) Woewodski Property, Alaska (continued)**

The Company has also paid US \$50,000 AMR payments. To earn an undivided 100% interest in the mineral claims the Company is required to pay additional AMR payments of US \$450,000 and incur aggregate exploration expenditures as follows:

- i) AMR of US \$50,000 and US \$1,200,000 in exploration expenditures on or before August 29, 2007;
- ii) AMR of US \$400,000 and US \$1,500,000 in aggregate exploration expenditures on or before August 29, 2008; and
- iii) US \$2,000,000 in aggregate exploration expenditures on or before August 29, 2009.

By October 31, 2006, the Company had spent \$2,049,519, thereby meeting its exploration committed in (ii) above.

If the Company meets all of the terms and conditions and elects to exercise the option, the Company would acquire a 100% undivided interest in the property, subject to a variable NSR payable to the optionors. The NSR varies from 1.5% - 4% depending on the mineralization encountered and the gold price. The AMR payments will be subtracted from the NSR payments required after commencement of commercial production.

**8. Reclamation Bonds**

The Company is required to post bonds with the British Columbia Ministry of Energy and Mines (“BC Ministry”), the United States Forest Service (“Alaska”) and Bureau of Land Management (“Nevada”) as a security deposit against any potential land restoration costs that may be required in the future on certain properties. The monies are held in trust and may be released after required reclamation expenditures are made.

As at October 31, 2006, a total of \$54,814 (July 31, 2006: \$37,517) reclamation bonds are on deposit with the BC Ministry, Alaska and Nevada, of which \$14,200 is for the Homestake Ridge property, \$3,395 is for the Woewodski property and \$37,219 is for various Battle Mountain properties, respectively.

**9. Related Party Balances and Transactions**

- (a) Included in receivables at October 31, 2006 is \$23,257 (July 31, 2006: \$28,576) receivable from a private company controlled by a director of the Company, arising from wine sold in SBEL (Note 5).
- (b) Included in accounts payable at October 31, 2006 is \$48,767 (July 31, 2006: \$11,883) payable to a private company controlled by a director of the Company for various services rendered.

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**9. Related Party Balances and Transactions (continued)**

(c) Pursuant to a consulting agreement dated April 1, 2004, the Company agreed to pay the president US \$4,500 per month plus out-of-pocket expenses, to provide management, geological and mining consulting services as required. From November 2006, the monthly payment will be US \$6,250.

In the quarter ended October 31, 2006, the Company paid \$15,127 (US \$13,500) to the president, of which \$4,660 was charged to consulting expenses and \$10,467 was capitalized to specific mineral properties based on the nature and extent of services rendered to each project.

In the year ended July 31, 2006, the Company paid the president \$67,971 (US \$54,000), of which \$29,663 was charged to consulting expense and \$38,308 was capitalized to mineral properties.

(d) For Q1 2007 and Q1 2006, the following is a summary of related party expenditures not disclosed elsewhere in these financial statements:

- i) Investor relations fees of \$11,440 (Q1 2006: \$14,076) were paid to a private company controlled by a director of the Company;
- ii) Consulting fees of \$38,660 (Q1 2006: \$24,601) include the above-mentioned expense portion of monthly amounts paid to the president and fees paid to a director and a company controlled by a director of the Company;
- iii) A director's law firm billed legal fees of \$4,387 in Q1 2006. An association of lawyers in which a member was an officer of the Company incurred legal fees of \$11,420 in Q1 2005. Since December 8, 2005, this officer has ceased to be a related party;
- iv) Accounting fees of \$16,296 (Q1 2006: \$970) were billed by a private company controlled by a director for accounting services rendered by its personnel;
- v) A private company controlled by a director of the Company billed a total of \$18,564 (Q1 2006: \$31,097) for various office and administrative expenses, of which the majority is subject to a 15% markup. An additional amount of \$10,920 (Q1 2006: \$14,325) was capitalized to mineral properties for geological services rendered;
- vi) Corporate development and administration fees of \$21,825 (Q1 2006: \$17,500) were billed by a private company controlled by a director and a private company controlled by a senior officer and included in the office and administration expenses;
- vii) A services fee of \$15,000 was paid to a company controlled by a director in both Q1 2007 and Q1 2006, which amount is included in office and administration expense;

These transactions were made in the normal course of operations for consideration established and accepted by the Company and the related parties.

A director of the Company holds a beneficial interest in the Woewodski property option agreement through a minority interest (15%) in Olympic.

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**10. Share Capital**

**(a) Authorized**

100,000,000 common shares without par value

**(b) Issued and Outstanding**

	Number of shares	Value Of shares	Contributed Surplus
<b>Balance as at July 31, 2005</b>	<b>49,528,168</b>	<b>\$ 12,445,076</b>	<b>\$ 1,179,267</b>
Shares issued for cash:			
Exercised share purchase warrants	8,056,969	1,709,040	-
Exercised stock options	3,557,500	773,775	-
Private placement @0.66 per unit,	1,000,000	660,000	-
Private placement @0.95 per unit - Flow-through	1,579,000	1,500,050	-
Cash share issue costs	-	(13,042)	-
Shares issued for mineral property acquisitions	442,612	205,158	-
Tax benefits renounced to flow-through share subscribers	-	(148,089)	-
Stock based compensation	-	-	2,241,567
Fair value of stock options & warrants	-	854,672	(854,672)
<b>Balance as at July 31, 2006</b>	<b>64,164,249</b>	<b>17,986,640</b>	<b>2,566,162</b>
Shares issued for cash:			
Exercised share purchase warrants	1,768,350	591,170	-
Exercised stock options	619,500	354,425	-
Private placement @1.20 per unit,	4,718,794	5,662,553	-
Private placement @1.34 per unit - Flow-through	300,000	402,000	-
Cash share issue costs	-	(192,157)	-
Shares issued for finders' fees @1.20 per share	46,000	55,200	-
Share issue costs (non-cash)	-	(55,200)	-
Stock based compensation	-	-	591,146
Fair value of stock options & warrants	-	117,323	(117,323)
<b>Balance as at October 31, 2006</b>	<b>71,616,893</b>	<b>\$ 24,921,954</b>	<b>\$ 3,039,985</b>

**(c) Private Placements**

**Fiscal Q1 2007**

In September 2006, the Company announced an issue of 7,900,000 common shares in two non-brokered private placements for total gross proceeds of \$9,676,000. The issue included:

- (i) 6,500,000 units at \$1.20 per unit to raise \$7,800,000. Each unit consisted of one common share and one half share purchase warrant. Each full warrant, expiring in 18 months, is exercisable for one additional common share at an exercise price of \$1.50 per share, and
- (ii) 1,400,000 common shares (flow-through) were to be issued with no warrant attached at \$1.34 per common share to raise \$1,876,000.

As at October 31, 2006, the Company issued 4,718,794 units at a price of \$1.20 per unit and received gross proceeds of \$5,662,553. The Company also recorded share issuance obligations for 599,999 units for received additional gross proceeds of \$719,999 at a price of \$1.20 per unit. The Company issued 599,999 units on November 8, 2006 to satisfy the share issuance obligations.

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**10. Share Capital (continued)**

**(c) Private Placements (continued)**

**Fiscal Q1 2007 (continued)**

As at October 31, 2006, the Company issued 300,000 flow-through common shares at a price of \$1.34 per share for gross proceeds of \$402,000.

As at October 31, 2006, the Company paid \$192,157 cash share issuance costs for finders' fees (\$133,570) and related legal and TSX-V fees (\$58,587). The Company also issued 46,000 common shares as finders' fees for the fair market value of \$1.20 per share.

The Company completed these two private placements subsequent to October 31, 2006. See Note 13 – Subsequent Events, below.

**Fiscal 2006**

On April 5, 2006 the Company closed a non-brokered flow-through private placement financing to issue 1,579,000 common shares at a price of \$0.95 per common share and received the gross proceeds of \$1,500,050. The Company incurred share issuance costs of \$8,100, resulting in net proceeds of \$1,491,950 from this flow-through private placement financing. These flow-through funds were fully expended to the drilling program at the Homestake Ridge property as at October 31, 2006.

On January 27, 2006, the Company closed a \$660,000 non-brokered private placement of 1,000,000 units at a price of \$0.66 per unit. Each unit consisted of one common share and one share purchase warrant, each whole warrant entitling the holder to purchase an additional common share at a price of \$0.70 until expiry on January 27, 2008. The Company incurred share issuance costs of \$3,310, resulting in net proceeds of \$656,690 from this private placement.

In December 2005, the Company renounced exploration expenditures of \$400,750 from 1,144,998 flow-through common shares issued during fiscal 2005; as a result, a future income tax recovery of \$148,089 was charged against capital stock.

In June 2006, the Company issued 42,612 common shares at \$0.52 per share for a total of \$22,158 (equivalent to US \$20,000) in satisfaction of the second AMR payment for the Mountain Boy property.

In November 2005, the Company issued 100,000 common shares at \$0.50 per share (recorded as share issuance obligations as at July 31, 2005) and 100,000 common shares at \$0.45 per share in satisfaction of its obligations under the agreement on the Crown Granted Homestake claims

In September 2005, the Company issued 200,000 common shares at \$0.44 per share to Olympic Resources for \$88,000 pursuant to the terms of the option agreement governing the Woewodski property.

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**10. Share Capital (continued)**

**(e) Stock Options**

**(i) Stock-based Compensation Plan**

The Company has one stock-based compensation plan (the "Plan") allowing for the reservation of common shares issuable under the Plan to a maximum 10% of the number of issued and outstanding common shares of the Company at any given time. The term of any stock option granted under the Plan may not exceed five years and the exercise price may not be less than the closing price of the Company's shares on the last business day immediately preceding the date of grant, less any permitted discount. On an annual basis, the Plan requires approval by the Company's shareholders and submission for regulatory review and acceptance.

**(ii) Summary of Stock Option Transactions**

6,244,250 of the stock options outstanding as at October 31, 2006 (6,102,500 as at July 31, 2006) were issued and vested with the remaining 68,750 vesting over the next eleven months.

A summary of the Company's stock option transactions for the three months ended October 31, 2006 is as follows:

Expiry Date	Exercise Price \$	Balance	Number of Options			Balance
		July 31, 2006	Granted	Exercised	Cancelled/ or Expried	October 31, 2006
22-Aug-08	0.120	165,000	-	-	-	165,000
11-Dec-08	0.200	100,000	-	-	-	100,000
16-Jan-09	0.200	250,000	-	-	-	250,000
1-Apr-09	0.300	95,000	-	-	-	95,000
2-Dec-09	0.150	60,000	-	-	-	60,000
4-Mar-10	0.420	230,000	-	-	-	230,000
29-Jul-10	0.390	350,000	-	-	-	350,000
13-Oct-10	0.430	1,507,500	-	307,500	-	1,200,000
4-Nov-10	0.465	200,000	-	-	-	200,000
3-Jan-11	0.740	250,000	-	250,000	-	-
16-Jan-11	1.440	900,000	-	-	50,000	850,000
31-Jan-11	1.380	895,000	-	-	30,000	865,000
27-Mar-11	0.990	125,000	-	-	-	125,000
1-Jun-11	0.600	1,075,000	-	62,000	-	1,013,000
15-Sep-11	1.280	-	810,000	-	-	810,000
<b>Total</b>		<b>6,202,500</b>	<b>810,000</b>	<b>619,500</b>	<b>80,000</b>	<b>6,313,000</b>
<b>Weighted average exercise prices</b>		<b>\$0.739</b>	<b>\$1.280</b>	<b>\$0.572</b>	<b>\$1.418</b>	<b>\$0.817</b>

**Bravo Venture Group Inc.**  
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**10. Share Capital (continued)**

**(e) Stock Options (continued)**

**(ii) Summary of Stock Option Transactions (continued)**

A summary of the Company's stock option transactions for fiscal 2006 is as follows:

Expiry Date	Exercise Price \$	Balance July 31, 2005		Number of Options		Cancelled/ or Expired	Balance July 31, 2006
			Granted	Exercised			
22-Aug-08	0.120	1,060,000	-	895,000	-	-	165,000
11-Dec-08	0.200	307,500	-	207,500	-	-	100,000
16-Jan-09	0.200	367,500	-	117,500	-	-	250,000
22-Jan-09	0.180	350,000	-	350,000	-	-	-
1-Apr-09	0.300	690,000	-	595,000	-	-	95,000
9-Jul-09	0.200	35,000	-	35,000	-	-	-
15-Oct-09	0.150	300,000	-	300,000	-	-	-
2-Dec-09	0.150	540,000	-	480,000	-	-	60,000
4-Mar-10	0.420	300,000	-	20,000	50,000	-	230,000
29-Jul-10	0.390	730,000	-	350,000	30,000	-	350,000
13-Oct-10	0.430	-	1,685,000	157,500	20,000	-	1,507,500
4-Nov-10	0.465	-	300,000	50,000	50,000	-	200,000
3-Jan-11	0.740	-	250,000	-	-	-	250,000
16-Jan-11	1.440	-	900,000	-	-	-	900,000
31-Jan-11	1.380	-	895,000	-	-	-	895,000
27-Mar-11	0.990	-	125,000	-	-	-	125,000
1-Jun-11	0.600	-	1,075,000	-	-	-	1,075,000
<b>Total</b>		<b>4,680,000</b>	<b>5,230,000</b>	<b>3,557,500</b>	<b>150,000</b>		<b>6,202,500</b>
<b>Weighted average exercise prices</b>		<b>\$0.230</b>	<b>\$0.832</b>	<b>\$0.218</b>	<b>\$0.430</b>		<b>\$0.739</b>

**f) Share Purchase Warrants**

A summary of the Company's share purchase warrant transactions for the three months ended October 31, 2006 is as follows:

Expiry Date	Exercise Price \$	Balance July 31, 2006		Number of Warrants		Balance October 31, 2006
			Granted	Exercised		
27-Oct-06	0.20	153,350	-	153,350	-	-
1-Dec-06	0.20	1,000,000	-	1,000,000	-	-
3-Aug-07	0.50	659,500	-	350,000	-	309,500
27-Jan-08	0.70	1,000,000	-	265,000	-	735,000
5-Apr-08	1.50	-	2,359,397	-	-	2,359,397
<b>Total</b>		<b>2,812,850</b>	<b>2,359,397</b>	<b>1,768,350</b>		<b>3,403,897</b>
<b>Weighted average exercise prices</b>		<b>\$0.448</b>	<b>\$1.500</b>	<b>\$0.334</b>		<b>\$1.236</b>

**Bravo Venture Group Inc.**  
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**10. Share Capital (continued)**

**f) Share Purchase Warrants (continued)**

A summary of the Company's share purchase warrant transactions for fiscal 2006 is as follows:

Expiry Date	Exercise Price \$	Balance		Number of Warrants		Balance July 31, 2006
		July 31 2005	Granted	Exercised	Cancelled/ or Expried	
4-Sep-05	0.13	119,000	-	119,000	-	-
11-Sep-05	0.13	105,000	-	105,000	-	-
6-Jan-06	0.15	2,042,984	-	1,942,984	100,000	-
31-Mar-06	0.20	589,000	-	589,000	-	-
31-Mar-06	0.25	2,592,500	-	2,592,500	-	-
27-Oct-06	0.20	2,392,335	-	2,238,985	-	153,350
1-Dec-06	0.20	1,200,000	-	200,000	-	1,000,000
3-Aug-07	0.50	929,000	-	269,500	-	659,500
27-Jan-08	0.70	-	1,000,000	-	-	1,000,000
<b>Total</b>		<b>9,969,819</b>	<b>1,000,000</b>	<b>8,056,969</b>	<b>100,000</b>	<b>2,812,850</b>
<b>Weighted average exercise prices</b>		<b>\$0.229</b>	<b>\$0.700</b>	<b>\$0.212</b>	<b>\$0.150</b>	<b>\$0.448</b>

**(g) Fair Value Determination**

The fair value method of valuing stock options requires that the amount be calculated using the Black-Scholes option-pricing model and be expensed over the applicable vesting periods. This non-cash expense is the estimated value of the premium associated with the call option and it is measured at the grant date. The option-pricing model requires the input of highly subjective assumptions and is particularly sensitive to the expected share price volatility. Changes in the subjective input assumptions can affect the fair value estimate; therefore, the model does not necessarily provide a reliable single measure of the fair value of the Company's stock options.

During the three months ended October 31, 2006, 810,000 options were granted with an exercise price of \$1.28 per share and related stock based compensation of \$572,414 was recognized.

During the year ended July 31, 2006, 5,230,000 options were granted with a weighted average fair value calculated to be \$0.44 per share. The granted options includes 125,000 options granted at a price of \$0.99 per share to an officer with a vesting provision. As a result, \$14,985 of related stock based compensation was recognized as at July 31, 2006, \$18,732 was recognized as at October 31, 2006 and remaining \$41,210 will be recognized over the future vesting period.

There were no share purchase warrants granted to agents for the three months ended October 31, 2006 and for the year ended July 31, 2006.

**Bravo Venture Group Inc.**  
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**10. Share Capital (continued)**

**(g) Fair Value Determination (continued)**

Fair Value Assumptions (Weighted Average)	Options	
	Three Months Ended October 31, 2006	Year Ended July 31, 2006
Expected share price Volatility	86.01%	74.78%
Expected life in years	3	3
Risk-free interest rate	4.02%	3.88%
Expected dividend yield	-	-

**11. Segmented Disclosure**

The Company has one operating segment, mineral exploration, and as at October 31, 2006 and July 31, 2006, its mineral properties were located in the U.S.A. and Canada. The Company's non-current assets by geographic location were as follows:

	Three Months Ended October 31, 2006	Year Ended July 31, 2006
<b>U.S.A</b>		
Office Equipment & Computers	\$ 2,951	\$ 3,150
Battle Mountain	1,460,383	897,334
Woewodski	2,517,735	2,338,476
Reclamation Bonds	40,614	23,317
	4,021,683	3,262,277
<b>Canada</b>		
Homestake Ridge Property	3,354,931	1,818,195
Reclamation Bonds	14,200	14,200
	3,369,131	1,832,395
<b>Total non-current assets</b>	<b>\$ 7,390,814</b>	<b>\$ 5,094,672</b>

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**12. Supplemental Cash Flow Information**

	Three Months Ended October 31,	
	2006	2005
<b>Non-cash transactions:</b>		
Changes in financing and investing activities:		
Common shares issued for mineral properties	\$ -	\$ 88,000
Receivables at period-end for mineral properties	-	53,289
Payables at period-end for mineral properties	<b>567,560</b>	82,702
Common shares issued for subscriptions receivable	<b>20,396</b>	29,650
Shares issuance obligation for mineral properties	-	45,000
Fair value assigned to share issue costs	<b>55,200</b>	-
Black-Sholes value assigned to exercised stock options & warrants	<b>117,323</b>	294,433
	<b>\$ 760,479</b>	<b>\$ 593,074</b>
<b>Other cash flow information:</b>		
Interest received	<b>\$ 39,073</b>	<b>\$ 7,703</b>

**13. Subsequent Events**

**(a) Private Placements**

On November 27, 2006, the Company closed the previously reported two non-brokered private placements (September 2006), consisting of 6,359,811 units (one common share and one-half share purchase warrant) at a price of \$1.20 per unit and 1,549,998 flow through shares at a price of \$1.34 per share. The private placement closed in four tranches with all the common shares issued and total gross proceeds of \$9,708,770 received.

Related to these two private placements, the Company paid share issue costs including a total of \$635,558 cash, issued 46,000 shares at a price of \$1.20 per share and 220,920 units at a price of \$1.20 per unit with the same terms as the private placement and 40,400 warrants exercisable at \$1.50 per share for a period of 18 months.

**(b) Stock Options**

On December 5, 2006, the Company granted 1,135,000 incentive stock options to directors, officers, employees and consultant, each exercisable at \$1.20 per share and for a period of five years.

**(c) Share Purchase Warrants**

Subsequent to October 31, 2006, 971,369 share purchase warrants were granted, each exercisable at \$1.50 per share for a period of 18 months.

# BRAVO VENTURE GROUP

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## **Management Discussion and Analysis**

For the Three Months Ended October 31, 2006

Dated: December 18, 2006

**Bravo Venture Group Inc.**  
**Management Discussion and Analysis**  
**For the Three Months Ended October 31, 2006**

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## **1. Introduction**

This management discussion and analysis (“MD&A”) of the financial condition and results of the operations of Bravo Venture Group Inc. (the “Company”) analyzes the three months ended October 31, 2006 and is dated December 18, 2006. The MD&A was prepared to conform to National Instrument 51-102 F1 and was approved by the Audit Committee and the Board of Directors prior to release.

This MD&A should be read in conjunction with the Company’s most recent audited annual consolidated financial statements, MD&A for the fiscal year ended July 31, 2006 and the Company’s unaudited interim consolidated financial statements for the three months ended October 31, 2006.

The Company’s consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles. All notes referenced herein may be found in the consolidated financial statements.

All dollar amounts are in Canadian dollars, the Company’s reporting currency, unless otherwise indicated. Some numbers in this MD&A have been rounded to the nearest thousand for discussion purposes. Certain forward-looking statements are discussed in the MD&A with respect to the Company’s activities and future financial results. These are subject to significant risks and uncertainties that may cause projected results or events to differ materially from actual results or events.

The Company is a reporting issuer in British Columbia and Alberta, and its shares trade on the Tier 2 Board of the TSX Venture Exchange (“TSX-V”) under the symbol BVG and trade on the Frankfurt Stock Exchange and the Berlin Stock Exchange under the symbol B6I. Additional information relating to the Company, including detailed drill results disclosed in news releases, is available on SEDAR at [www.sedar.com](http://www.sedar.com). Terms of property option agreements are described more fully in the notes to the consolidated financial statements.

Joseph A. Kizis, Jr., P. Geo., the President of the Company, is the qualified person responsible for the technical information with respect to the Battle Mountain properties.

Robert W.J. Macdonald, P. Geo., is the qualified person responsible for the technical information with respect to the Woewodski and Homestake Ridge Properties.

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**2. Exchange Information and Conversion Tables**

For ease of reference, the following information is provided:

**U.S. Dollar to Canadian Dollars**

	Three Months Ended		Year Ended	
	October 31,		July 31,	
	2006	2005	2006	2005
Rate at end of the period	1.12120	1.17710	1.13170	1.22380
Average rate for the period	1.12148	1.18787	1.15598	1.24180
High for the period	1.14110	1.22980	1.22980	1.33460
Low for the period	1.10280	1.15820	1.09260	1.17140

Information from [www.oanda.com](http://www.oanda.com)

**Conversion Table**

Imperial	=		Metric
1 Acre	=	0.404686	Hectares
1 Foot	=	0.304800	Meters
1 Mile	=	1.609344	Kilometres
1 Ton	=	0.907185	Tonnes
1 Ounce (troy)/ton	=	34.285700	Grams/Tonne

Information from [www.onlineconversion.com](http://www.onlineconversion.com)

**Precious metal units and conversion factors**

ppb - Part per billion	1 ppb = 0.0010 ppm = 0.000030 oz/t
ppm - Part per million	100 ppb = 0.1000 ppm = 0.002920 oz/t
oz - Ounce (troy)	10,000 ppb = 10.0000 ppm = 0.291670 oz/t
oz/t - Ounce per ton (avdp.)	1 ppm = 1.0000 ug/g = 1.000000 g/tonne
g - Gram	
g/tonne - gram per metric ton	1 oz/t = 34.2857 ppm
mg - milligram	1 Carat = 41.6660 mg/g
kg - kilogram	1 ton (avdp.) = 907.1848 kg
ug - microgram	1 oz (troy) = 31.1035 g

Information from [www.onlineconversion.com](http://www.onlineconversion.com)

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### **3. Overall Performance**

The Company's principal business activity is the acquisition and exploration of precious and base metal-rich projects within North America. The Company currently has properties in Nevada, British Columbia and Alaska, referred to as the Battle Mountain, Homestake Ridge and Woewodski properties, respectively.

#### **(a) High-Grade Results Confirmed at Homestake Ridge**

The Company has received encouraging high-grade assays including a 14.8 meter intercept of 15.9 g/t Au from its Homestake Ridge VMS/epithermal project in the Eskay-Stewart-Kisault-belt of northwestern British Columbia, Canada.

Drilling on the Homestake Ridge property finished in October 2006. This season, the company completed 28 holes for a total of 6,531.5 meters. Assays are pending for twelve holes completed in Phase II.

#### **(b) Woewodski Property Yields High-Grade Gold**

Several multi-ounce gold surface outcrop and rubble samples were recovered during a recently completed sampling program on the Company's Woewodski property in southeast Alaska, USA. Values have been confirmed by fire assay pulp analysis at two laboratories and by metallurgical screen analysis. The property hosts both precious and base metal-rich massive sulphides and gold-rich orogenic quartz veins.

Fieldwork through the Summer and Fall of 2006 continued to develop several gold-quartz-vein targets on the island, where the surface sampling returned gold assays of up to 489.1 g/t Au (14.3 opt) from surface subcrop and float samples. Limited mechanical trenching was completed on one prospect but was suspended as a result of unseasonably deep snow conditions. Current plans are to resume work as soon as weather conditions permit, hopefully before the end of 2006.

#### **(c) Battle Mountain/Eureka Trend**

Currently the Company has a total of 2,270 claims (approximately 70 sq. mi.) in its thirteen properties, one of the largest holdings in the South Battle Mountain / Eureka trend.

A program of up to four mud-rotary drill holes is underway at South Lone Mountain. The program is designed to further test the area around an historic oil well with gold-bearing chips in Lower Plate carbonates sequence

A program of reverse-circulation drilling is underway at the Company's Signal project. Historic drilling and the Company's surface sampling demonstrate widespread gold mineralization in the range of sub-gram to gram gold per ton hosted by Lower Plate carbonates. The project is located adjacent to the Ruby Hill gold mine, operated by Barrick Gold Corporation.

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**3. Overall Performance (continued)**

**(c) Battle Mountain/Eureka Trend (continued)**

The Company completed an initial drill test to 762 meters with a mud-rotary rig at its Shoshone Pediment project. The drilling failed to encounter bedrock to the targeted depth, making the southwestern portion of the project unattractive. Exposed Upper Plate rocks in the northern and eastern portions of the project contain variable degrees of alteration and extensive low-level gold and anomalous pathfinder geochemistry, however. This area will be re-evaluated as time permits. The Company has met the requirements to earn into the project with Placer Dome US Inc./Barrick.

One mud-rotary hole was completed to 427 meters at the Company's Half Ounce project in the Battle Mountain trend. The hole intersected gravel, lake sediments, and ended in unaltered tuffaceous sandstone.

Agnico-Eagle drilled two reverse-circulation holes at the Company's Granite Mountain project, but neither successfully penetrated Upper Plate rocks to test the Lower Plate carbonates. Agnico-Eagle has returned the property to the Company.

Permits and bonds are in place for the Company's Three Bar, South Gold Bar and Gabel projects, with R.C. drilling anticipated in the spring of 2007. The Company also expects joint-venture partner, Placer Dome US/Barrick, to drill test the Pete Hanson project in 2007.

**(d) Private Placements**

The Company has closed 6,359,811 units in a non-brokered private placement at a price of \$1.20 per unit for gross proceeds of \$7,631,773. Each unit offering consists of one common share and one half share purchase warrant, with each full warrant exercisable to purchase one additional common share at an exercise price of \$1.50 per share for a period of eighteen months. The private placement closed in four tranches and all funds were received before the end of November 2006.

The Company also closed 1,549,998 common shares in a non-brokered flow-through private placement at a price of \$1.34 per common share for gross proceeds of \$2,076,997. The flow-through private placement closed in two tranches and all funds were received before the end of November 2006. The funds are applied to a drilling program at the Company's Homestake Ridge property.

**(e) Stock Options**

In September 2006 the Company granted 810,000 incentive stock options at an exercise price of \$1.28 per share, and in December 2006 the Company granted 1,135,000 incentive stock options at an exercise price of \$1.20 per share to directors, officers, employees and consultants, exercisable for a period of five years. During the three months ended October 31, 2006, 619,500 stock options were exercised for \$354,425.

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**3. Overall Performance (continued)**

**(f) Share Purchase Warrants**

Since the year ended July 31, 2006 to the date of this MD&A, the Company granted a total of 3,330,766 share purchase warrants, including agent warrants granted as finders' fees, at a price of \$1.50 per share pursuant to the non-brokered private placement at a price of \$1.20 per unit that closed in November 2006. During the three months ended October 31, 2006, 1,768,350 share purchase warrants were exercised for total proceeds of \$591,170.

**(g) Financial Condition**

	Three Months Ended October 31,		Year Ended July 31,
	2006	2005	2006
Current assets	\$ 9,490,669	\$ 1,281,117	\$ 4,245,646
Equipment	2,951	-	3,150
Mineral Properties	7,333,049	4,322,383	5,054,005
Investments	-	116,664	-
Reclamation Bond	54,814	17,731	37,517
<b>Total Consolidated Assets</b>	<b>\$ 16,881,483</b>	<b>\$ 5,737,895</b>	<b>\$ 9,340,318</b>

The Company's total consolidated assets increased by \$7,541,000 for the three months ended October 31, 2006, due mainly to the receipt of \$6,572,000 cash, net of cash share issue costs, from two private placements financings and \$946,000 cash from exercised share purchase warrants and stock options. For the three months ended October 31, 2006, the Company capitalized a total of \$2,279,000 expenditures on specific properties.

Compared to the same period ended last fiscal year, October 31, 2005, the Company's total consolidated assets significantly increased by \$11,144,000, reflecting mainly an increase in cash of \$8,202,000 (from \$1,100,000 as at October 31, 2005 to \$9,302,000 as at October 31, 2006) from the Company's successful financing activities and the capitalized mineral properties expenditures of \$3,011,000.

Subsequent to October 31, 2006, the Company closed two non-brokered private placements and received an additional \$2,501,000 in cash, net of cash share issue costs.

**4. Description of Mineral Properties**

The Company has properties within North America. The Battle Mountain Nevada properties are prospective Carlin-type sediment-hosted gold properties located strategically within the Battle Mountain-Eureka gold trend; Homestake Ridge property in the Skeena Mining Division, southeast of Stewart, B.C. is a Volcanogenic Massive Sulfide ("VMS")/epithermal gold vein system and the Woewodski property in southeastern Alaska is a precious and base metal-rich massive sulphide and orogenic gold property.

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**4. Description of Mineral Properties (continued)**

Details of option agreements by property are disclosed in the notes to the consolidated financial statements. A summary of capitalized acquisition costs, exploration expenditures and costs recovery in the Company's properties for the three months ended October 31, 2006 and October 31, 2005 are as follows:

Mineral Properties	Battle Mountain	Homestake Ridge	Woewodski	Total
<b>Acquisition costs:</b>				
Balance as at July 31, 2006	\$ 528,557	386,000	375,367	1,289,924
Additions during the period	317,010	638	92,849	410,497
<b>Balance as at October 31, 2006</b>	<b>845,567</b>	<b>386,638</b>	<b>468,216</b>	<b>1,700,421</b>
<b>Exploration costs:</b>				
Balance as at July 31, 2006	368,777	1,432,195	1,963,109	3,764,081
Additions during the period:				
Advance	-	(50,000)	-	(50,000)
Assays and analysis	10,306	27,111	3,933	41,350
Drilling	190,095	580,125	3,092	773,312
Exploration	4,865	654,421	20,567	679,853
Geological services	32,149	294,288	48,966	375,403
Project supervision	5,488	15,567	4,620	25,675
Travel and other	3,136	14,586	5,232	22,954
Total additions during the period	246,039	1,536,098	86,410	1,868,547
<b>Balance as at October 31, 2006</b>	<b>614,816</b>	<b>2,968,293</b>	<b>2,049,519</b>	<b>5,632,628</b>
<b>Total Mineral Property expenditures</b>				
<b>As at October 31, 2006</b>	<b>\$ 1,460,383</b>	<b>\$ 3,354,931</b>	<b>\$ 2,517,735</b>	<b>\$ 7,333,049</b>

Mineral Properties	Battle Mountain	Homestake Ridge	Woewodski	Total
<b>Acquisition costs:</b>				
Balance as at July 31, 2005	\$ 433,285	\$ 301,000	\$ 247,333	\$ 981,618
Additions during the period	43,954	85,000	127,814	256,768
Recovery of costs	(39,237)	-	-	(39,237)
<b>Balance as at October 31, 2005</b>	<b>438,002</b>	<b>386,000</b>	<b>375,147</b>	<b>1,199,149</b>
<b>Exploration costs:</b>				
Balance as at July 31, 2005	222,103	556,123	1,810,847	2,589,073
Additions during the period:				
Advance	-	(477)	-	(477)
Assays and analysis	1,914	12,852	16,833	31,599
Drilling	-	123,934	4,878	128,812
Exploration	12,365	268,573	3,137	284,075
Geological services	43,593	6,734	21,942	72,269
Project supervision	11,258	2,399	42	13,699
Travel and other	6,419	36,625	3,814	46,858
Recovery of costs	(42,674)	-	-	(42,674)
Total additions during the period	32,875	450,640	50,646	534,161
<b>Balance as at October 31, 2005</b>	<b>254,978</b>	<b>1,006,763</b>	<b>1,861,493</b>	<b>3,123,234</b>
<b>Total Mineral Property expenditures</b>				
<b>As at October 31, 2005</b>	<b>\$ 692,980</b>	<b>\$ 1,392,763</b>	<b>\$ 2,236,640</b>	<b>\$ 4,322,383</b>

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**4. Description of Mineral Properties (continued)**

**(a) Battle Mountain Gold Trend Properties**

The Company has acquired a total of 2,270 claims covering approximately 70 square miles in the southern and central portions of the Battle Mountain-Eureka Gold Trend. These properties are near Placer Dome Inc.'s (now Barrick Gold Corporation) recent discoveries of multi-million ounce gold deposits at Cortez Hills, Pediment and ET Blue.

Trend Resources LLC ("Trend"), an entity active in the Southern Battle Mountain-Eureka gold trend area, identifies, evaluates and if appropriate, introduces prospective projects to the Company for acquisition purposes. Pursuant to an agreement made in November 2003, the Company has the right to proceed to acquire a 100% interest in properties introduced, subject to a 1% net smelter return royalty ("NSR") retained by Trend, by paying a US \$5,000 finder's fee and issuing 50,000 common shares for each such property.

Any property that is staked or otherwise acquired directly by the Company within the defined area of interest will also be subject to a 0.5% NSR payable to Trend. In fiscal 2005, the Company issued 50,000 common shares on the anniversary of the agreement, and then issued an additional 300,000 shares and paid US \$30,000 in finders' fees for the acquisition of options to six projects, namely Three Bar, South Lone Mountain ("SoLMtn"), South Gold Bar, Pete Hanson, North Lone Mountain, and Gabel prospects.

The Company also has the option to acquire interests on the Shoshone Pediment property, Half Ounce property, the Mountain Boy parcel (Signal, Temple, and Shiva properties), the SF property and the Granite Mountain property from independent third parties.

In addition to utilizing third party prospectors to help identify opportunities, the Company's strategy is to work with experienced mining companies to expedite exploration programs and advance select properties to production. To that end, the Company has been collaborating with Placer Dome U.S. Inc. ("PDUS") to explore certain of its projects in the Battle Mountain-Eureka trend.

In the first agreement with PDUS, dated October 20, 2004, PDUS agreed to fund preliminary exploration and development of the Company's SoLMtn, Three Bar and South Gold Bar prospects. PDUS directed and funded a staking program that expanded the original 105-claim SoLMtn prospect to 1,533 claims, or approximately 45 square miles (12,000 hectares). The PDUS agreement was amended to include these additional claims.

PDUS gave notice of its intention to relinquish its option with respect to the Three Bar and South Gold projects in September 2005 and paid one-third of the advanced minimum royalty ("AMR") otherwise due, being US \$33,333. In November 2005, the Company staked an additional 32 claims on the Three Bar project (now 145 claims), which lies mid-way between the Company's SoLMtn property and White Knight Resource's Indian Ranch property.

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**4. Description of Mineral Properties (continued)**

**(a) Battle Mountain Properties (continued)**

On May 1, 2006, the Company reacquired a 100 percent interest in the SoLMtn claims following receipt of notice from PDUS that it would not continue to fund exploration. The Company now has two separate joint venture and option agreements with PDUS governing the Pete Hanson and Shoshone Pediment properties.

In July 2006 Agnico began a deep-drilling program at the Company's Granite Mountain project, which was subsequently returned to the Company after Agnico's unsuccessful drilling program.

In October 2006, the Company signed subcontractor agreements to engage WDC Exploration and Wells for the drilling programs at the Company's Half Ounce property and Shoshone property, and to engage Drift Exploration Drilling for the drilling program at the Company's Signal property.

As at October 31, 2006, the Company capitalized a total of \$1,460,000 expenditures in Battle Mountain properties, net of a total of \$198,000 received from PDUS as earn in (\$83,000) and recoveries for the Company's exploration expenditures (\$115,000) discussed below.

**(i) South Lone Mountain Claims ("SoLMtn")**

In February 2005, the Company completed geochemical analyses of cuttings from an oil well adjacent to the SoLMtn claims. Assays returned 2.36g/t Au over a 50-foot composite sample of tuff and gravel overlaying bedrock, and anomalous gold was returned for the underlying 460-foot interval.

Pursuit to the Joint Venture agreement, in Q1 fiscal 2006, PDUS developed drill targets on the Company's SoLMtn property in collaboration with Company personnel, obtained drill permits, and posted a reclamation bond in preparation for drilling. Thirty two drill sites were permitted and drill testing on the project began in November 2005.

On March 6, 2006, the Company reported that the Company had received results from a nine-hole, 3,514 metre reverse-circulation and mud-rotary drilling program at the SoLMtn project. Two areas were tested. Drilling at one of these areas intersected anomalous gold mineralization thought to be related to a Carlin-type gold system.

On May 1, 2006, the Company reported that it is reacquiring a 100 percent interest in SoLMtn property following receipt of notice from PDUS that it would not continue to fund exploration. All property rights and exploration data were returned to the Company. SoLMtn project has been greatly advanced by the collaboration between PDUS and the Company's geologists. Data generated includes geology and geochemistry from historic oil wells in Kobeh Valley and exposures at Lone Mountain, detailed gravity geophysics, 48 line kilometers of seismic geophysics, soil and gas geochemistry, and limited drilling.

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**4. Description of Mineral Properties (continued)**

**(a) Battle Mountain Properties (continued)**

**(i) South Lone Mountain Claims (continued)**

The Company is planning to drill test several targets that have been developed, including what may be the source of the gold in the oil well: an untested northwesterly trending fault located approximately 400 meters southwest of the well. The fault has a strike length of at least three kilometers, inferred from seismic and gravity data, and a similar orientation to important mineralized structures elsewhere along the Battle Mountain-Eureka gold trend. Several important Lower Plate host rocks are believed to exist along the fault, including the Roberts Mountains, the Hanson Creek, and the Ninemile/Goodwin formations.

The Company received a permit for its second-phase drill program, which is now underway.

As at October 31, 2006, the Company expended \$250,000 at acquisition costs and \$128,000 at exploration on the Company's South Lone Mountain property, which was not including the recoveries received from PDUS. The Company received \$81,000 from PDUS as earn-in and \$129,000 as recovery to the Company's exploration expenditures as required by the joint venture agreement.

**(ii) Pete Hanson Project**

The Pete Hanson project is another property in the Battle Mountain area that was presented by Trend and then optioned by PDUS, now Barric Gold Corp. This 191-claim (1,538 ha) project, located two kilometers east of the Tonkin Springs deposits, is being advanced to the drill ready stage by Barrick. Although much of the area is covered by gravel, auriferous Lower Plate carbonate rocks and jasperoid crop out locally. Favorable stratigraphy coincides with a set of crosscutting lineaments that are prospective for gold mineralization.

The Company completed early stage exploration that identified the possibility of dissolution breccia-type, as well as traditional Carlin-type mineralization hosted by Devonian and Silurian carbonates. Favourable formations either exposed or projected to underlie portions of the claim block include the Upper Devils Gate, the Upper Denay, the McColley Canyon and the Roberts Mountains formations.

Pursuant to an agreement made June 10, 2005 and amended on December 7, 2005, PDUS made US \$75,000 option payments to the Company towards earning a right to a 51% interest, subject to a 1% NSR to Trend, in the Pete Hanson project. To exercise the option PDUS is required to incur a minimum of US \$1,000,000 in exploration work and to pay an additional US \$210,000 in installments over a four-year period. PDUS may elect to earn an additional 19% interest by funding exploration through to a bankable feasibility study. Follow-up detailed mapping and rock-chip sampling is expected to bring this project to the drill-ready stage in 2007. PDUS is operator and wholly funding the work.

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**4. Description of Mineral Properties (continued)**

**(a) Battle Mountain Properties (continued)**

**(ii) Pete Hanson Project (continued)**

As at October 31, 2006, the Company expended \$82,055 at acquisition and \$52,783 at exploration on the Company's Pete Hanson property, not including the recoveries received from PDUS. The Company received \$88,160 from PDUS as recovery from acquisition costs and \$39,460 as recovery from exploration expenditures as required by the joint-venture agreement.

**(iii) Shoshone Pediment Claims**

In August 2005, the Company entered into a third agreement with PDUS whereby PDUS quitclaimed its Shoshone Pediment claims, located in Lander County, Nevada, to the Company, but retained the one-time right to earn-back a 51% interest. An exploration program was agreed to by both companies, and the Company was required to pay claim maintenance fees, conduct geologic targeting, and drill a minimum of 2,500 feet within two years. After the Company spends US \$100,000, PDUS will then have a one-time right to fund the further exploration of US \$500,000 over a five-year period, after which PDUS can elect to form a formal joint venture at 51%.

In November 2006, the Company completed an initial test to 762 meters with a mud-rotary rig. Drilling failed to encounter bedrock to the targeted depth, making the southwestern portion of the project unattractive. Exposed Upper Plate rocks in the northern and eastern portions of the project contain variable degrees of alteration and extensive low-level gold and anomalous pathfinder geochemistry, however. This area will be re-evaluated as time permits.

As at October 31, 2006, the Company expended \$238,000 at the Shoshone property, of which \$46,000 was acquisition costs and \$192,000 was exploration expenditures.

**(iv) Mountain Boy Parcel (Signal, Temple and Shiva projects)**

In June 2005, the Company acquired the right to earn an interest in the Mountain Boy parcel of claims from a private optionor. The parcel is located in the northwestern portion of the Eureka Mining District, southwest of Barrick's Ruby Hill Mine. The Ruby Hill Mine produced 670,000 ounces of gold between 1997 and 2002 and has a reported proven plus probable reserve of 1.0 million ounces (see Barrick web site). The Company currently has 265 claims in Mountain Boy Parcel, which consists of three separate prospects: Signal project (194 claims), Temple project (38 claims) and Shiva project (33 claims).

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**4. Description of Mineral Properties (continued)**

**(a) Battle Mountain Properties (continued)**

**(iv) Mountain Boy Parcel (Signal, Temple and Shiva projects) (continued)**

The Company made AMR payments of US \$80,000 (of which half was made by issuing shares). To exercise the option and earn a 100% interest in the Mountain Boy parcel, the Company is required to pay additional AMR payments totaling US \$260,000 over a four-year period and may elect to satisfy 50% of AMR payments by issuing shares valued at the closing share price on the day prior to a payment date. The parcel is subject to a 2% NSR, of which 1% may be purchased for US \$1,000,000. The Company is responsible for certain fees, including federal and county maintenance fees.

Historic drilling at the Signal project targeted shallow, oxide gold mineralization that is exposed along strike for approximately 1,000 meters. The Company's limited verification sampling contains up to 355 ppb, which is within the range of historic sampling of less than 100 ppb to 2,420 ppb along an unconformity between Mississippian-age clastic rocks and underlying Devonian-age Devils Gate Limestone. Pathfinder elements in the Company's work are typical of a Carlin-style system, with up to 2,440 ppm arsenic, 119 ppm antimony, and 2.0 ppm mercury.

An extensive database of historic drill data, mapping, sampling, and CSAMT geophysics exists for Signal, which the Company has compiled into a 3D GIS model. The Company's consultants conducted detailed geologic mapping, identifying a local basin-facies within the upper portion of the Devils Gate Limestone. Rocks of this facies are locally decalcified and stained with iron oxides, and limited soil samples over this subcropping unit contain up to 110 ppb gold with +100 ppm arsenic and +10 ppm antimony. This favorable unit may be cut by postulated feeder faults, making an attractive deeper drill target.

The Company's planned drill program, 15-hole (~3,500 meter) reverse-circulation drilling, includes testing north-trending faults that could host high-grade gold mineralization, the potentially favorable basin facies within the upper Devils Gate Limestone, and an un-drilled breccia body located 2.2 kilometers south of the main target area. Historic grab samples of the breccia contain up to 3,070 ppb gold.

In May 2006, the Company deposited US \$14,000 for the required reclamation bond to the State of Nevada for the reverse-circulation drilling program at the Signal property. The first five holes test the Main Signal target area, where most of the historic drilling occurred. Two holes will test the Bisoni area and one hole will test the Atlas area, with additional holes planned for the Main Signal area.

Compilation of historic drilling and additional field work are planned for the Temple and Shiva projects as time permits.

As at October 31, 2006, the Company expended \$394,000 at the Mountain Boy Parcel, of which \$211,000 was acquisition costs and \$183,000 was exploration expenditures.

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**4. Description of Mineral Properties (continued)**

**(a) Battle Mountain Properties (continued)**

**(v) Granite Mountain Project**

The Company acquired 129 hectares (320 acres) of private land called the Granite Mountain project pursuant to a lease agreement dated June 28, 2004. The Granite Mountain project is located approximately 10 kilometers north of the Pipeline gold mine in Lander County, part of the Cortez district along the Battle Mountain-Eureka gold trend. The Company paid a finder's fee of US \$1,500 to an independent third party to acquire the lease. The project is subject to a 0.5% NSR to Trend.

AMR payments of US \$20,400 are required over two years to keep the lease in good standing, and annual AMR payments will increase by 5% thereafter. The project is subject to a 2% NSR, which it may reduce to 1% by paying US \$1,000,000 prior to the commencement of commercial production.

On February 7, 2006, the Company signed a Letter of Intent with Agnico-Eagle (USA) Ltd. (Agnico-Eagle), a subsidiary of Agnico-Eagle Mines Ltd., regarding the Company's Granite Mountain project. In September 2006, Agnico-Eagle returned the Granite Mountain property back to the Company.

Agnico-Eagle was not able to complete a deep reverse-circulation hole to the planned depth of 730 meters due to stuck drill pipe; the hole targeted high-grade gold hosted by Lower Plate carbonates such as occurs in the nearby Cortez deposits. The hole was lost at 524 meters, and a second hole was drilled to 293 meters to complete its drill commitment. Both holes remained in Upper Plate rocks, but at least two different types of altered Tertiary porphyry dikes were encountered in the deep hole. Pathfinder geochemistry is typical for a Carlin-style gold system. Concentrations of gold and arsenic increase down hole from background levels of less than 20 ppb to approximately 60 ppb Au, with individual 3-meter intervals of +100 ppb Au, and from background levels of less than 50 ppm As to approximately 150 ppm As. The Company currently is evaluating the drill data in detail.

As at October 31, 2006, the Company directly expended \$52,000 at its Granite Mountain property, of which \$30,000 was acquisition costs and \$22,000 was exploration expenditures.

**(vi) Half-Ounce Property**

The Company acquired an option on the Half-Ounce ("HO") Property in January 2005 from independent third parties. This gravel-covered property consists of 45 lode claims located 15 kilometers east of PDUS's ET Blue deposit at the intersection of a prominent NE-trending horst block and NW-trending lineaments observed on regional gravity data. Gold mineralization is exposed in Lower Plate carbonates nearby at Red Hill (a Placer Dome/Barrick property). By making payments totaling US \$110,000 over a five-year period and US \$50,000 on each anniversary date thereafter until the commencement of commercial production, the Company may earn a 100% interest in the claims, subject to a 2% NSR, of which 1% may be purchased for US\$1,000,000. This project is also subject to a 0.5% NSR to Trend.

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**4. Description of Mineral Properties (continued)**

**(a) Battle Mountain Properties (continued)**

**(vi) Half-Ounce Property (continued)**

A drill permit and bond are in place for up to four sites to determine basement lithology, alteration, and possible mineralization based on the Company's detailed surface geochemistry, detailed gravity, and lineament study. One mud-rotary hole was completed to 427m. The hole intersected gravel, lake sediments, and ended in unaltered tuffaceous sandstone.

As at October 31, 2006, the Company expended \$43,000 at the Half Ounce property, of which \$34,000 was acquisition costs and \$9,000 was exploration expenditures.

**(vii) Other Battle Mountain Properties**

Targeting has been completed at Gabel, Three Bar, and South Gold Bar. Drilling permits and bonds are in place for initial drill tests of each property. Detailed surface sampling has been completed at SF claims, with evaluation in progress. Soil sampling is planned at the alluvial-covered North Lone Mountain for the spring of 2007.

Detailed gravity, supported by seismic and soil geochemistry, at the Company's South Lone Mountain project indicates that a possible feeder fault there continues northwestward onto the Company's adjacent South Gold Bar property. At least one mud-rotary hole (minimum of 460 meters) is planned, pending weather conditions, to determine basement lithology, alteration, and possible mineralization.

**(b) Homestake Ridge Property, B.C.**

Homestake Ridge is a prospective gold project located in the Skeena Mining Division of northwestern British Columbia. It is hosted by an early to middle Jurassic sequence of volcanic tuffs and sediments, similar in setting to the Eskay Creek deposit located 115 kilometres north. The property has 14 unpatented mineral claims and six patented Crown Granted claims covering a total of 2,725 hectares. There are separate option agreements governing the Company's rights to the unpatented and patented claims. Because the claims are contiguous, they are collectively referred to as the Homestake Ridge property.

The Homestake Ridge project lies within a metallogenic belt that hosts several gold-rich and polymetallic mineral deposits. Previous exploration by major mining companies provided the Company with considerable mapping, sampling and trenching data that provided the foundation for its drilling programs.

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**4. Description of Mineral Properties (continued)**

**(b) Homestake Ridge Property, B.C. (continued)**

The Company and Teck Cominco Limited (“TCL”) entered into a property option agreement dated June 9, 2003, as amended February 28, 2005 and August 23, 2005, wherein the Company acquired the right to earn a 100% interest in the unpatented claims and assumed TCL’s obligations in the underlying option agreement. TCL retains a back-in right to earn a maximum of 70% interest and has a 2% NSR. If TCL spends 200% of the Company’s aggregate exploration expenditures and elects to exercise its back-in rights to the first 60% interest, then by so doing, TCL shall extinguish its rights to its 2% NSR.

In Q1 of fiscal year 2006, the Company elected to incur an aggregate of \$1,500,000 in exploration expenditures by December 31, 2006, which was met.

Pursuant to a property option agreement dated August 11, 2003, the Company acquired the right to earn a 100% interest in six patented mineral claims (“Crown Grants”), adjacent to the mineral claims governed by the terms of the TCL agreement, subject to a 2% NSR. As at October 31, 2006, the Company paid \$110,000 and issued 400,000 common shares at a fair market value of \$117,000 in satisfaction of the Crown Grants agreement.

In its 2003 drilling programs, the Company intercepted mineralization in the Crown Grant area. The higher-grade drill intercepts, up to 9.8g/t Au over 3.1 meters, occur within a halo of highly anomalous gold mineralization that can be traced both laterally and vertically.

In September 2004, the Company completed a surface sampling program that established drill targets along the main mineralized trend and evaluated the potential for additional gold-bearing structures parallel to the main zone. Targets were identified through soil sampling, rock geochemistry and ground magnetics, which successfully traced gold, silver and base metal mineralization over one kilometers to the southeast and identified a second parallel, mineralized area with considerable exploration potential.

In August 2005, the Company began an eleven hole, 1645 meter drill program, results of which were reported in October 2005. Drilling targeted northwest trending and moderately to steeply northeast dipping mineralization in the central Crown Grant portion of the property. A summary of Homestake Ridge 2005 drilling results is as follows:

	From (m)	To (m)	Width (m)	Au (g/t)	Ag (g/t)
<b>HR05-12</b>	98.2	99.8	1.5	14.5	22.8
	103.8	105.5	1.7	11.6	45.7
<b>HR05-13</b>	73.3	78.7	5.3	7.9	554.6
	inc 74.7	76.7	2	18.6	1108
<b>HR05-14</b>	68.1	79.7	11.6	5.3	479.7
	inc 68.1	73.7	5.6	10.7	951.7
	<b>inc 68.1</b>	<b>69.7</b>	<b>1.6</b>	<b>35.7</b>	<b>3176.5</b>
<b>HR05-17</b>	98	107	9	10.6	21.8
	inc 98	99.5	1.5	13.9	25.8
	and 102.5	107	4.5	14.1	31.6
	inc 103.5	104.5	1	34.5	69
<b>HR05-18</b>	115.4	118.9	3.6	9.1	28.2

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**4. Description of Mineral Properties (continued)**

**(b) Homestake Ridge Property, B.C. (continued)**

Drilling in 2005 identified a high-grade mineralized zone extending 135 meters along strike and over 200 meters down dip. High-grade gold- and silver-rich lenses of mineralization were identified in the hanging wall of the main mineralized zone. The orientation and extent of this hangingwall mineralization is still uncertain.

Drilling in 2006 finished in late October and encountered both focused zones of higher grade gold mineralization as well as broader zones of lower grade gold mineralization. Meterage for the combined Phase I and II programs totalled 6,532 meters in 28 drill holes. To the date of this MD&A, the Company has received assay results from all 16 Phase I drill holes and 6 of 12 drill holes as part of the Phase II program. Results from the remaining 6 drill holes, check assays and over limit base-metal assays from the Phase II program are pending.

Encouraging high-grade assays from the Phase I 2006 drilling include a 14.8-meter intercept of 15.7 g/t Au and 124.4 g/t Ag in hole HR06-24 and an 8.5-meter intercept of 25.3 g/t Au in drill hole HR06-27.

Initial Phase II results include a 7.05 meter interval grading 9.92g/t Au and 3.50g/t Ag, which contains a higher grade intercept of 2.70 meters grading 24.45 g/t Au and 7.74 g/t Ag in Hole HR06-41. This interval represents the deepest high-grade intercept on the property to date, occurring a full 500 meters vertically below the historical surface workings.

Other significant Phase II drill intercepts include Hole HR06-43 where 5.05 meters returned 5.52g/t Au and a second 5.05 meter interval contains 6.10g/t Au in Hole HR06-43. A shallow mineralized interval (<60 meters below surface) from drill Hole HR06-44 returned 38.70 meters of 0.62g/t Au and 12.56g/t Ag including 8.80 meters of 1.58g/t Au and 41.73g/t Ag.

These results continue to extend the main mineralized horizon both down dip and laterally to the northwest of previous drilling and represent significant step-outs from previously reported high-grade drill intercepts.

The main mineralized horizon can now be traced for over 200 meters strike and >500 meters down-dip. Evaluation of the Phase I and Phase II drill results suggest strong stratigraphic controls on the mineralization, which varies from copper-rich in the central and southeastern parts of zone to more lead-zinc-silver rich up-dip and to the northwest. Possible crosscutting “feeder-style” zones oriented at oblique angles to the main mineralized horizons may form thicker zones of higher-grade mineralization at the intersection with the main horizons.

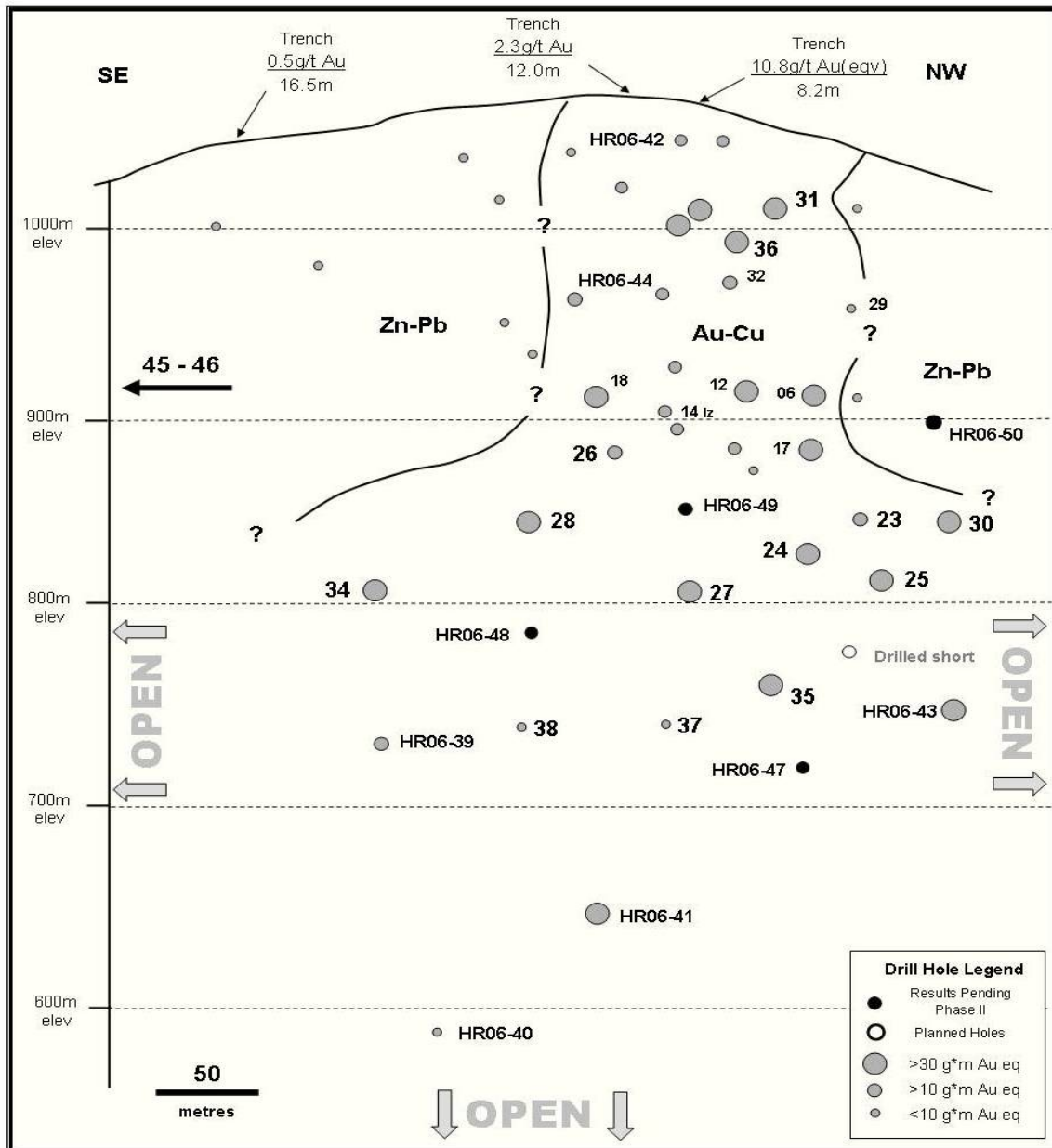
A number of factors complicate estimating true thickness of mineralized intervals and data is being incorporated into a 3-D model to better understand these controls and to better estimate true thicknesses of the mineralized intervals.

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**4. Description of Mineral Properties (continued)**

**(b) Homestake Ridge Property, B.C. (continued)**

Figure 1: Preliminary Longitudinal Section of the Main Mineralized **Zone**, Homestake Ridge Project, BC



Preliminary longitudinal section as of December 14, 2006 showing the distribution of mineralized drill intercepts in the Main Mineralized Zone. The section is a vertical projection of the mid-points of mineralized intervals along a moderately dipping (50° to 75°) mineralized zone. Mid-points of mineralized intervals are based on visual examination of the core and may change with the receipt of final assays and confirmation of downhole survey data.

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**4. Description of Mineral Properties (continued)**

**(b) Homestake Ridge Property, B.C. (continued)**

Table 1: Summary Gold-Silver Assays from 2006 Phase I Drill Program on Homestake Ridge

Drill Hole	From (m)	To (m)	Int (m)	Assay 1 Au g/t	Assay 2	Assay 3 Au g/t	Assay 1 Ag g/t
<b>HR06-23</b>	89.55	143.60	54.05	0.5			6.5
<b>HR06-24</b>	121.20	136.00	<b>14.80</b>	<b>20.4</b>	---	<b>15.7</b>	<b>124.4</b>
inc	121.20	123.75	<b>2.55</b>	<b>49.6</b>	<b>52.0</b>	<b>59.3</b>	<b>34.4</b>
and	125.70	127.20	<b>1.50</b>	<b>93.1</b>	<b>73.6</b>	<b>27.8</b>	<b>1125.0</b>
<b>HR06-25</b>	102.75	158.95	56.20	0.9	---	---	2.7
inc	140.15	143.25	<b>3.10</b>	<b>7.8</b>	---	<b>7.0</b>	5.7
<b>HR06-26</b>	119.90	125.65	5.75	3.3	---	---	6.2
inc	120.55	122.00	<b>1.45</b>	<b>10.8</b>	<b>10.2</b>	<b>10.5</b>	17.4
<b>HR06-27</b>	193.40	201.90	8.50	<b>25.3</b>	---	<b>23.2</b>	<b>40.3</b>
inc	194.40	198.35	3.95	<b>48.3</b>	---	<b>43.4</b>	<b>58.4</b>
<b>HR06-28</b>	151.10	168.45	17.35	4.9	---	---	9.4
inc	161.75	166.45	4.70	<b>16.7</b>	---	<b>12.0</b>	<b>27.1</b>
<b>HR06-29</b>	98.60	116.70	18.1	0.5	---	---	1.5
<b>HR06-30</b>	96.75	161.85	65.10	1.6	---	---	4.5
inc	150.45	155.40	<b>4.95</b>	<b>10.4</b>	---	<b>11.4</b>	13.7
<b>HR06-31</b>	32.50	59.00	26.5	1.3	---	---	17.8
inc	47.70	54.20	6.5	3.8	---	---	<b>37.9</b>
inc	51.00	52.50	<b>1.5</b>	<b>10.3</b>	<b>11.7</b>	---	<b>42.4</b>
<b>HR06-32</b>	69.30	85.00	15.7	0.8	---	---	10.5
inc	70.50	71.90	<b>1.4</b>	<b>6.5</b>	<b>9.0</b>	---	<b>94.0</b>
and	90.50	120.00	29.5	0.7	---	---	2.8
inc	90.50	96.50	<b>6.0</b>	<b>2.1</b>	---	---	5.7
<b>HR06-33</b>	lost hole short of target						
<b>HR06-34</b>	183.00	220.00	37.0	1.0	---	---	0.8
inc	192.00	202.00	<b>10.0</b>	<b>2.3</b>	---	---	1.2
<b>HR06-35</b>	172.40	191.00	<b>18.6</b>	<b>5.7</b>	---	---	3.3
inc	172.40	175.90	<b>3.5</b>	<b>20.6</b>	---	---	5.9
<b>HR06-36</b>	41.00	107.00	66.0	0.6	---	---	4.0
inc	77.10	87.30	<b>8.4</b>	<b>1.5</b>	---	---	5.9
<b>HR06-37</b>	NSV						
<b>HR06-38</b>	232.60	240.45	7.8	1.0	---	---	12.7
and	253.10	253.80	<b>0.7</b>	<b>6.1</b>	<b>6.4</b>	---	4.9

Assay 1 is the original pulp analyzed by FA- ICP by Acme Analytical Labs, certificates A604350 and A604352.

Assay 2 is the original pulp analyzed by FA-GRAV by Global Discovery Labs, certificate 06H2101.

Assay 3 is a metallic screen analysis by Acme Analytical Labs, certificate A604352R.

\* Down-hole data is being incorporated into a 3-D model to better understand controls and to better estimate true thicknesses of the mineralized intervals.

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**4. Description of Mineral Properties (continued)**

**(b) Homestake Ridge Property, B.C. (continued)**

Table 2: Summary Gold-Silver Assays from 2006 Phase II Drill Program on Homestake Ridge

<b>Drill Hole</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Int (m)</b>	<b>Au g/t</b>	<b>Ag g/t</b>
<b>HR06-39</b>	240.00	241.50	1.50	0.38	9.87
	246.10	268.80	22.70	0.54	2.67
inc	246.10	248.85	2.75	0.99	15.38
	283.20	288.00	4.80	0.79	6.44
<b>HR06-40</b>	373.75	387.50	13.75	0.41	1.58
<b>HR06-41</b>	289.95	297.00	<b>7.05</b>	<b>9.92</b>	3.50
inc	293.10	295.80	<b>2.70</b>	<b>24.45</b>	7.74
	316.30	319.15	2.85	3.58	1.16
<b>HR06-42</b>				NSV	
<b>HR06-43</b>	163.25	177.75	14.50	2.27	1.44
inc	170.70	175.75	<b>5.05</b>	<b>5.52</b>	3.28
	198.00	203.05	<b>5.05</b>	<b>6.10</b>	1.82
<b>HR06-44</b>	17.40	56.10	38.70	0.62	12.56
	20.20	29.00	8.80	1.58	41.73
	111.20	119.10	7.90	1.13	6.14

\* Analyzed by FA- ICP by Acme Analytical Labs, Vancouver, BC.

\*\* Down-hole data is being incorporated into a 3-D model to better understand controls and to better estimate true thicknesses of the mineralized intervals.

The Company will contract an independent 43-101 compliant technical evaluation upon receipt of all assay results from the 2006 program. The evaluation will form the basis for a multi-rig core drilling program in 2007, which will attempt to delineate and extend the known mineralized zone, as well as to test the target stratigraphy in several high-priority areas elsewhere on the property.

As at October 31, 2006, acquisition costs on the Homestake Ridge properties were \$387,000 and capitalized exploration expenditures were \$2,968,000, net of \$26,084 tax credit received from Canada Customs and Revenue Agency, for a total of \$3,355,000 expenditures in the Company's Homestake Ridge Property.

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**4. Description of Mineral Properties (continued)**

**(c) Woewodski Property, Alaska**

The Woewodski property consists of 501 federal and three state mineral claims located in the Petersburg Recording District in southeastern Alaska. Gold and massive sulphide exploration and limited gold production has occurred on Woewodski Island since the late 1890's. Reconnaissance scale prospecting and drilling indicates potential for both Pb-Zn-Ag-Au volcanogenic massive sulfide mineralization and gold in orogenic quartz veins.

Pursuant to an option agreement made with Olympic Resource Group, LLC ("Olympic") on March 7, 2003, as amended and made effective August 29, 2003, the Company acquired the right to earn a 100% interest in this property.

To exercise its option, the agreement stipulates that the Company pay US \$500,000 in staged AMR payments over five years, issue a total of 400,000 common shares, and incur a minimum of US \$2,000,000 in exploration on the property over six years. If the Company meets all of the above terms and conditions and elects to exercise the option, it would acquire a 100% undivided interest in the property, subject to a variable NSR payable to the optionors. The NSR varies from 1.5% - 4% depending on the mineralization encountered and the gold price. The AMR payments will be subtracted from the NSR payments required after commencement of commercial production.

In past years, the Company conducted reconnaissance surface exploration of the "Blue Quartz" auriferous veins in the southwestern portion of the island. Vein quartz, often with a distinctive blue color, is widely disbursed throughout the southern and western parts of the island as rare outcrops near shoreline and as float in linear drainages extending inland. Sampling by the Company in the area of the main Blue Quartz showing has traced high-grade quartz veins, some containing visible gold, in float and limited outcrop exposures for up to 500 metres along a north-northeast trend. More detailed surface sampling and structural interpretation is required on the gold-quartz vein targets to identify zones of increased vein density within the host structures.

In Q1 fiscal 2006, the Company reported results from its summer exploration program, in which two gold trends along the southwestern margin of the island were identified and high-grade gold was exposed in narrow quartz veins in hand-dug trenches. High-grade quartz in three separate occurrences extends for over 400 meters up Blue Quartz Creek.

The widespread distribution of VMS mineral occurrences on Woewodski Island suggests that a large hydrothermal system was active and capable of forming a large deposit of high-grade mineralization during a period of basinal quiescence. Future VMS exploration on the island will focus on the East Lake basin, where a graphitic argillite sequence is similar to the mine argillite at Green's Creek.

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**4. Description of Mineral Properties (continued)**

**(c) Woewodski Property, Alaska (continued)**

In June 2006, the Company started its 2006 exploration and drilling program at the Woewodski property. Exploration includes closely spaced soil sampling and hand-trenching at the high-grade Blue Quartz gold prospect on the western side of the island and a minimal “scout” drilling program at the East Lake VMS prospect in the central part of the island. Previous hand-trenching in the area of a high-grade “Blue Quartz” float occurrence identified two narrow quartz veins within a 3.0 meter mineralized interval containing 0.1m of 124.0g/t Au and 0.15m of 17.8g/t Au, respectively. The 2006 exploration has focused on continued tracing of the mineralized zone along strike and evaluating the thickness and density of the gold-bearing veins within the host structure.

In June 2006, a Hydra Wink (winkie) drilling program tested shallow IP and gravity geophysical targets at the East Lake prospect and completed 273 meters of drilling in three separate holes. Anomalous Au, Ag and base metal values were returned from each hole. Previous exploration on the prospect has identified well-preserved Late Triassic Volcanic and sedimentary stratigraphy, argillitic rocks hosting broad intervals of base-metal and precious-metal enriched iron sulphides. The Company plans to expand exploration on this target in the year 2007 to include additional ground IP geophysics, surface sampling and mapping of the critical lithological contacts and drill testing of the higher priority targets.

The Company reported in August 2006 that several multi-ounce gold surface outcrop and rubble samples were recovered during this year’s sampling program. Values have been confirmed by fire assay at two laboratories and by metallic screen analysis.

The new sampling of vein quartz is reported below;

	<b>Assay 1</b>	<b>Assay 2</b>	<b>Assay 3</b>	<b>Assay 3</b>
<b>Sample No.</b>	<b>Au g/t</b>	<b>Au g/t</b>	<b>Au g/t</b>	<b>Au oz/t</b>
480922	2.03	1.90	1.12	0.033
<b>480926</b>	<b>356.15</b>	<b>367.20</b>	<b>476.75</b>	<b>13.91</b>
480927	1.32	0.80	0.71	0.021
<b>480928</b>	<b>520.17</b>	<b>482.80</b>	<b>161.36</b>	<b>4.71</b>
480929	522.22	542.20	489.12	14.27
<b>480930</b>	<b>34.15</b>	<b>33.75</b>	<b>36.42</b>	<b>1.06</b>
<b>480931</b>	<b>2.50</b>	<b>5.90</b>	<b>2.16</b>	<b>0.063</b>

Assay 1 is the original pulp analyzed by FA-AA and FA-GRAV by Alaska Assay, certificate AK02080.

Assay 2 is the original pulp analyzed by FA-GRAV by International Plasma Labs, certificate 06H2101.

Assay 3 is a 1kg metallic screen analysis by Alaska Assay, certificate AK02130. Results reported first as g/t and then oz/t.

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**4. Description of Mineral Properties (continued)**

**(c) Woewodski Property, Alaska (continued)**

High-grade quartz has now been located in float and narrow veins along 400 meters of Blue Quartz creek. Similar narrow veins are widely dispersed throughout the southern and western parts of the 11km x 7km island and are hosted in east-northeast trending sub-parallel structures up to 10 meters in width.

Surface work, carried out through the Summer and Fall of 2006, followed-up on high-grade outcrop and float samples identified along the Blue Quartz trend and several other significant gold prospects on the island. Hand trenching and limited mechanical trenching were completed prior to the suspension of field activities in mid-November 2006, as a result of unseasonably deep snow conditions. Current plans are to resume exploration as soon as weather conditions permit.

As at October 31, 2006, acquisition costs on the Woewodski property were \$468,000 and capitalized exploration costs were \$2,050,000 for a total of \$2,518,000 expenditures in the Company's Woewodski property.

**5. Results of Operations**

The Company is still in the exploration stage, and there was no revenue generated from operations as at October 31, 2006. A summary of results of operations for the three months ended October 31, 2006 and 2005 is as follows:

	Three months ended October 31	
	2006	2005
<b>Operation Expenses</b>		
Amortization	\$ 199	\$ -
Consulting	43,827	24,601
Foreign exchange (gain) / loss	29,282	5,229
General exploration	714	-
Investor relations	14,075	31,955
Office and administration	83,010	66,446
Professional fees	5,581	16,090
Regulatory fees	243	381
Shareholders communications and printing	31,882	9,496
Transfer agent	6,562	3,050
Travel and promotion	116,475	22,013
<b>Loss before the undernoted</b>	<b>331,850</b>	<b>179,261</b>
Interest income	(53,034)	(8,197)
Stock based compensation	591,146	590,359
<b>Net loss for the period</b>	<b>\$ 869,962</b>	<b>\$ 761,423</b>

\* Certain of the prior year's comparative figures have been reclassified to conform to the presentation adopted in the current year, which were reflected in the 2006 audited year-end consolidated financial statements.

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**5. Results of Operations (continued)**

**(a) Comparison of the First Quarter of Fiscal 2007 to 2006**

For the three months ended October 31, 2006, the Company had a net loss of \$870,000 compared to a net loss of \$761,000 for the three months ended October 31, 2005. The major increases included travel and promotion (\$94,000), consulting fees (\$19,000), foreign exchange loss (\$24,000) and office and administration (\$17,000). All increases are a result of the Company's significant efforts in expanding investor awareness about the Company, its mineral projects and new developments during Q1 2007 ended October 31, 2006.

In Q1 2007, the Company reported a net foreign currency loss of \$29,000 compared to a net foreign exchange loss in Q1 2006 of \$5,229. For reporting purpose, the Company converted US dollar monetary assets and liabilities to Canadian dollar equivalents at the quarter-end exchange rate. In Q1 2007, the US dollar continued to weaken. At October 31, 2006, the Company had US \$2.9 million on deposit contributing to the reported foreign exchange loss.

\$116,000 of travel and promotion expenses was mainly for attending various conferences and shows in the North American and Europe in Q1 2007.

The increase of consulting fees and office and administration expenses are also due to the increase in activities in respect to the financing, accounting services and other day-to-day administration.

**6. Summary of Quarterly Results**

The following summary chart for the last eight financial quarters ending October 31, 2006 details pertinent financial and corporate information that is required to be disclosed by the Company. For more detailed information, refer to related consolidated Financial Statements.

	Three Month Period Ended:							
	31-Oct-06	31-Jul-06	30-Apr-06	31-Jan-06	31-Oct-05	31-Jul-05	30-Apr-05*	31-Jan-05*
General operating expenses \$	331,850	154,133	196,829	324,715	179,261	122,239	223,801	151,044
Stock based compensation \$	591,146	450,320	14,868	1,186,020	590,359	239,406	106,146	82,012
Income tax recovery \$	-	-	-	(148,089)	-	-	-	-
Interest income \$	(53,034)	(44,220)	(30,069)	(8,452)	(8,197)	(2,415)	(1,107)	(1,658)
Loss before the undernoted \$	869,962	560,233	181,628	1,354,194	761,423	359,230	328,840	231,398
Loss on investment	-	73,692	-	-	-	-	-	-
<b>Net loss for the period \$</b>	<b>869,962</b>	<b>633,925</b>	<b>181,628</b>	<b>1,354,194</b>	<b>761,423</b>	<b>359,230</b>	<b>328,840</b>	<b>231,398</b>
<b>Loss per share - basic and diluted</b>	<b>0.01</b>	<b>0.01</b>	<b>0.00</b>	<b>0.02</b>	<b>0.01</b>	<b>0.02</b>	<b>0.01</b>	<b>0.01</b>

\*General operating expenses in fiscal year 2005 have been restated to reflect reclassifications of certain administration and consulting fees from mineral properties to expenses, as applicable. Stock-based compensation in 2005 was recalculated for each quarter on the date of the grant of options. These restatements were reflected in the annual audited consolidated financial statements ended July 31, 2005.

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**7. Liquidity and Capital Resources**

The Company has limited financial resources, financing its operations by raising capital in the equity markets. For the foreseeable future the Company will need to rely on the sale of such securities and/or enter into joint venture arrangements with third parties to provide working capital and to finance its mineral property acquisition and exploration activities. Since the Company does not generate any revenue from operations, its long-term profitability will be directly related to the success of its mineral property acquisition and exploration activities.

The Company had a working capital balance of \$8,825,000 at October 31, 2006, compared to a working capital balance of \$1,113,000 at October 31, 2005. Cash and cash equivalents totaled \$9,302,000 and \$1,100,000, respectively.

The Company's working capital balance has increased to over \$8,800,000 as at October 31, 2006 due to the successful financing activities discussed earlier in this MD&A. A summary of cash flows for the three months ended October 31, 2006 and 2005 is as follows:

	Three Months Ended October 31,	
	2006	2005
<b>Cash provided by (used for)</b>		
Operating activities	\$ (281,131)	\$ (185,701)
Investing Activities	(683,037)	(659,719)
Financing activities	7,517,594	690,939
<b>Increase (decrease) in cash and cash equivalents for the period</b>	<b>\$ 6,553,426</b>	<b>\$ (154,481)</b>

**(a) Cash used for operating activities**

Net cash flow used in operations was \$281,000 for the three months ended October 31, 2006 versus \$186,000 for the same period ended October 31, 2005. The increase was due to the increase in general operating expenses discussed in Item 5 – Results of Operations, above.

**(b) Equity financings**

The Company received proceeds of \$6,572,000, including \$719,999 share issuance obligations and net of \$192,157 cash share issue costs and \$20,396 subscriptions receivable, from one private placement and one flow-through share private placement in the three months ended October 31, 2006. Additional cash of \$946,000 was received through the exercised share purchase warrants and exercised stock options during the three months ended October 31, 2006. Subsequent to October 31, 2006, additional cash of \$2,501,000, net of cash share issue costs, was received through private placements closed in November 2006.

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**7. Liquidity and Capital Resources (continued)**

**(b) Equity financings (continued)**

For the three months ended October 31, 2005, the Company received \$568,000 through exercise of share purchase warrants and stock options and \$123,000 from subscriptions receivable for the flow-through share private placement closed on July 29, 2005.

The details of financing activities and outstanding shares, warrants and stock options for the quarter ended October 31, 2006 and the year ended July 31, 2006 are disclosed in Note 10 of the consolidated financial statements as at October 31, 2006.

**(c) Investing activities**

**i) Short-term investments**

In the quarter ended October 31, 2006, the Company received \$1,399,995 bankers' acceptances with maturity periods longer than three months. Maturity periods of investments in bankers' acceptances during the quarter were all less than three months, which were included in cash and cash equivalents.

**ii) Mineral property expenditures**

For the three months ended October 31, 2006, the Company spent \$2,066,000 on mineral properties, most of which was directed towards the Homestake Ridge property.

The Company's principal requirements for cash are for exploration expenditures. Since July 31, 2006 to the date of this MD&A, the Company had issued a total of 7,909,809 common shares in two non-brokered private placements and received net proceeds of \$9,229,000, net of cash share issue costs, to fund those exploration and drilling programs.

Placer Dome US has been funding exploration on the Pete Hanson projects since June 2005 as required to earn its interests in the property.

**(d) Receivables**

As at October 31, 2006, the Company had \$103,262 GST receivable from Canada Revenue Agency, \$23,257 receivable from related parties and \$13,961 accrued interest for unmaturing bankers' acceptances.

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**7. Liquidity and Capital Resources (continued)**

**(e) Commitments**

Pursuant to the terms of its option agreements and amendments thereto, the Company has the following expenditure commitments to maintain the properties and earn its interests. Planned programs may be escalated or modified according to results achieved and recommendations from the Company's consultants.

- (i) To maintain the Nevada Battle Mountain claims in good standing, the Company will be required:
  - (1) to pay annual claims fees currently US \$125 per federal claim to the BLM (estimated total US \$284,000) and approximately US \$9.00 per claim to the County (estimated total US \$20,000);
  - (2) to pay aggregate AMR payments of US \$260,000 over the next four years on the Mountain Boy property. The Company may elect to make 50% of any AMR in cash and 50% in common shares.
  - (3) to pay aggregate AMR payments of US \$224,000 over the next five years on SF claims.
  - (4) to pay aggregate AMR payments of US \$106,000 over the next four years and US \$50,000 on each anniversary date thereafter until commercial productions on the Half Ounce properties:
  - (5) to make US \$900 monthly AMR payments through June 1, 2007 on the Granite Mountain project. Beginning July 1, 2007, the monthly payments will be increased annually by 5% until the commencement of commercial production.
- (ii) To exercise its option on the Homestake Ridge property, the Company is required to pay \$50,000 on or before December 31, 2006 and to pay \$50,000 on or before December 31, 2007 on the Crown Grant portion of the claims;
- (iii) To exercise its option on the Woewodski property, the Company is required:
  - (1) to make annual claims fees estimated to be US \$63,000;
  - (2) to pay a US \$50,000 AMR on or before August 29, 2007 and to pay a \$400,000 AMR on or before August 29, 2008; and
  - (3) to incur US \$2,000,000 in aggregate expenditure expenditures on or before August 29, 2009 (\$2,082,000 Canadian dollar equivalent expended by December 18, 2006).

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**8. Related Party Information**

The Company has no employees. Three private companies controlled by directors and senior officers provided management, administration and corporate development services to the Company. The services were provided in the normal course of operations for consideration established and accepted by the related parties, which management believes were reasonable under the circumstances.

Other related party transactions and balances are disclosed in Note 9 of the Consolidated Financial Statements as at October 31, 2006 and elsewhere in this MD&A.

**9. Outstanding Shares, Options and Share Purchase Warrants**

**(a) Issued and Outstanding Shares**

The authorized common share capital of the Company is unlimited. The issued share capital as at December 18, 2006 is as follows:

	<b>Number of shares</b>	<b>Total Amount</b>
<b>Balance as at October 31, 2006</b>	<b>71,616,893</b>	<b>\$ 24,921,954</b>
Shares issued subsequent to year end		
Private placement	1,641,017	1,969,220
Private placement - flow-through	1,249,998	1,674,997
Cash share issue costs	-	(443,401)
Shares issued for finders' fees	220,920	265,104
<b>Balance as at December 18, 2006</b>	<b>74,728,828</b>	<b>\$ 28,387,874</b>

**(b) Share Purchase Warrants**

As at October 31, 2006, there were 3,403,897 share-purchase warrants outstanding with a weighted average exercise price of \$1.24 per share. Subsequent to October 31, 2006, 971,369 share purchase warrants were granted at the exercise price of \$1.50 per share. No warrants have been exercised or expired since October 31, 2006.

**(c) Stock Options**

As at October 31, 2006, there were 6,313,000 stock options outstanding with a weighted average exercise price of \$0.82 per share. Subsequent to October 31, 2006, 1,135,000 stock options have been granted at the exercise price of \$1.20.

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**10. Off Balance Sheet**

The Company did not enter into any off balance sheet transactions or commitments as defined by National Instrument 51 - 102.

**11. Subsequent Events and Outlook**

**(a) Private Placements**

On November 27, 2006, the Company closed the previously reported two non-brokered private placements (September 2006), consisting of 6,359,811 units (one common share and one-half share purchase warrant) at a price of \$1.20 per unit and 1,549,998 flow through shares at a price of \$1.34 per share. The private placement closed in four tranches with all the common shares issued and total gross proceeds of \$9,708,770 received.

Related to these two private placements, the Company paid share issue costs including a total of \$635,558 cash, issued 46,000 shares and 220,920 units at a price of \$1.20 per share with the same terms as the private placement and 40,400 warrants exercisable at \$1.50 per share for a period of 18 months.

**(b) Stock Options**

On December 5, 2006, the Company granted 1,135,000 incentive stock options to directors, officers, employees and consultant, each exercisable at \$1.20 per share and for a period of five years.

**(c) Share Purchase Warrants**

Subsequent to October 31, 2006, 971,369 share purchase warrants were granted, each exercisable at \$1.50 per share for a period of 18 months.

**12. Risks and Uncertainties**

The principal business of the Company is the exploration and development of mineral properties. Given the nature of the mining business, the limited extent of the Company's assets and the present stage of development, the following risk factors, among others, should be considered.

The Company does not hold any known mineral reserves of any kind and, therefore, does not generate any revenues from production. Its success will depend largely upon its ability to locate commercially productive mineral reserves. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that our exploration efforts will be successful. Success in establishing reserves is a result of a number of factors, including the quality of management, the level of geological and technical expertise, the quality of land available for exploration, as well as various other factors.

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**12. Risks and Uncertainties (continued)**

Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling and bulk sampling, to determine the optimal metallurgical process to extract the metals from the ore and to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that our exploration programs will result in the establishment or expansion of resources or reserves.

Since the Company does not generate any revenues, it may not have sufficient financial resources to undertake by itself all of its planned mineral property acquisition and exploration activities. Operations will continue to be financed primarily through the sale of securities such as common shares. The Company will need to continue its reliance on the sale of such securities for future financing, which may result in dilution to existing shareholders. Furthermore, the amount of additional funds required may not be available under favorable terms, if at all, and will depend largely on the acquisition and exploration activities pursued.

The ability to attract capital to the Company is dependent on movements in commodity prices. Commodity prices fluctuate on a daily basis, and they are affected by a number of factors beyond the control of the Company. If, because of a sustained decline in prices, financing were not available to meet cash operating costs, the feasibility of continuing operations would be evaluated and if warranted, would be discontinued.

The resource industry is intensively competitive in all of its phases, and the Company competes with many other companies possessing much greater financial and technical resources. Competition is particularly intense with respect to the acquisition of desirable undeveloped gold and silver properties. The principal competitive factors in the acquisition of prospective properties include the staff and data necessary to identify, investigate and purchase such properties, and the financial resources necessary to acquire and develop the projects. Competition could adversely affect the Company's ability to acquire suitable prospects for exploration.

**13. Licenses and Permits**

The operations of the Company require licenses and permits from various government authorities. The Company believes that it holds all necessary licenses and permits under applicable laws and regulations for work in progress and believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that the Company will be able to obtain or maintain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities or to maintain continued operations that economically justify the cost.

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**14. Management's Responsibility for Financial Information**

Preparing financial statements requires management to make estimates and assumptions that affect the reported results. The estimates are based on historical experience and other assumptions that are believed to be reasonable under the circumstances. Critical accounting policies that affect the financial statements are disclosed in Note 2 to the annual audited financial statements.

Consistent with accepted policies of the Canadian junior mining industry, the Company capitalizes exploration expenditures. This decision, and the timing of the possible recognition of impairment in the mineral property value, can materially affect the reported earnings of the Company.

Management has prepared the information and representations in this report. The financial statements have been prepared to conform to generally accepted accounting principles in Canada and, where appropriate, reflect management's best estimates and judgment. The financial information presented throughout this report is consistent with the data presented in the financial statements.

The Company maintains adequate systems of internal accounting and administrative controls, given the limited budget available. These systems were designed to provide reasonable assurance that relevant and reliable financial information is produced. The independent auditors have the responsibility of auditing the financial statements and expressing an opinion on them.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control. The Audit Committee is composed of three directors, who meet at least quarterly with management and annually with the external auditors, to review accounting, auditing, internal controls and financial reporting matters. Management has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that they are operating effectively.

**15. Whistleblower Policy**

Effective June 30, 2005, the audit committee adopted resolutions that authorized the establishment of procedures for complaints received regarding accounting, internal controls or auditing matters, and for a confidential, anonymous submission procedure for employees who have concerns regarding questionable accounting or auditing matters. The implementation of the whistleblower policy is in accordance with the new requirements pursuant to Multilateral Instrument 52-110 Audit Committees, national Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

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**16. Forward-Looking Statements**

Some of the statements contained in this MD&A are forward-looking statements, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur.

Forward-looking statements may be identified by such terms as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". Such forward-looking statements are made pursuant to the safe harbour provisions of the United States Private Securities Litigation Reform Act of 1995. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual results relating to, among other things, results of exploration, reclamation, capital costs, and the Company's financial condition and prospects, could differ materially from those currently anticipated in such statements for many reasons such as; changes in general economic conditions and conditions in the financial markets; changes in demand and prices for the minerals the Company expects to produce; litigation, legislative, environmental and other judicial, regulatory, political and competitive developments; technological and operational difficulties encountered in connection with the Company's activities; and changing foreign exchange rates and other matters discussed in this MD&A.

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. Further information regarding these and other factors, which may cause results to differ materially from those projected in forward-looking statements, are included in the filings by the Company with securities regulatory authorities. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.