

**MURGOR RESOURCES INC.**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX-MONTH PERIOD ENDED OCTOBER 31, 2006**

**STATEMENT CONCERNING THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Management has compiled the unaudited interim consolidated financial statements as at October 31, 2006 and for the three-month and six-month periods ended October 31, 2006 and 2005. The statements have not been audited or reviewed by the corporation's auditors or any other firm of chartered accountants.



# MANAGEMENT'S DISCUSSION AND ANALYSIS

As at December 22, 2006

The following management's discussion and analysis ("MD&A") of the results of operations and financial condition of Murgor Resources Inc. ("Murgor" or the "Corporation") and its wholly owned subsidiary Murgor Exploraciones S.A.C. for the three month period and six-month periods ended October 31, 2006, 2005 and 2004 should be read in conjunction with the Corporation's audited financial statements and the related notes. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada and are reported in Canadian dollars unless otherwise noted.

The Corporation's shares are listed for trading on the TSX Venture Exchange under the trading symbol MUG. Additional information on Murgor can be found on SEDAR ([www.sedar.com](http://www.sedar.com)) and on Murgor's web site ([www.murgor.com](http://www.murgor.com)).

## FORWARD LOOKING STATEMENTS

Except for historical information, this contains forward-looking statements relating to, among other things, regulatory compliance, and the sufficiency of current working capital, the estimated cost and availability of funding for the acquisition of properties and the continued exploration and development thereof. Such statements reflect current views of Murgor with respect to future events and are subject to certain risks, uncertainties and assumptions. Estimates provided for fiscal 2006 and beyond are based on assumptions of future events and actual results could vary significantly from these estimates. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the corporation.

## OVERVIEW

Murgor is a mining exploration company with a focus on Zinc, Copper and Gold exploration in Canada. The Company's *short to mid term exploration – development strategy* includes the acquisition of advanced, near production mineral deposits to bring into production. Meanwhile, the Company continues to acquire and explore highly prospective grassroots mining properties in historically prolific greenstone belts in Canada to enhance its current resources. As of September 12, 2006, Murgor signed a series of agreements with Hudbay Minerals to acquire resources exceeding 6.75MT of polymetallic ore grading 1.18 g/t Au, 1.46% Cu and 4.40% Zn with an In Situ Metal Value exceeding US \$1.2 Billion.

On December 14, 2006, the Corporation completed a private placement for gross proceeds of \$6,000,000. At the closing, Murgor issued 16 million flow-through units, for gross proceeds of \$4 million. Each flow-through unit consists of one flow-through common share and one-half of a common share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at a price of \$0.35 for a period of 18 months from the closing date. Murgor also issued 10 million non-flow-through units, for gross proceeds of \$2 million. Each unit consists of one common share and one-half of a common share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at a price of \$0.30 for a period of 24 months from the closing date. In connection with this financing, Murgor issued 2,340,000 broker units exercisable at \$0.20 for a 24 month period from the closing date. Should these broker units be exercised, an additional 1,170,000 warrants exercisable at \$0.30 would be issued and would expire on the same date as the original warrants.

With this financing, Murgor is now in a position to explore the Flin Flon belt properties at an accelerated pace in order to meet its earn-in commitments as soon as possible. Murgor's objective is to complete its earn-in commitments within two years. Murgor will be using the proceeds of this financing towards its HudBay Minerals options where a 20,000 metres drilling program, and extensive ground and helicopter borne geophysical programs are set to start in January 2007.

## MINING PROPERTIES

As of October 17<sup>th</sup>, 2006, Murgor had formalized all necessary agreements with HudBay Minerals Inc. and Hudson Bay Exploration and Development (HBED) to acquire six properties in the Flin Flon greenstone belt of Manitoba and Saskatchewan. Four of these properties contain large historical resources of zinc, copper, gold and silver, and two other properties comprise a total of 1,800 square kilometres of highly prospective ground at the grassroots exploration stage.

The property package includes a 100% interest in four properties covering an area of 54 square kilometres and including a combined polymetallic mineral resource of 6.8 MT in four deposits. One of the deposits also includes a 300 meter ramp that reaches the halfway mark to the mineralization.

The property package also includes a 50% interest in two grassroots projects covering an area of more than 1,800 square kilometres, located 10 kilometres NW of the town of Flin Flon and 5 kilometres east of the town of Snow Lake. The acquisition of these two grassroots projects includes the data from 9,500 kilometres of HBED's SPECTREM airborne survey, an electromagnetic airborne geophysical method that is still one of the most sophisticated systems in existence today.

The cost of the acquisition is \$1.16 million payments in increasing yearly instalments, with increasing working commitments of \$13.05 million over a period of 4 years.

In preparation for an extensive and accelerated exploration program at its new properties in the Flin Flon belt of Manitoba and Saskatchewan, Murgor has scaled-down its exploration efforts elsewhere in eastern Canada subsequent to Q1 of 2007. The Company has focused its exploration work on the Fancamp and Nelligan properties in north-western Quebec. Minor exploration work was also conducted on the Windfall and Barry properties also in north-western Quebec. Since November of 2006, Murgor has started preliminary work at its new Flin Flon belt properties in preparation for extensive geophysical surveys and 20,000 metres of drilling scheduled to start in January of 2007.

At the Fancamp gold property exploration work followed-up a 2.7 kilometre long high chargeability and resistivity anomaly that was outlined in the January of 2006. The anomaly is located on strike with two gold occurrences with reported results of 8.22 g/t Au over 6.10 meters, 5.14 g/t Au over 3.36 meters and 4.60 g/t Au over 3.05 meters.

The Nelligan gold property was acquired in the summer of 2006 and the transaction was finalized with the TSX approval on December 1<sup>st</sup>, 2006. Exploration work at Nelligan culminated with the discovery of a new gold occurrence defined by three channel samples with best results yielding 124 g/t Au over 2.53 metres including a 53 cm section grading 582 g/t Au (see Murgor press release dated December 14<sup>th</sup>, 2006).

Exploration on the Eagle River, Benoist and La Trève properties in Quebec, the Clay Lake, Mystery and Greenwater properties in Ontario and for the Elmtree Property in New Brunswick was temporarily put on hold.

Joint venture partnerships will be sought by Murgor on these projects to allow the Corporation to focus on its newly acquired assets in Manitoba and Saskatchewan.

## QUEBEC

### THE BARRY PROPERTY:

The Barry property is located approximately 100 km east of the town of Lebel-Sur-Quevillon and 180 km southwest of the town of Chibougamau in the Province of Quebec. The property consists of 255 claims covering 4,011 ha. The bulk of the property is held jointly by Murgor Resources and Freewest Resources Canada Inc., except for 14 claims (224 Ha) at the heart of the property, which are wholly-owned by Murgor. The Barry Au Deposit is located on ground that is 100% owned by Murgor.

### BARRY PROPERTY EXPLORATION:

On April 10<sup>th</sup>, 2006, Murgor published the results of its latest NI 43-101 compliant resource estimate. The resources were calculated using a cut-off grade of 2.0 g/t Au and a specific gravity of 2.80 g/cm<sup>3</sup>, in a mineralized zone lying from surface to a vertical depth of 50 meters, over a strike length of approximately 500 meters. Gold Zones 48 and 45 have not yet been taken into account. The most recent resource estimate is summarized below:

RESOURCE CATEGORY	TONNAGE	GRADE (g/t)	CONTAINED GOLD
Indicated Resource	269,000 mt	4.10 g/t Au	<b>35,500 oz.</b>
Inferred Resource	450,000 mt	4.68 g/t Au	<b>67,600 oz.</b>

Fifty (50) drill holes have been completed on the deposit since this latest NI 43-101 resource estimate (all during Q1 of 2007). The new drill results show the continuity between Gold Zones 43 and 45, and outlined additional extensions to the Main Zone. On June 21, Murgor issued a press release outlining the results of the first 41 drill holes of this campaign that showed the continuity between mineralized Zones 43 and 45. No significant results are reported in the remaining nine drill holes.

Since the end of Q1 of 2007, exploration work was scaled down to prospecting and geological mapping at the property-scale. No significant results are reported.

#### **FUTURE EXPLORATION AT THE BARRY PROPERTY:**

On December 14<sup>th</sup>, 2006, Murgor announced that, subject to regulatory approval, it had signed an agreement with Metanor Resources Inc. to sell six claims of the Barry I property that contain the Barry Gold Deposit. The objective of the agreement is to bring the deposit to production within two years. Under the terms of the agreement signed on December 12, 2006:

- Murgor will receive a \$200,000 cash payment from Metanor on or before January 15, 2007,
- Murgor will receive 416,666 shares of Metanor based on a price of \$0.60 per share for a total value of \$250,000, as an advance on royalties payable to Murgor upon production of the deposit.
- Murgor will receive a \$250,000 cash payment from Metanor on January 1<sup>st</sup>, 2008 or 30 days after obtaining the necessary permits to develop the Barry deposit as an advance on royalties payable to Murgor upon production of the deposit.
- Murgor retains a 9% Net Smelter Return royalty.

Advances on royalties will be reimbursed to Metanor upon 50% of Murgor's first profits upon production. Metanor must start production at Barry before December 12, 2008, or return the claims to Murgor free of any liens or charges. The property is subject to a 2% NSR payable to the Societe de Development de la Baie James (SDBJ) that will be assumed by Metanor.

Murgor is currently seeking partners to continue exploring the rest of this highly prospective property while it is concentrating its efforts on the exploration of its Flin Flon belt properties.

#### **THE WINDFALL PROPERTY:**

The Windfall property is located approximately 100 km east of the town of Lebel-Sur-Quevillon and 180 km southwest of the town of Chibougamau in the Province of Quebec. The property which consists of 213 claims that cover 8,995 ha, is held jointly by Murgor and Freewest Resources Canada Inc.

#### **WINDFALL EXPLORATION 2006:**

Subsequent to Q1 of 2007, Murgor has scaled down its exploration effort at the Windfall property to prepare for its extensive exploration program in northern Manitoba and Saskatchewan.

Field work at Windfall was reduced to detailed mapping of exploration trenches while the extensive amount of data gathered in the past three years of exploration was being integrated.

#### **FUTURE EXPLORATION AT WINDFALL:**

Despite Murgor's new priorities in the Flin Flon belt of Manitoba and Saskatchewan, management at Murgor contemplating additional field work at the Windfall property since Noront Resources Ltd. intersected a spectacular new mineralized zone grading 1327.9 g/t over 4.80 metres (see Noront Press Release dated December 01, 2006).

This new gold discovery is located approximately 100 metres south of Murgor's Windfall property boundary. Furthermore, the discovery is hosted by a strong NE-trending structure that extends onto Murgor's Windfall property. Murgor tested the structure in early 2006 with two drill holes at one locality approximately 1.5 kilometres to the NE. Specks of visible gold were observed in the drill core and best grades returned 1.0 g/t Au over 1.0 metre.

#### **THE FANCAMP GOLD PROPERTY:**

The 100% Murgor owned Fancamp property covers 48 claims (1,989 ha) located in the western part of the Fancamp Township, approximately 30 kilometres SE of the town of Chapais and 55 kilometres south of the town of Chibougamau in north-western Québec.

Through staking in 2004, the Fancamp Property now covers, covers approximately a six (6) kilometres strike length of the Fancamp Deformation zone. The Fancamp Deformation Zone is host to the Chevrier Gold deposit (1.1Mt @ 6.4 g/t Au and 230Mt @ 0.3 g/t Au), which is located approximately 5 kilometres NE of the Fancamp Property.

#### **EXPLORATION AT FANCAMP:**

In January of 2005, Murgor resumed exploration at the Fancamp Property after a hiatus of nearly 10 years. In the mid-80's, Murgor conducted extensive exploration on the property that concentrated on two mineralized zones and included modest underground developments. This work yielded results such as 6.10 m. @ 8.22 g/t Au, 3.36 m. @ 5.14 g/t Au and 3.05 m. @ 4.60 g/t Au.

In 2006, Murgor carried-out a 60 kilometers of line cutting that was followed by a 46 kilometer induced polarization ground geophysics survey. Results of the geophysical survey show a 2.7 kilometer long high chargeability, high resistivity anomaly trending NE and flanking a high magnetic anomaly. All mineralized zones are situated within this anomaly.

Subsequent to Q1 of 2007, Murgor conducted a geological mapping and prospecting exploration program to verify the surface expression of this 2.7 kilometre long high chargeability and resistivity anomaly.

Exploration work culminated with a mechanical trenching and channel sampling program in the fall of 2006. Several strong deformation zones have been outlined during this latest phase of exploration and a number of grab samples have returned highly anomalous gold assays. Geochemical results from channel samples have not all been received and a thorough interpretation of the results is pending.

#### **FUTURE EXPLORATION AT FANCAMP:**

Murgor is currently awaiting final results and interpretation of its latest exploration phase before making a decision on future exploration at Fancamp. In all likelihood, Murgor will be seeking a partner to advance the exploration efforts at Fancamp.

#### **THE NELLIGAN GOLD PROPERTY:**

On November 20<sup>th</sup>, 2006, Murgor announced that it had acquired the exclusive right to earn a one hundred percent (100%) interest the Nelligan gold Property in north-western Quebec. The property consists of forty-eight (48) mining claims located in Nelligan, Benoit and Lesueur Townships, less than five kilometres southwest of the town of Desmaraisville and the Bachelor Lake Gold Mine and mill. Murgor made a cash payment of \$10,000 on June 8<sup>th</sup>, 2006, upon signature of the agreement and issued 100,000 shares of Murgor to the Vendor on December 1<sup>st</sup>, 2006 when regulatory approval was obtained for the transaction. Murgor will also make aggregate payments in cash or share of Murgor totaling \$90,000 and will incur exploration expenditures totaling an aggregate amount of \$200,000 over three years after the signing of this agreement. The vendor retains a 2% Net Smelter Return royalty of which Murgor can purchase 1% at anytime at a cost of \$1,000,000.

#### **EXPLORATION AT NELLIGAN:**

Exploration at the Nelligan property was carried-out in the late summer and fall of 2006. During the months of August and September a property-scale geological mapping and prospecting program was carried-out that outlined several areas of interest where grab samples returned anomalous values in NE-trending shear zones. A mechanical trenching and channel sampling program followed during the fall of 2006 aimed at the prospective areas outlined earlier during the year.

The trenches were excavated to expose a NE-trending and steeply dipping mineralized shear zone identified during the summer 2006 field work. Three channel samples were collected across the shear zone with best results yielding **124 g/t Au over 2.53 metres** including a 53 cm section grading 582 g/t Au. The other channel samples returned 2.82 g/t Au over 1.19 metres and 2.65 g/t Au over 1.07 metres (see press release dated December 14<sup>th</sup>, 2006).

The mineralized shear zone is three to six metres wide and has been followed over a distance of 230 metres along strike. The structure is characterized by sericite, fuschite and iron carbonate and contains up to 15% disseminated pyrite. Several specks of visible gold are also present in the shear zone. The host rock consists of a medium to coarse grained magnetic gabbro.

The mineralized shear zone uncovered by the trenching program is believed to represent a subsidiary structure to a kilometre-scale NE-trending shear zone lying approximately 150 metres to the south. A large magnetic low anomaly coinciding with the NE-trending shear zone is interpreted as a very favorable setting for gold mineralization and represents a high priority target.

#### **FUTURE EXPLORATION AT NELLIGAN:**

Management at Murgor is currently contemplating additional work to follow-up on this new discovery.

## **THE EAGLE RIVER GOLD-COPPER-ZINC PROPERTY:**

The Eagle River property is located approximately 110 km east of the town of Lebel-Sur-Quevillon and 170 km southwest of the town of Chibougamau in the Province of Quebec. The property which consists of 183 claims that cover 10,311 ha, is held jointly by Murgor and Freewest Resources Canada Inc.

The Eagle River Property was initially staked for its gold potential in 2003, but preliminary geological mapping and sampling also revealed an excellent setting for base metal Cu-Zn mineralization of volcanogenic origin. The property covers 20 km of strike length of the northern extension of the NE-trending Barry Lake-Masere deformation corridor and 5 km of strike length of the EW-trending Urban-Barry deformation zone. The southwest part of the property covers the highly prospective zone of intersection between the two shear zones - an area that covers 25 km<sup>2</sup>. The Eagle River Property also covers rocks that are believed to be the eastern extension of the Windfall Felsic Complex to which gold is associated at the Windfall Property.

The summer 2005 exploration program at Eagle River consisted of property-scale geological mapping and prospecting carried-out simultaneously with a B-horizon soil survey. The soil surveys were designed to cover ground and helicopter-borne electromagnetic conductors. Zones of interest were later tested by mechanical trenching during the fall of 2005.

Only a few conductors were explained by surface prospecting. Samples of exhalative units near those conductors returned assays of up to 0.05% Cu and 0.2% Zn. A number of strong B-horizon soil anomalies were located over EM conductors with values of up to 743 ppm for Cu, 887 ppm for Zn, 100 ppm for Pb and 25 ppb for Au. A mechanical trenching and sampling program was carried-out in the fall 2005 to test those geochemical anomalies and although sulphide zones were discovered, no significant values were encountered.

## **EAGLE RIVER CURRENT AND FUTURE EXPLORATION:**

Murgor has not carried-out any exploration work at the Eagle River property since the fall of 2005 and is currently seeking a partner to advance the exploration efforts on the Eagle River property.

## **THE LA TRÈVE PGE-Cu-Ni PROPERTY:**

The La Trève PGE-Cu-Ni Properties consist of 283 claims that cover 7,799 hectares in the Berey, Lantagnac, Guettard and Daine Townships, approximately 80 kilometres WNW of the Chibougamau Mining District in north-western Quebec. The La Trève I (106 claims) and La Trève II (27 claims) properties are owned 100% by Murgor. The remaining 150 claims, comprising the La Trève III, IV, V and extension properties, are jointly held by Murgor and Freewest (50% each).

All of the La Trève properties except La Trève II are subject to an agreement with Dianor Resources Inc. whereby Dianor holds the rights to explore, mine, extract and sell diamonds from the La Trève I, III, IV and V properties. All other commodities remain the property of Murgor and/or Freewest.

The best mineral occurrences at La Trève remain the La Trève I, IA and IV Cu-Ni-PGE occurrences (LT I: **12.9 g/t PGE, 0.45% Cu, 0.69% Co and 0.75% Ni**; LT IA: **1.27 g/t PGE, 0.19% Cu and 0.10% Ni** and LT IV: **1.17 g/t Pt+Pd+Au and 0.63% Cu-Ni-Co over 6.95m**).

Murgor carried-out a brief exploration program at the La Trève properties during the summer of 2005. The objective of the program was to verify, through geological mapping and prospecting, the surface expression of magnetic anomalies, conductors and Cu-Ni-Co-Pd MMI soil anomalies on the properties that were defined by Dianor during their exploration of the property for diamonds.

Field work could not locate any outcrop in the areas of interest so soil geochemistry was carried-out where possible. No results of interest were encountered.

## **CURRENT AND FUTURE EXPLORATION AT LA TRÈVE:**

Murgor has not carried-out any exploration work at La Trève since the summer of 2005 and is currently seeking a partner to advance the exploration efforts on the La Trève properties.

## **THE BENOIST GOLD PROPERTY:**

The Benoist property consists of 92 mining claims covering 1,458 hectares located approximately 170 kilometres northeast of the Val D'Or mining district and 165 kilometres southwest of the Chibougamau mining district; 1 kilometre SE of the town of Miquelon in north-western Québec. The property is owned 50-50 by Murgor and Freewest Resources Canada Inc.

The Benoist property is located in the eastern part of the Archean, Abitibi greenstone belt. The property is underlain dominantly by intermediate to mafic volcanic flows and volcanoclastic rocks that are intruded by numerous small granodioritic quartz-phyric plutons. All rock types are crosscut by a number of NE-trending brittle-ductile shear zones which include the mineralized Pusticamica, South Gold and Lakeshore shear zones. The mineralized shear zones trend NE with sub-vertical dips.

Gold mineralization consists of massive pyrite veinlets with minor chalcopyrite and trace amounts of sphalerite, occurring within the Pusticamica shear zone and its splay, the South Gold shear zone within a quartz-phyric granodioritic intrusion. The mineralized body is sub-vertical with a strike length of 70 meters and a NS width of 40-50 meters. Alteration consists of silicification, sericitization, chloritization and pyritization. In 1993, Minnova calculated Inferred Reserves on the Pusticamica Zone, of **531,000 tons grading 0.161 oz/ton Au, 0.353 oz/ton Ag and 0.27% Cu** within a geological resource of 5.1 million tons grading 0.055 oz/ton Au.

The Benoist project remains a great asset to Murgor despite the fact that Murgor did not conduct any exploration work at Benoist in 2006. Murgor is seeking a partner to conduct exploration on this project.

## **ONTARIO**

### **THE CLAY LAKE and CLAY SOUTH Cu-Zn PROPERTY:**

The Clay Lake property consists of 5 claims (66 units) covering an area of 16,896 hectares in the Shebandowan greenstone belt west of Thunder Bay. The Clay Lake Property was acquired by staking in 2005, following a significant Cu-Zn discovery in the belt located approximately 5 kilometers to the SE.

In December 2005, Murgor and 50-50 joint venture partner Tribute Minerals Inc. acquired a 100% interest in 7 claims covering 1,296 hectares, contiguous to the Clay Lake property.

In May 2005, a 110 line kilometre helicopter-borne Magnetic-Electromagnetic VTEM survey was flown over the Clay Lake Property in an effort to locate possible conductors indicative of the same type of mineralization as Freewest's new Cu-Zn discovery. Results of this survey were very encouraging as a total of 9 untested conductors were defined on the property with 4 of these short conductors located at the contact between rhyolites and mafic volcanic rocks.

In the summer of 2005, Murgor launched an extensive exploration program of geological mapping, prospecting and litho-geochemical sampling designed to verify the surface expression of the VTEM conductors as well as their geological and geochemical setting. In January of 2006, a six (6) hole drilling program was carried-out at Clay Lake, totalling 931.5 meters with a total of 179 core samples sent for assay.

The summer exploration program was highlighted by the discovery of a new gold occurrence from which two grab samples returned assays of **19.2 g/t Au and 22.1 g/t Au**.

The new gold occurrence is located adjacent to a moderate EM conductor hosted by a sedimentary unit. Gold mineralization is hosted by a strongly potassic-altered, moderately sheared, quartz-feldspar porphyry dike of unknown thickness and consists of disseminated pyrite with minor quartz stockwork veining.

Elsewhere on the property, although it was impossible to verify the helicopter-borne conductors in the field due to the depth of the conductors or their location in bogs, fieldwork confirmed that the conductors are occurring at the stratigraphic top or within the rhyolite package. Furthermore, in the footwall of the westernmost conductor, whole rock geochemistry shows that the quartz-phyric rhyolite has a high silica content, is enriched in Fe, Ca and Mg, and is strongly depleted in Na (all suggestive of hydrothermal processes associated with a volcanogenic base metal mineralization).

Drilling encountered an important sulphide-bearing horizon up to 20 meters wide, over a strike length of at least 2 kilometers and sitting at the stratigraphic top of a rhyolitic unit. The horizon shows banded and stringer pyrite and pyrrhotite in felsic pyroclastic rocks that are intensely altered in chlorite-magnetite-sericite and locally garnet. Best results of the program are from drill hole MCL-06-05 where assays returned 0.33% Cu over 50 centimeters and 0.19% Cu over 1.0 meter.

### **CURRENT AND FUTURE EXPLORATION AT CLAY LAKE:**

Murgor has not carried-out any exploration at Clay Lake since January of 2006 despite the fact that a deep penetrating ground electromagnetic survey and additional drilling are warranted to test the exhalative horizon at depth. To allow Murgor to focus on the Flin Flon properties in Manitoba, however, Murgor will be seeking a partner to advance the exploration efforts on the Clay Lake properties.

## **THE MISHIBISHU GOLD PROPERTY:**

The Mishibishu property consists of 114 mining claim units that cover 4,560 acres in north-western Ontario, 50 kilometres west of the town of Wawa and 10 kilometres north of Lake Superior.

The Property is located in the Archean Mishibishu Greenstone Belt, and is underlain by mafic volcanic rocks and clastic sedimentary rocks bounded to the east and west by large intrusive bodies of tonalitic composition.

The Mishibishu Property covers a strike length of 10 kilometres of the Mishi Creek Deformation Zone and a strike length of 3 kilometres of the Rook Lake Deformation Zone. Both deformation zones are EW- to NW-trending, dip steeply towards the north, and locally exceed 1 kilometre in width. Both shear zones have localized extensive shear-vein systems and high grade gold mineralization in a geological setting that is remarkably similar to the known gold deposits in the area, which are all owned by River Gold Inc:

- The producing Eagle River Gold Mine (2.86 Mt grading 8.84 g/t Au), located 6 kilometres to the south,
- The past producing Mishi open pit (1.25 Mt grading 4.8 g/t Au), located 12 kilometres to the north, and
- The past producing Magnacon Mine (1.54 Mt grading 6.9 g/t Au), also the site of the operating Eagle River Mill, located 12 kilometres to the north.

The property hosts numerous gold occurrences that have yielded potentially economic grades of mineralization, yet the property remains largely under-explored. Some 30 gold showings, assaying in excess of 1.0 g/t Au, have been located by previous workers, and include:

- The Marten Zone, which sits at the heart of the property, where drilling and trenching uncovered significant gold mineralization over a strike length of 300m (drill intercept of up to 5.05 g/t Au over 7.45 m), and
- The Dorset Zone, which sits immediately to the north of the property and locally straddles the property boundary over a strike length of 2 kilometers, where drill results include 3.74 g/t Au over a width of 21.53 m, 3.02 g/t Au over 5.92 m, and 5.23 g/t Au over 3.70 m in three separate drill holes. Although the Dorset Zone generally lies just outside of the property boundaries, its east and west strike extensions lie within the property.

## **CURRENT AND FUTURE EXPLORATION AT MISHIBISHU:**

In May of 2006, management elected to option the Mishibishu property to Terex Resources Inc. (now Trelawney Resources Inc.) Trelawney holds an extensive land position in the area and was a logical exploration partner for Mishibishu. In a press release dated December 7<sup>th</sup>, 2006, Trelawney announced that it had started a 20,000 metre drilling program that was in part aimed at the Mishibishu option.

## **THE MYSTERY GOLD PROPERTY:**

The Mystery property consists of 32 mining claim units that cover 512 hectares in Moss Township, 120 kilometres west of the town of Thunder Bay, north-western Ontario. The Mystery property is located in the Shebandowan Belt and cover the Northeast extension of the La Rose Shear Zone, where Freewest Resources Canada Inc. has intermittently exposed a mineralized corridor over a 3.5 kilometre strike length in 2004.

In the summer of 2004, Murgor carried-out a modest exploration program that successfully outlined the La Rose Shear Zone crossing the central part of the property in a NE-trending topographic low. Along this topographic low, strongly deformed sedimentary rocks and boudinaged felsic dikes were sampled and returned anomalous gold values of up to 1.3 g/t Au.

This initial program was followed-up in the fall of 2004 by a 30 line kilometre soil geochemical survey and an induced polarization geophysical survey that outlined several high chargeability anomalies coincident with gold in soil anomalies. Later, in May of 2005, a helicopter-borne Magnetic-Electromagnetic VTEM survey outlined a number of weak conductors on the NE extension of the La Rose Gold-bearing structure.

In the summer of 2005, a brief exploration program of geological mapping, prospecting and sampling was carried-out at the Mystery property. The exploration program was designed to verify the surface expression of high chargeability induced polarization anomalies, helicopter-borne VTEM anomalies and B-horizon soil anomalies. No significant results were encountered.

## **CURRENT AND FUTURE EXPLORATION AT MYSTERY:**

Murgor has not carried-out any exploration work at the Mystery property since the summer of 2005 and is currently seeking a partner to advance the exploration efforts on the Mystery property.

## **THE GREENWATER LAKE PROPERTY:**

The Greenwater Lake property consists of 22 mining claim units that cover 3,024 hectares located approximately 120 kilometres west of the town of Thunder Bay, north-western Ontario. The property is located in the Shebandowan Belt approximately 10 kilometres west of the past producing Shebandowan Mine (8.6MT @ 2.0% Ni, 1.0% Cu, 2.68 g/t Pd & Pt), and 5 kilometres east of the past producing North Coldstream Mine (2.7MT @ 2.0% Cu).

Murgor has acquired the right earn a 100% interest in the property on November 28, 2005.

## **CURRENT AND FUTURE EXPLORATION AT GREENWATER LAKE:**

Although Murgor has kept the claims in good standing and continued to make its option payments on the property, Murgor has not carried-out any exploration work at the Greenwater Lake property since its acquisition. Murgor is seeking a partner to advance the exploration efforts on this property.

## **NEW BRUNSWICK**

### **THE MOUNT PLEASANT GOLD PROPERTY:**

The 100% Murgor owned Mount Pleasant Gold Property consists of 47 claims (752 hectares), located 70 kilometres south of the city of Fredericton, in south-western New Brunswick. The property covers the same favourable geological setting as the Clarence Stream Gold Deposit, 10 kilometres to the west.

Initial interpretation of government geophysical surveys of the property outlined an unexplored, 4.5 km<sup>2</sup> dilational jog, located in the central part of the Mount Pleasant property, where a large Sn, Zn, Bi, W soil geochemical anomaly (not analyzed for Au by Billiton in 1980) was located. A dilational jog is a fault-bounded area of low pressure, where mineralizing fluids are drawn while the faults are active.

On March 22, 2006, Murgor optioned the Mount Pleasant Property to Geodex Minerals Ltd. Geodex holds an extensive land position in the area and was a logical exploration partner for Mount Pleasant. At the time of this report, Geodex was carrying-out a summer exploration program at Mount Pleasant. No results have been published to date.

### **THE ELMTREE GOLD PROPERTY:**

The Elmtree Property consists of 76 mining claims covering 1,216 hectares, located approximately 25 km by road North West of the town of Bathurst, New Brunswick. On October 12, 2005, Murgor acquired the right to earn a 100% interest in the property.

The dominant and most important geological feature of the Elmtree Property is the Elmtree fault which transects the central part of the property and juxtaposes the units of the Ordovician Belledune River Melange to the north and the calcareous metasedimentary rocks of the Silurian Chaleur Group to the south. The Elmtree fault trends N070 degrees and dips steeply to the north-northwest and the property covers approximately nine (9) kilometres of its strike extent.

Approximately 3 kilometres west of the property, the Elmtree fault is intruded by a small gabbroic sill which is host to the Elmtree Gold Deposit and occurrences. At the Elmtree deposit, trenching has outlined mineralized zones assaying up to **8 g/t Au over 9.00 meters** and drilling has intersected zones of **up to 6.0 g/t Au over ~13 meters**.

Mineralization at the Elmtree deposit consists of gold bearing zones of disseminated sulphides (up to 25% combined sulphide) within zones of silica flooding. Sulphides consist of diminishing amounts of arsenopyrite, pyrrhotite, and pyrite with minor chalcopyrite, stibnite and sphalerite.

The deposit was discovered in 1984 through a grassroots prospecting program following up As-Sb soil and stream sediment anomalies.

### **ELMTREE EXPLORATION RESULTS 2006:**

In the fall of 2005 Murgor carried out a B-horizon soil geochemistry survey on the central part of the Elmtree Property. A total of 1,028 samples were collected to cover an area of 1.8 km by 2.2 km in the NS direction.

Three important soil anomalies were outlined above the Elmtree fault. The anomalies have coincident high values of up to 217 ppb Au, 26.8 ppm Ag, 1235 ppm As, 504 ppm Pb, 770 ppm Zn and 124 ppm Cu. These values are comparable to those reported historically above the Elmtree Gold deposit.

No work has been carried-out on the property since the fall of 2005.

## **FUTURE EXPLORATION AT ELMTREE:**

Murgor is seeking a joint venture partner to continue the exploration on this project to focus on its recent Flin Flon belt acquisition. A follow-up exploration program of line-cutting, magnetic and induced polarization geophysical surveys and potentially drilling is highly recommended.

## **FLIN FLON BELT PROPERTIES:**

In the Flin Flon Belt of Manitoba and Saskatchewan, Murgor started its exploration program in early November of 2006. The program at large consisted of extensive staking, line cutting and preparation for deep penetrating ground geophysics, helicopter-borne geophysics and a 20,000 metre drilling program scheduled to start in January 2007. NI 43-101 resource estimations of all the resources are currently being carried-out by two independent consulting firms (see press release dated November 20<sup>th</sup>, 2006).

## **MANITOBA**

### **THE HUDVAM PROPERTY:**

The Hudvam property is located in Manitoba, 47 kilometres NE of the town of Flin Flon where HudBay operates a mill, Copper Smelter and Zinc plant. The property is located within 1 kilometre of a paved road linking Flin Flon to the village of Leaf Rapids. The Hudvam property includes the Hudvam deposit where historical resources stand at 637,352t @ 3.74 g/t Au, 1.30% Cu, 1.90% Zn.

Murgor can earn a 100% interest in the Hudvam Property from HudBay Minerals Inc. by making aggregate expenditures of \$2.25 million and making escalating cash/share payments for an aggregate amount of \$270,000 over a period of 3 years.

The property covers approximately 17 square kilometres of relatively poorly known geology. A strike length of more than 4 kilometres of volcanic stratigraphy including a prospective contact between felsic and mafic volcanic rocks needs to be explored in detail on the property.

In 1988, Mingold Resources Inc. completed a 312 metre ramp as part of an underground development program of the Hudvam deposit. Development was abandoned when the price of metals collapsed and when flow-through funding expired.

The deposit is known to a maximum depth of 450 metres. In 1988, when Mingold started development of the orebody two lenses had been identified for mining: Lens #1 with 206,000t @ 6.90 g/t Au, 2.54% Cu, 2.45% Zn and Lens #3 with 225,000t @ 2.4 g/t Au, 1.33% Cu, 2.81% Zn (now considered as historical resources).

Mineralization at Hudvam consists of massive to semi-massive sulphide of volcanogenic origin.

### **2007 EXPLORATION PROGRAM AT HUDVAM:**

A preliminary exploration proposal at the Hudvam property accounts for 120 line kilometres of line cutting, 55 line kilometres of deep electromagnetic ground geophysics to cover the deposit and its strike extensions, a geological mapping program for the summer of 2007 and a total of 7,000 metres of drilling.

### **THE WIM PROPERTY:**

The Wim property is located in Manitoba, 14 kilometres north of the Town of Snow Lake where HudBay operates a mill. The Wim property includes the Wim deposit where historical resources stand at 1,394,603t @ 1,70 g/t Au, 2.59% Cu, 0.40% Zn.

Murgor can earn a 100% interest in the Wim Property from HudBay Minerals Inc. by making aggregate expenditures of \$2.0M and making escalating cash/share payments for an aggregate amount of \$320,000 over a period of 3 years.

The property covers approximately 12 square kilometres in two claim groups. A very broad halo of intensely altered rocks is observed on the property and over four kilometres of prospective stratigraphy needs to be explored in more detail.

The Wim deposit consists of only one lens to date, extending from 245 metres to 640 metres below surface. The lens reaches a width of up to 15 metres. Mineralization consists of massive to semi-massive sulphide of volcanogenic origin.

## **2007 EXPLORATION PROGRAM AT WIM:**

A preliminary exploration proposal at the Wim property accounts for 200 line kilometres of line cutting, 270 line kilometres of helicopter-borne VTEM to cover the whole property, 40 line kilometres of deep electromagnetic ground geophysics to cover the deposit and its strike extensions, a geological mapping program for the summer of 2007 and a total of 4,000 metres of drilling.

## **THE SNOW-H PROJECT:**

The Snow-H project is located in Manitoba, 5 kilometres east of the Town of Snow Lake where HudBay operates a mill. The project is located just north of Highway 391.

Murgor can earn a 50% interest in the project from HudBay Minerals Inc. by making aggregate exploration expenditures of \$2,500,000 over 3 years.

The Snow-H Project consists of current mining properties and any future mining properties acquired by Murgor or HudBay within the 105,586 hectare area of the project (current mining properties cover an area of 8,503 hectares). Murgor also gains access to HudBay's extensive exploration database in the area (including the data from over 5,670 line kilometre SPECTREM airborne electromagnetic survey carried-out by HBED in the mid '90's). The project area covers hundreds of kilometres of the north extension of the Watts River Deposit horizon (currently under exploration by HudBay) and the eastern extension of the horizon hosting the past producing Osborne Lake Mine (3.38 MT 3.03% Cu, 1.48% Zn) and Bur Deposit (1.24 MT 1.96% Cu, 8.00% Zn). In a press release dated September 27, 2006, HudBay also reported a new discovery of 0.24% Cu & 2.69% Zn over 0.57m located at the heart of the Snow-H project that indicates the Watts River deposit mineralizing processes are active over a minimum strike length of 12 kilometers within the project area. Target mineralization consists zinc-copper (silver & gold) massive to semi-massive sulphide ore of volcanogenic origin.

## **2007 EXPLORATION PROGRAM AT SNOW-H:**

A preliminary exploration proposal at the Snow-H project accounts for 100 line kilometres of line cutting near the new intersection by HudBay, 1,500 line kilometres of helicopter-borne VTEM to cover the eastern part of the project area, 70 line kilometres of deep electromagnetic ground geophysics to cover the area of HudBay's new discovery, a geological mapping program for the summer of 2007 and approximately 1,000 metres of drilling.

# **SASKATCHEWAN**

## **THE FON PROPERTY:**

The Fon property is located in Saskatchewan, 40 kilometres west of the town of Flin Flon where HudBay operates a mill, Copper Smelter and Zinc plant.

Murgor can earn a 100% interest in the **Fon property** from HudBay Minerals Inc. by making aggregate expenditures of \$3.5M and escalating cash/share payments for an aggregate amount of \$520,000 over a period of four years.

The property covers approximately 24 square kilometres with two deposits: the Fon Zinc deposit where historical resources stand at 4,649,433t @ 4.61% Zn and the smaller Abbott Lake deposit where historical resources are not reported to date. A strike length of more than 8 kilometres of a mineralized exhalative horizon is also located on the property and needs to be explored in great detail. The Fon deposit extend from surface to a vertical depth of 760 meters and counts five lenses with four lenses of these lenses accounting for 1,531,066t at a grade of 9.12% Zn. The Fon deposit has never been evaluated taking into account Copper, Lead, Silver and Gold as by-products. The Abbott Lake deposit extends from surface to a vertical depth of 250 meters and remains only poorly tested at depth. Mineralization of both deposits consists of massive to semi-massive sulphide of volcanogenic origin.

## **2007 EXPLORATION PROGRAM AT FON:**

A preliminary exploration proposal at the Fon property accounts for 220 line kilometres of line cutting, 270 line kilometres of helicopter-borne VTEM to cover the whole property, 120 line kilometres of deep electromagnetic ground geophysics to cover the eastern part of the property and the two deposits, a geological mapping program for the summer of 2007 and a total of 6,000 metres of drilling.

## **THE TYR PROPERTY:**

The Tyr property is located in Saskatchewan, 20 kilometres NW of the town of Flin Flon where HudBay operates a mill, Copper Smelter and Zinc plant. The property is within 5 kilometres of paved Highway 106.

Murgor can earn a 100% interest in the property from HudBay Minerals Inc. by making aggregate expenditures of \$300,000 and making escalating cash/share payments for an aggregate amount of \$50,000 over 3 years.

The property comprises one claim covering 58 hectares that includes the Tyr deposit where historical resources stand at 108,860t @ 4.98 g/t Au, 2.80% Cu, 1.20% Zn. The deposit is believed to be situated on the NW extension of the Flin Flon, Triple 7 and Callinan Mines which account for more than 89,000,000 tonnes of massive sulphide ore to date.

The Tyr deposit consists of a single lens extending from surface to 150 metres vertical depth. The property covers 600 metres of strike extent of the favourable Flin Flon Mine stratigraphy. The property is also located within an 805 square kilometre area designated as the Flin-D project, where Murgor can earn a 50% interest from HudBay Minerals Inc.

Mineralization consists of very rich polymetallic massive to semi-massive sulphide ore of volcanogenic origin.

## **2007 EXPLORATION PROGRAM AT TYR:**

A preliminary exploration proposal at the Tyr property accounts for 16 line kilometres of line cutting, eight line kilometres of deep electromagnetic ground geophysics, a geological mapping program for the summer of 2007 and approximately 1,000 metres of drilling.

## **THE FLIN-D PROJECT:**

The Flin-D project is located in Saskatchewan, ten kilometres NW of the town of Flin Flon where HudBay operates a mill, Copper Smelter and Zinc plant. Highway 106 cuts through the southern part of the project area. Murgor can earn a 50% interest in the project from HudBay Minerals Inc. by making aggregate exploration expenditures of \$2,500,000 over 3 years.

The Flin-D Project consists of current mining properties and any future mining properties acquired by Murgor or HudBay within the 80,518 hectare area of the project (current mining properties cover an area of 4,530 hectares). Murgor also gains access to HudBay's extensive exploration database in the area (including the data from over 3,850 line kilometre SPECTREM airborne electromagnetic survey carried-out by HBED in the mid '90's). The project area covers hundreds of kilometres of what is believed to be the NW extension of the Flin Flon, Triple 7 and Callinan Mine horizon which account for more than 89,000,000 tonnes of massive sulphide ore to date. The project area also covers the NW extension of the Trout Lake Mine (20,000,000 tonnes).

The Tyr deposit (108,860t @ 4.98 g/t Au, 2.80% Cu, 1.20% Zn) is also located in the southern part of the project area. Target mineralization consists zinc-copper (silver & gold) massive to semi-massive sulphide ore of volcanogenic origin.

## **2007 EXPLORATION PROGRAM AT FLIN-D:**

The preliminary exploration proposal at Flin-D accounts for 1,350 line kilometres of helicopter-borne VTEM to cover the southern part of the project area, 50 line kilometres of deep electromagnetic ground geophysics to cover the strike extensions of the Tyr deposit, a geological mapping program for the summer of 2007 and approximately 1,000 metres of drilling.

## **RESULTS OF OPERATIONS**

### **Three-month period ended October 31, 2006 compared with three-month period ended October 31, 2005**

For the three month ended October 31, 2006, the Corporation reported a net loss of \$174,575 (\$127,434 – October 31, 2005). Revenue totaled \$14,298 at October 31, 2006 as compared to \$49,219 at October 31, 2005. The net decrease of \$34,921 consisted of an increase of \$7,535 of interest income on bank balances as a result of the equity financings in fiscal 2006 and on the exercise of warrants and stock options which was offset by a reduction of \$13,831 in operator's fees charged for project administration due to lower joint venture exploration expenditures incurred during the period and a gain of \$28,625 on the disposal of marketable securities during the three month period ended October 31, 2005. No interest expense on the Part XII.6 tax as a consequence of the look-back rule was paid during the three month period ended October 31, 2006 (\$26,869 – October 31, 2005).

The net loss for the three-month period ended October 31, 2006 included a write-off due to abandonment of properties of \$40,251 (\$28,328 – October 31, 2005). Expenses excluding the write-off due to abandonment of properties totaled \$148,622 (\$148,325 – October 31, 2005). The decrease in Professional and accounting fees of \$29,033 to \$38,291 (\$67,324 – October 31, 2005) was as a result of decreased fees incurred during the period as well as the higher year-end accruals reflected in the October 31, 2005 amount. Administration expenses and other totaled \$16,002 at October 31, 2006 compared to \$12,046 at October 31, 2005. The increase of \$3,956 related mainly to office salaries expense resulting from a re-negotiation of shared office and related expenses with Freewest Resources Canada Inc. Filing costs and shareholders' information totaled \$87,261 compared to \$30,017 (October 31, 2005). The increase of \$57,244 related mainly to higher advertising, promotion, and public relation costs incurred during the period. The cost of Marketable securities was \$45,750 as at October 31, 2006 (\$Nil – October 31, 2005) while their market value was \$51,000 (\$Nil – October 31, 2005) respectively. As marketable securities are carried at the lower of cost and market, no adjustment of value of marketable securities was required (\$Nil – October 31, 2005).

The Corporation prospectively adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") related to Stock based compensation and other stock payments in fiscal 2004. The fair value of the options granted during the fiscal year ended April 30, 2006 amounted to \$160,898 (after giving effect to the deduction of \$24,000 for the non-vested portion of the options which expired upon the resignation of the optionee in 2006) which was estimated by using the Black-Scholes option pricing model and is being recorded as an expense over the eighteen months vesting period. As a result, \$27,711 was included in deferred exploration expenditures and \$27,347 was reflected in the operations under Stock option compensation. The amounts to be recorded for 2007 and 2008 are \$114,334 and \$39,712 respectively. For the three-month period ended October 31, 2006, \$36,785 was included in deferred exploration expenditures (\$2,500 – October 31, 2005) and \$7,068 was reflected in Stock option compensation (\$12,069 – October 31, 2005).

### **Three-month period ended October 31, 2005 compared with three-month period ended October 31, 2004**

For the three-month ended October 31, 2005, the Company reported a net loss of \$127,434 or \$0.0021 per share, compared to a loss of \$82,830 or \$0.0018 per share in the same period of 2004.

Revenue totaled \$49,219 at October 31, 2005 as compared to \$5,697 at October 31, 2004. The increase of \$43,522 was comprised of: \$3,243 of Interest income on bank balances as a result of the equity financings in fiscal 2005 and 2006; \$11,654 in Operator's fees charged for project administration; and \$28,625 from the Gain on disposal of marketable securities. Bank charges were \$Nil for October 31, 2005 (\$15 – October 31, 2004).

The net loss for the three-month period ended October 31, 2005 included a write-off due to abandonment of properties of \$28,328 (\$12,363 – October 31, 2004). Expenses excluding the write-off due to abandonment of properties totaled \$148,325 (\$76,164 – October 31, 2004). The increase in Professional and accounting fees of \$41,698 to \$67,324 (\$25,626 – October 31, 2004) was as a result of increased fees incurred during the period related to the renunciations of previous years' financings as well as higher year-end accruals to reflect the actual fees billed for the year ended April 30, 2005. Administration expenses and other totaled \$12,032 at October 31, 2005 compared to \$5,101 at October 31, 2004. The increase of \$6,931 consisted of: \$4,848 for Tax on capital; and \$2,083 due to higher director's and officer's liability insurance together with an increase in the amount charged for shared office expenses. Filing costs and shareholders' information totaled \$30,017 compared to \$28,637 (October 31, 2004). The increase of \$1,380 related mainly to higher advertising, promotion, and public relation costs. Interest expenses of \$26,869 (\$Nil – October 31, 2004) were incurred as a result of the period in which the exploration expenditures were incurred.

The Company prospectively adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") related to Stock based compensation and other stock payments in fiscal 2004. The fair value of the options granted during the fiscal year ended April 30, 2005 amounted to \$79,706 was estimated by using the Black-Scholes option pricing model and is being recorded as an expense over the eighteen months vesting period. As a result, \$2,500 was included in deferred exploration expenditures and \$5,000 was reflected in Stock option compensation for the year ended April 30, 2005 (\$Nil – July 31, 2004). For the three-month period ended October 31, 2005, \$2,500 was included in deferred exploration expenditures (\$Nil – October 31, 2004) and \$12,069 was reflected in Stock option compensation (\$15,000 – October 31, 2004).

## **Six-month period ended October 31, 2006 compared with six-month period ended October 31, 2005**

For the six-month ended October 31, 2006, the Company reported a net loss of \$299,467 or \$0.0038 per share, compared to a loss of \$201,209 or \$0.0033 per share (October 31, 2005).

Revenue totaled \$34,965 at October 31, 2006 as compared to \$80,174 at October 31, 2005. The decrease of \$45,209 was comprised of an increase of \$12,743 of interest income on bank balances as a result of the equity financings in fiscal 2006 and exercise of warrants and stock options offset by a reduction of \$29,327 in operator's fees charged for project administration and \$28,625 from the gain on disposal of marketable securities (October 31, 2005).

The net loss for the six-month period ended October 31, 2006 included a write-off due to abandonment of properties of \$78,660 (\$83,782 – October 31, 2005). Expenses excluding the write-off due to abandonment of properties totaled \$255,772 (\$197,601 – October 31, 2005). The decrease in Professional and accounting fees of \$6,288 to \$76,276 (\$82,564 – October 31, 2005) was as a result of decreased fees incurred during the period as well as the higher year-end accruals reflected in the October 31, 2005. Administration expenses and other totaled \$32,576 at October 31, 2006 compared to \$19,231 at October 31, 2005. The increase of \$13,345 consisted mainly of higher office salaries expense resulting from a re-negotiation of shared office and related expenses with Freewest Resources Canada Inc. of \$14,928; foreign exchange expenses of \$1,380; higher director's and officer's liability insurance of \$377 offset by \$4,848 for Tax on capital included in the six month period ended October 31, 2005. Filing costs and shareholders' information totaled \$106,289 compared to \$51,868 (October 31, 2005). The increase of \$54,421 related mainly to higher advertising, promotion, and public relation costs related to the significant increase in the activities at the Corporation. Interest expenses of \$280 (\$26,869 – October 31, 2005) were incurred as a result of the period in which the exploration expenditures were incurred.

For the six-month period ended October 31, 2006, \$36,785 was included in deferred exploration expenditures (\$17,000 – October 31, 2005) and \$36,351 was reflected in Stock option compensation (\$17,069 – October 31, 2005).

## **Six-month period ended October 31, 2005 compared with six-month period ended October 31, 2004**

For the six-month ended October 31, 2005, the Company reported a net loss of \$201,209 or \$0.0033 per share, compared to a loss of \$107,463 or \$0.0024 per share (October 31, 2004).

Revenue totaled \$80,160 at October 31, 2005 as compared to \$11,948 at October 31, 2004. The increase of \$68,212 was comprised of: \$7,623 of Interest income on bank balances as a result of the equity financings in fiscal 2005 and 2004; \$31,964 in Operator's fees charged for project administration; and \$28,625 from the Gain on disposal of marketable securities. Bank charges were \$Nil for October 31, 2005 (\$15 – October 31, 2004).

The net loss for the six-month period ended October 31, 2005 included a write-off due to abandonment of properties of \$83,782 (\$22,188 – October 31, 2004). The October 31, 2005 write-off amount included \$39,318 related to the Urban/Greenshield project which was returned to the vendor. Expenses excluding the write-off due to abandonment of properties totaled \$197,587 (\$97,223 – October 31, 2004). The increase in Professional and accounting fees of \$49,126 to \$82,564 (\$33,438 – October 31, 2004) was as a result of increased fees incurred during the period related to the renunciations of previous years' financings as well as higher year-end accruals to reflect the actual fees billed for the year ended April 30, 2005. Administration expenses and other totaled \$19,217 at October 31, 2005 compared to \$10,085 at October 31, 2004. The increase of \$9,132 consisted of: \$4,848 for Tax on capital; and \$4,284 due to higher director's and officer's liability insurance together with an increase in the amount charged for shared office expenses. Filing costs and shareholders' information totaled \$51,868 compared to \$36,900 (October 31, 2004). The increase of \$14,968 related mainly to higher advertising, promotion, and public relation costs. Interest expenses of \$26,869 (\$Nil – October 31, 2004) were incurred as a result of the period in which the exploration expenditures were incurred.

For the six-month period ended October 31, 2005, \$17,000 was included in deferred exploration expenditures (\$Nil – October 31, 2004) and \$17,069 was reflected in Stock option compensation (\$15,000 – October 31, 2004).

## SUMMARY OF QUARTERLY RESULTS

The following table presents unaudited selected financial information for eight of the most recently completed financial quarters:

	2007		2006				2005	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues	14,298	19,481	28,277	20,351	49,219	30,955	28,057	20,156
Net (loss) income	(174,575)	(124,892)	(423,326)	380,872	(127,434)	(73,775)	205,865	(38,301)
Basic net (loss) income per share	(0.0022)	(0.0016)	(0.0056)	0.0056	(0.0021)	(0.0012)	0.0035	(0.0008)
Fully diluted net (loss) income per share	(0.0022)	(0.0016)	(0.0056)	0.0052	(0.0021)	(0.0012)	0.0031	(0.0008)

The Corporation has no dividend policy and has no intention of developing a dividend policy in the foreseeable future. The Corporation has paid no dividends and has no retained earnings from which it might pay dividends.

## LIQUIDITY

### Six-month period ended October 31, 2006 compared with six-month period ended October 31, 2005

As at October 31, 2006, the Corporation maintained a cash and equivalent position of \$1,129,056 (\$928,614 as at October 31, 2005) and working capital of \$1,112,968 as compared to a working capital of \$1,234,730 as at October 31, 2005. The Corporation has no long-term debt. Management is of the opinion that the current cash position is sufficient to meet current commitments. Full development of some mineral properties would require substantially more financial resources. Traditionally, the Corporation has been able to rely on its ability to raise financing in public and private negotiated equity offerings. The Corporation may also advance the development of mineral properties through joint-venture participation.

Murgor did not complete any financings during the six-month periods ended October 31, 2006. During the six-month period ended October 31, 2005, Murgor completed a \$150,000 flow-through financing and issuance of 1,500,000 common shares. Issue costs related to the financing totaled \$17,037.

### Six-month period ended October 31, 2005 compared with six-month period ended October 31, 2004

As at October 31, 2005, the Company maintained a cash and equivalent position of \$928,614 (\$430,012 as at October 31, 2004) and working capital of \$1,234,730 as compared to a working capital of \$462,656 as at October 31, 2004. The Corporation has no long-term debt. Management is of the opinion that the current cash position is sufficient to meet current commitments. Full development of some mineral properties would require substantially more financial resources. Traditionally, the Corporation has been able to rely on its ability to raise financing in public and private negotiated equity offerings. The Corporation may also advance the development of mineral properties through joint-venture participation.

During the six-month period ended October 31, 2005, Murgor completed a \$150,000 flow-through financing and issuance of 1,500,000 common shares (\$Nil - October 31, 2004). Issue costs related to the financing totaled \$17,037 (\$Nil - October 31, 2004).

## MINING PROPERTIES AND DEFERRED COSTS

	April 30, 2006	Expenditures	Proceeds from option agreements	(Write-off)	October 31, 2006
	\$	\$	\$	\$	\$
<b>Quebec</b>					
Fancamp					
Acquisition	37,263	1,672	-	-	38,935
Exploration	1,652,456	76,814	-	-	1,729,270
Benoist					
Acquisition	31,218	-	-	-	31,218
Exploration	849,993	-	-	-	849,993
Barry					
Acquisition	409,896	2,184	-	-	412,080
Exploration	2,229,521	689,189	-	-	2,918,710
Windfall					
Acquisition	75,349	2,280	-	-	77,629
Exploration	1,860,872	26,268	-	(21)	1,887,119
La Trève					
Acquisition	141,769	288	-	-	142,057
Exploration	324,578	100	-	-	324,678
Eagle River					
Acquisition	10,018	1,368	-	-	11,386
Exploration	135,632	1,030	-	-	136,662
Nelligan					
Acquisition	-	10,576	-	-	10,576
Exploration	-	76,996	-	-	76,996
Others					
Acquisition	-	-	-	-	-
Exploration	-	21,080	-	(21,080)	-
	7,758,565	909,845	-	(21,101)	8,647,309
<b>Ontario</b>					
Mishibishu					
Acquisition	84,335	13	(28,750)	-	55,598
Exploration	248,650	-	-	-	248,650
Mystery					
Acquisition	2,400	-	-	-	2,400
Exploration	130,999	3,808	-	-	134,807
Clay Lake					
Acquisition	9,265	2,625	-	-	11,890
Exploration	232,075	1,342	-	-	233,417
Greenwater Lake					
Acquisition	21,230	-	-	-	21,230
Exploration	8	7	-	-	15
Others					
Acquisition	-	-	-	-	-
Exploration	-	7,801	-	(7,801)	-
	728,962	15,596	(28,750)	(7,801)	708,007

## MINING PROPERTIES AND DEFERRED COSTS (Cont'd)

	April 30, 2006	Expenditures	Proceeds from option agreements	(Write-off)	October 31, 2006
	\$	\$	\$	\$	\$
<b>New Brunswick</b>					
Mount Pleasant					
Acquisition	9,655	-	(36,000)	-	(26,345)
Exploration	81,778	9	-	-	81,787
Elmtree					
Acquisition	8,849	21,500	-	-	30,349
Exploration	21,861	-	-	-	21,861
Other					
Acquisition	-	-	-	-	-
Exploration	-	6,070	-	(6,070)	-
	122,143	27,579	(36,000)	(6,070)	107,652
<b>Manitoba</b>					
Hudvam					
Acquisition	-	-	-	-	-
Exploration	-	7,674	-	-	7,674
Wim					
Acquisition	-	-	-	-	-
Exploration	-	6,034	-	-	6,034
Wim-South					
Acquisition	-	2,670	-	-	2,670
Exploration	-	-	-	-	-
Snow-H					
Acquisition	-	-	-	-	-
Exploration	-	225	-	-	225
Other					
Acquisition	-	-	-	-	-
Exploration	-	29,634	-	(29,634)	-
	-	46,237	-	(29,634)	16,603
<b>Saskatchewan</b>					
Fon					
Acquisition	-	-	-	-	-
Exploration	-	7,206	-	-	7,206
Fon-South					
Acquisition	-	667	-	-	667
Exploration	-	-	-	-	-
Flin-D					
Acquisition	-	3,337	-	-	3,337
Exploration	-	225	-	-	225
Tyr					
Acquisition	-	-	-	-	-
Exploration	-	1,750	-	-	1,750

## MINING PROPERTIES AND DEFERRED COSTS (Cont'd)

	April 30, 2006	Expenditures	Proceeds from option agreements	(Write-off)	October 31, 2006
	\$	\$	\$	\$	\$
<b>Saskatchewan (Cont'd)</b>					
Other					
Acquisition	-	-	-	-	-
Exploration	-	1,010	-	(1,010)	-
	-	14,195	-	(1,010)	13,185
<b>Canadian Properties</b>	<b>8,609,670</b>	<b>1,013,452</b>	<b>(64,750)</b>	<b>(65,616)</b>	<b>9,492,756</b>
<b>South America</b>					
Acquisition	-	110,102	-	-	110,102
Exploration	-	13,044	-	(13,044)	-
	-	123,146	-	(13,044)	110,102
<b>Stock Option Compensation</b>	<b>30,210</b>	<b>36,785</b>	<b>-</b>	<b>-</b>	<b>66,995</b>
	<b>8,639,880</b>	<b>1,173,383</b>	<b>(64,750)</b>	<b>(78,660)</b>	<b>9,669,853</b>

For the six-month period ended October 31, 2006, the Corporation incurred exploration expenditures totaling \$977,316 of which \$891,477 was incurred in Quebec; \$12,958 in Ontario; \$6,079 in New Brunswick; \$43,567 in Manitoba; \$10,191 in Saskatchewan and \$13,044 in South America. The exploration expenditures incurred in Canada of \$964,272 were funded through the amount raised from Murgor's private placement equity financings and exercise of warrants and stock options.

## ADMINISTRATION EXPENSES AND OTHER

The table below details the amounts included in Administration expenses and other of \$32,576 for the six-month period ended October 31, 2006 (\$19,231 – October 31, 2005):

	October 31, 2006	October 31, 2005
	\$	\$
Office Expenses		
Dues and Subscriptions	951	638
Postage and Courier	105	-
Insurance	5,108	4,731
Office Supplies and Other	2,484	14
Rent and Office Services	6,000	9,000
Salaries	17,928	-
Tax on Capital	-	4,848
	<b>32,576</b>	<b>19,231</b>

## CAPITAL STOCK

### a) The authorized and issued capital stock of the Corporation consists of the following:

#### Authorized:

An unlimited number of no par value common shares.

	Number of Shares	Amount
	#	\$
<b>Issued:</b>		
Balance at beginning, April 30, 2006 (audited)	76,392,964	16,653,016
Issuance of shares on acquisition of mining properties	75,000	14,125
Issuance of shares under flow-through agreements	16,000,000	4,000,000
Issuance of shares for cash	10,000,000	2,000,000
Issuance of shares allotted for exercise of stock options and warrants	750,000	128,750
Issuance of shares on exercise of stock options and warrants	4,292,194	857,216
Issued and fully paid	107,510,158	23,653,107
Tax benefits renounced on flow-through shares	-	(739,439)
	<u>107,510,158</u>	<u>22,913,668</u>
Balance at end, December 22, 2006 (unaudited)	<u>107,510,158</u>	<u>22,913,668</u>

### b) Stock option plan

	Number of Options	Weighted Average Exercise Price
	#	\$
Balance at beginning April 30, 2006 (audited)	6,511,593	0.13
Granted	1,610,000	0.26
Exercised	<u>(125,000)</u>	<u>0.10</u>
Balance at end, December 22, 2006 (unaudited)	<u>7,996,593</u>	<u>0.15</u>

### Accounting for the stock-based compensation plan

The fair value of the options granted during the fiscal year ended April 30, 2005 amounted to \$55,706 after giving effect to the deduction of \$24,000 for the non-vested portion of the options which expired upon the resignation of the optionee in 2006. The fair value was estimated by using the Black-Scholes options pricing model with the following weighted-average assumptions and is being recorded as an expense over the eighteen month vesting period. For the fiscal year ended April 30, 2006 - \$41,138 (2005 - \$7,500), of which \$24,138 (2005 - \$5,000) as an administration expense and \$17,000 (2005 - \$2,500) as an exploration expense. For the fiscal year ending April 30, 2007 - \$7,068 as an administration expense. For the three-month and six-month periods ended October 31, 2006 a total of \$7,068 was recorded as an administration expense.

Number of Options granted	375,000	500,000
Weighted risk-free interest rate	2.45%	3.24%
Expected volatility	108.5%	116%
Dividend yield	Nil	Nil
Weighted average expected life	2 years	5 years

The fair value of the 1,600,000 options granted during the fiscal year ended April 30, 2006 amounted to \$160,898 and was estimated by using the Black-Scholes options pricing model with the following weighted average assumptions and is being recorded as an expense over the eighteen month vesting period. For the fiscal year ended April 30, 2006 - \$13,920, of which \$3,209 as an administration expense and \$10,711 as an exploration expense. For the fiscal year ending April 30, 2007 - \$107,266 and for the fiscal year ending April 30, 2008 - \$39,712. For the three-month period ended October 31, 2006 a total of \$43,853 (\$7,068 as an administration expense and \$36,785 as an exploration expense) was recorded. For the six-month period ended October 31, 2006, a total of \$73,136 (\$36,361 as an administration expense and \$36,785 as an exploration expense) was recorded.

Number of Options Granted	150,000	300,000	100,000	750,000	300,000
Weighted risk-free interest rate	4.25%	4.00%	4.00%	4.00%	4.00%
Expected volatility	91%	113%	110%	110%	110%
Dividend yield	Nil	Nil	Nil	Nil	Nil
Weighted average expected life	3 years	5 years	5 years	5years	5 years

The fair value of the 160,000 options granted during the six-month period ended October 31, 2006 amounted to \$26,589 and was estimated by using the Black-Scholes options pricing model with the following weighted-average assumptions and is being recorded as an expense over the eighteen month vesting period. No expenses were recorded for the above options in three-month and six month periods ended October 31, 2006 as no portion of the options granted were vested.

Number of Options granted	60,000	100,000
Weighted risk-free interest rate	4.25%	3.75%
Expected volatility	145%	223%
Dividend yield	Nil	Nil
Weighted average expected life	3 years	5 years

### c) Warrants

	<u>Number of Warrants</u> #	<u>Weighted Average Exercise Price</u> \$
Balance at beginning April 30, 2006 (audited)	21,767,566	0.19
Granted	16,510,000	0.31
Exercised	(4,229,694)	0.21
Expired	<u>(3,726,019)</u>	<u>0.29</u>
Balance at end, December 22, 2006 (unaudited)	<u><u>30,321,853</u></u>	<u><u>0.26</u></u>

## RELATED PARTY TRANSACTIONS

All related party transactions are in the normal course of operations and are measured at the exchange value which is the amount of consideration established and agreed to by the related parties. Certain directors of the Corporation are also shareholders and directors of related corporations.

The related corporations charged an aggregate amount of \$24,460 (\$26,534 – October 31, 2005) for administrative costs, services, shared office expenses and exploration expenditures. A total of \$52,000 (\$47,000 – October 31, 2005) in remuneration was paid to the President for professional services rendered in his capacity as a geologist and qualified person (QP). Prepaid expenses included an amount of \$4,730 (\$3,600 – October 31, 2005) to an Officer for upcoming office and exploration expenditures.

## OFF-BALANCE SHEET ARRANGEMENTS

The Corporation does not have any off-balance sheet arrangements.

## CRITICAL ACCOUNTING POLICIES

The Corporation prepares its consolidated financial statements in conformity with Generally Accepted Accounting Principles (“GAAP”) in Canada. The Corporation detailed its significant accounting policies in Note 2 to its audited financial statements for the year ended April 30, 2006 and has identified the following accounting policies, which are believed to be the most critical in fully understanding and evaluating the reported financial results:

The cost of mining properties and deferred costs are capitalized until the results of the projects are known. If a project is successful, the related expenditures will be amortized over a period of years pro-rata to anticipated income. If a project is abandoned or if a permanent drop in value for a property is recognized, the related expenditures will be written off. The sale of an interest in claims or a grant received is credited directly to expenditures until such time as all related expenditures are recovered. Direct costs incurred to maintain claims are capitalized.

The Corporation has two stock option plans as described in note 4 to the audited financial statements for the year ended April 30, 2006. Effective May 1, 2003, the Corporation adopted prospectively the recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3870, *Stock-based Compensation and Other Stock-based Payments* and began expensing prospectively its stock based compensation. Under these new standards, all stock-based payments made to non-employees must be systematically accounted for in the Corporation’s financial statements. Under this method, compensation cost should be measured at the grant date based on the fair value of the award and should be recognized over the related service period. The cost of the stock option Compensation Plan is recognized in Deferred Exploration Expenses and Administration Expenses with a corresponding credit to Contributed Surplus using the fair value based method of Accounting of Awards.

Earnings per share computations are based upon the weighted average number of common shares outstanding during the years. The Corporation uses the treasury stock method, to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon the exercise of options and warrants. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. In the year of a loss, no diluted loss per share is provided as the inclusion of outstanding share purchase options and warrants would be anti-dilutive.

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of income and expenses during the reporting period. Significant areas requiring the use of management estimates relate to impairment of mineral properties. Actual results could differ from those estimates.

The consolidated financial statements include the accounts of Murgor Resources Inc. and its wholly-owned subsidiary Murgor Exploraciones S.A.C. in Peru. All significant intercompany transactions and balances have been eliminated and are reported in Canadian dollars.

The Corporation uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantive enactment. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

The Corporation has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Corporation, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

## **CHANGES IN ACCOUNTING POLICIES**

The Corporation made no changes in or added any new accounting policies in the six-month period ended October 31, 2006. In fiscal 2005, the Corporation prospectively adopted the recommendation of the Emerging Issues Committee ("EIC") of the Canadian Institute of Chartered Accountants ("CICA"). EIC 146 requires the recognition of the foregone tax benefit at the time of the renouncement provided that there is reasonable assurance that the expenditures will be incurred.

## **FINANCIAL INSTRUMENTS**

The Corporation's financial instruments consist of cash, cash held for exploration, marketable securities, accounts receivable and accounts payable and accrued liabilities, due to related corporations and due to directors. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risk arising from these financial instruments. Due to their short term nature, the fair value of these financial instruments approximates their carrying value.

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

Management is responsible for the preparation of the consolidated financial statements and other financial information relating to the Corporation included in this interim report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada and necessarily include amounts based on estimates and judgements of management. Management has established these amounts in a reasonable manner, in order to ensure that the consolidated financial statements are presented fairly in all material respects. The Corporation has established and maintains disclosure controls and procedures over financial reporting. The certifying officers have evaluated the effectiveness of the issuer's disclosure controls and procedures as at October 31, 2006 and have concluded that such procedures are adequate and effective to ensure accurate and complete disclosures in this interim report.

(Signed: André C. Tessier)  
President & CEO

(Signed: Mark Schneiderman)  
Secretary-Treasurer & CFO

**MURGOR RESOURCES INC.**  
**INTERIM CONSOLIDATED BALANCE SHEETS**

	<b>October 31 2006 (Unaudited)</b>	<b>April 30 2006 (Audited)</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Current assets		
Cash	1,129,056	797,807
Cash held for exploration work	-	475,281
Marketable securities (note 3)	45,750	-
Accounts receivable	148,948	250,043
Due from related corporations (note 5)	-	229,211
Prepaid expenses (note 5)	<u>26,981</u>	<u>18,123</u>
	1,350,735	1,770,465
Mining properties and deferred costs	<u>9,669,853</u>	<u>8,639,880</u>
	<u><u>11,020,588</u></u>	<u><u>10,410,345</u></u>
 <b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	222,488	203,072
Due to related corporations (note 5)	553	-
Due to directors (note 5)	<u>14,726</u>	<u>8,576</u>
	<u>237,767</u>	<u>211,648</u>
 <b>Shareholders' equity</b>		
Capital stock (note 4)	17,579,721	16,761,766
Contributed surplus (note 4)	237,982	172,346
Deficit	<u>(7,034,882)</u>	<u>(6,735,415)</u>
	<u>10,782,821</u>	<u>10,198,697</u>
	<u><u>11,020,588</u></u>	<u><u>10,410,345</u></u>

*See accompanying notes to interim consolidated financial statements*

Approved on Behalf of the Board:

(signed) André C. Tessier      Director

(signed) Mackenzie I. Watson      Director

**MURGOR RESOURCES INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**(UNAUDITED)**

	Three-month period ended		Six-month period ended	
	October 31		October 31	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Revenue</b>				
Interest	13,479	5,944	26,617	13,874
Operator's fees	819	14,650	8,348	37,675
Gain on disposal of marketable securities	-	28,625	-	28,625
	<u>14,298</u>	<u>49,219</u>	<u>34,965</u>	<u>80,174</u>
<b>Expenses</b>				
Professional and accounting fees	38,291	67,324	76,276	82,564
Administration expenses and other	16,002	12,046	32,576	19,231
Filing costs and shareholders' information	87,261	30,017	106,289	51,868
Interest	-	26,869	280	26,869
Write-off due to abandonment of properties	40,251	28,328	78,660	83,782
Loss due to write-down of marketable securities	-	-	4,000	-
Stock option compensation	7,068	12,069	36,351	17,069
	<u>188,873</u>	<u>176,653</u>	<u>334,432</u>	<u>281,383</u>
Net loss for the period	(174,575)	(127,434)	(299,467)	(201,209)
Deficit - beginning of period	(6,860,307)	(6,432,940)	(6,735,415)	(6,359,165)
Issue costs	-	(17,037)	-	(17,037)
<b>Deficit - end of period</b>	<u>(7,034,882)</u>	<u>(6,577,411)</u>	<u>(7,034,882)</u>	<u>(6,577,411)</u>
Basic and fully diluted net loss per share	<u>(0.0022)</u>	<u>(0.0021)</u>	<u>(0.0038)</u>	<u>(0.0033)</u>
Weighted average number of outstanding shares	<u>78,654,890</u>	<u>61,960,324</u>	<u>78,429,252</u>	<u>61,960,324</u>

*See accompanying notes to interim consolidated financial statements*

**MURGOR RESOURCES INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	Three-month period ended October 31		Six-month period ended October 31	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Cash flows from (used in) operating activities</b>				
Net loss	(174,575)	(127,434)	(299,467)	(201,209)
Adjustments for:				
Write-off due to abandonment of properties	40,251	28,328	78,660	83,782
Loss due to write-down of marketable securities	-	-	4,000	-
Stock option compensation	7,068	12,069	36,351	17,069
	<u>(127,256)</u>	<u>(87,037)</u>	<u>(180,456)</u>	<u>(100,358)</u>
Changes in non-cash components of working capital				
Accounts receivable	145,024	(75,431)	101,095	(100,291)
Prepaid expenses	(8,913)	5,270	(8,858)	46,138
Accounts payable and accrued liabilities	(117,815)	68,662	19,416	132,221
Due to related corporations	195,137	27,280	229,764	(46,577)
Due to directors	14,726	(6,620)	6,150	(6,620)
	<u>228,159</u>	<u>19,161</u>	<u>347,567</u>	<u>24,871</u>
Cash flows from (used in) operating activities	<u>100,903</u>	<u>(67,876)</u>	<u>167,111</u>	<u>(75,487)</u>
<b>Cash flows from (used in) investing activities</b>				
Mining claims acquired	(132,325)	(1,158)	(145,158)	(18,713)
Exploration expenditures deferred	(248,435)	(296,730)	(977,315)	(741,513)
Proceeds from option agreements	10,000	-	15,000	-
Cash flows (used in) investing activities	<u>(370,760)</u>	<u>(297,888)</u>	<u>(1,107,473)</u>	<u>(760,226)</u>
<b>Cash flows from (used in) financing activities</b>				
Common shares issued	12,500	150,000	796,330	150,000
Issue costs	-	(17,037)	-	(17,037)
Cash flows from financing activities	<u>12,500</u>	<u>132,963</u>	<u>796,330</u>	<u>132,963</u>
<b>Decrease in cash and cash equivalents</b>	<b>(257,357)</b>	<b>(232,801)</b>	<b>(144,032)</b>	<b>(702,750)</b>
Cash and cash equivalents - beginning of period	<u>1,386,413</u>	<u>1,161,415</u>	<u>1,273,088</u>	<u>1,631,364</u>
<b>Cash and cash equivalents - end of period</b>	<b><u>1,129,056</u></b>	<b><u>928,614</u></b>	<b><u>1,129,056</u></b>	<b><u>928,614</u></b>
<b>Cash and cash equivalents are composed of:</b>				
Cash	1,129,056	813,316	1,129,056	813,316
Cash held for exploration work	-	115,298	-	115,298
	<u>1,129,056</u>	<u>928,614</u>	<u>1,129,056</u>	<u>928,614</u>
<b>ADDITIONAL INFORMATION</b>				
Shares received in consideration of sale of interest in mining properties	<u>18,750</u>	<u>-</u>	<u>49,750</u>	<u>-</u>

See accompanying notes to interim consolidated financial statements

**MURGOR RESOURCES INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2006**  
**(UNAUDITED)**

**1. Basis of presentation**

The unaudited interim consolidated financial statements are prepared in accordance with generally accepted accounting principles in Canada and use the same accounting policies and methods used in the preparation of the Corporation's most recent audited annual financial statements and are reported in Canadian dollars. All disclosure required for audited annual financial statements have not been included in these unaudited consolidated interim financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the company's most recent audited annual financial statements.

The unaudited interim consolidated financial statements include the accounts of Murgor Resources Inc. and its wholly-owned subsidiary Murgor Exploraciones S.A.C. in Peru. All significant intercompany transactions and balances have been eliminated.

In the opinion of management, the unaudited interim consolidated financial statements reflect all adjustments, which consist of normal and recurring adjustments, necessary to present fairly the financial position at October 31, 2006 and the results of operations and cash flows for the three-month and six-month periods ended October 31, 2006 and 2005.

**2. Use of estimates**

The preparation of the unaudited interim consolidated financial statements in conformity with Canadian generally accepted accounting principles require management to make estimates and assumptions that affect the amounts reported in the unaudited interim consolidated financial statements and accompanying notes. Management believes that the estimates used in the preparation of the unaudited interim consolidated financial statements are reasonable and prudent; however, actual results could differ from these estimates.

**3. Marketable securities**

Marketable securities are carried at the lower of cost and market. As at October 31, 2006, market value was \$51,000 (April 30, 2006 - \$Nil).

**4. Capital stock**

(a) The authorized and issued capital stock of the Corporation consists of the following:

Authorized: An unlimited number of common shares

	<u>Amount</u>	<u>Number of</u>
	\$	Shares
		#
Balance April 30, 2006 (audited)	16,653,016	76,392,964
Issuance of shares on acquisition of mining properties	14,125	75,000
Issuance of shares allotted for exercise of stock options and warrants	128,750	750,000
Issuance of shares for exercise of warrants	783,830	3,920,266
Balance October 31, 2006 (unaudited)	<u>17,579,721</u>	<u>81,138,230</u>

**MURGOR RESOURCES INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2006**  
**(UNAUDITED)**

**4. Capital stock (cont'd)**

(b) Stock option plan

	<u>Number of Options</u> #	<u>Weighted Average Exercise Price</u> \$
Balance April 30, 2006 (audited)	6,511,593	0.13
Granted	160,000	0.27
Exercised	<u>(125,000)</u>	0.10
Balance October 31, 2006 (unaudited)	<u><b>6,546,593</b></u>	<u><b>0.13</b></u>

**Accounting for the stock-based compensation plan**

The fair value of the options granted during the fiscal year ended April 30, 2005 amounted to \$55,706 after giving effect to the deduction of \$24,000 for the non-vested portion of the options which expired upon the resignation of the optionee in 2006. The fair value was estimated by using the Black-Scholes options pricing model with the following weighted-average assumptions and is being recorded as an expense over the eighteen month vesting period. For the fiscal year ended April 30, 2006 - \$41,138 (2005 - \$7,500), of which \$24,138 (2005 - \$5,000) as an administration expense and \$17,000 (2005 -\$2,500) as an exploration expense. For the fiscal year ending April 30, 2007 - \$7,068 as an administration expense. For the three-month and six-month periods ended October 31, 2006 a total of \$7,068 was recorded as an administration expense.

Number of options granted	375,000	500,000
Weighted risk-free interest rate	2.45%	3.24%
Expected volatility	108.5%	116.0%
Dividend yield	Nil	Nil
Weighted average expected life	2 years	5 years

The fair value of the 1,600,000 options granted during the fiscal year ended April 30, 2006 amounted to \$160,898 and was estimated by using the Black-Scholes options pricing model with the following weighted average assumptions and is being recorded as an expense over the eighteen month vesting period. For the fiscal year ended April 30, 2006 - \$13,920, of which \$3,209 as an administration expense and \$10,711 as an exploration expense. For the fiscal year ending April 30, 2007 - \$107,266 and for the fiscal year ending April 30, 2008 - \$39,712. For the three-month period ended October 31, 2006 a total of \$43,853 (\$7,068 as an administration expense and \$36,785 as an exploration expense) was recorded. For the six-month period ended October 31, 2006, a total of \$73,136 (\$36,361 as an administration expense and \$36,785 as an exploration expense) was recorded.

Number of options granted	150,000	300,000	100,000	750,000	300,000
Weighted risk-free interest rate	4.25%	4.00%	4.00%	4.00%	4.00%
Expected volatility	91%	113%	110%	110%	110%
Dividend yield	Nil	Nil	Nil	Nil	Nil
Weighted average expected life	3 years	5 years	5 years	5 years	5 years

**MURGOR RESOURCES INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2006**  
**(UNAUDITED)**

**4. Capital stock (cont'd)**

**Accounting for the stock-based compensation plan (cont'd)**

The fair value of the 160,000 options granted during the six-month period ended October 31, 2006 amounted to \$26,589 and was estimated by using the Black-Scholes options pricing model with the following weighted-average assumptions and is being recorded as an expense over the eighteen month vesting period. No expenses were recorded for the above options in three-month period and six-month periods ended October 31, 2006 as no portion of the options granted were vested.

Number of options granted	60,000	100,000
Weighted risk-free interest rate	4.25%	3.75%
Expected volatility	145%	223%
Dividend yield	Nil	Nil
Weighted average expected life	3 years	5 years

(c) Warrants

	<u>Number of Warrants</u> #	<u>Weighted Average Exercise Price</u> \$
Balance April 30, 2006 (audited)	21,767,566	0.19
Exercised	(3,920,266)	0.20
Expired	<u>(3,726,019)</u>	0.21
Balance October 31, 2006 (unaudited)	<u><b>14,121,281</b></u>	<u><b>0.20</b></u>

(d) Contributed surplus

	<u>Amount</u> \$
Balance April 30, 2006 (audited)	172,346
Stock-based compensation costs credited to capital stock on exercise of stock options	(7,500)
Stock-based compensation	<u>73,136</u>
Balance October 31, 2006 (unaudited)	<u><b>237,982</b></u>

**MURGOR RESOURCES INC.**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**OCTOBER 31, 2006**  
**(UNAUDITED)**

**5. Related party transactions**

All related party transactions are in normal course of operations and are measured at the exchange value which is the amount of consideration established and agreed to by the related parties.

(i) Prepaid expenses include an amount of \$4,730 (\$3,600 - October 31, 2005) representing an advance to an Officer for office and exploration expenditures.

(ii) Certain directors of the Corporation are also shareholders and directors of related corporations. The related corporation charged an aggregate amount of \$24,460 (\$26,534 - October 31, 2005) for administrative costs and services, shared office expenses and exploration expenditures.

(iii) Due to related corporations significantly represent the net amount of charges for shared office and related expenses, as well as joint venture exploration expenditures between Murgor Resources Inc. and Freewest Resources Canada Inc.

Two directors and one officer are shareholders of the Corporation and these two directors are also directors, officers and shareholders of Freewest Resources Canada Inc..

(iv) Amounts due to related parties are non-interest bearing with no specific terms of repayment.

(v) \$52,000 (\$47,000 - October 31, 2005) represents the remuneration to the President in his capacity as consulting geologist and qualified person.

**6. Subsequent event**

On December 14, 2006, the Corporation completed a private placement for gross proceeds of \$6,000,000. At the closing, Murgor issued 16 million flow-through units, for gross proceeds of \$4 million. Each flow-through unit consists of one flow-through common share and one-half of a common share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at a price of \$0.35 for a period of 18 months from the closing date. Murgor also issued 10 million non-flow-through units, for gross proceeds of \$2 million. Each unit consists of one common share and one-half of a common share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at a price of \$0.30 for a period of 24 months from the closing date. In connection with this financing, Murgor issued 2,340,000 broker units exercisable at \$0.20 for a 24 month period from the closing date. Should these broker units be exercised, an additional 1,170,000 warrants exercisable at \$0.30 would be issued and would expire on the same date as the original warrants.

**7. Comparative figures**

Certain comparative figures have been reclassified where necessary to conform to the current years presentations.