PALLADON VENTURES LTD.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED NOVEMBER 30, 2006

PALLADON VENTURES LTD.

Notice of No Auditor Review of Interim Consolidated Financial Statements

Under *National Instrument 51-102, Part 4, subsection 4.3 (3)(a),* if an auditor has not performed a review of the interim financial statements, the interim financial statements must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the company have been prepared by and are the responsibility of the company's management.

The company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"Donald G. Foot, Jr."
Chief Executive Officer

January 29, 2007

PALLADON VENTURES LTD.
INTERIM CONSOLIDATED BALANCE SHEETS
NOVEMBER 30, 2006 AND FEBRUARY 28, 2006

ASSETS	November 30, 2006	February 28, 2006
Current		
Cash – Note 9	$ 611,027	$ 1,676,346
GST recoverable	37,582	11,283
Prepaid expenses	0	24,796
	648,609	1,712,425
Equipment – Note 3	48,037	31,113
Reclamation Bond – Note 4	719,290	745,940
Mineral properties – Notes 4,5,6 and Schedule 1	36,408,786	29,049,254
	$ 37,824,722	$ 31,538,732
LIABILITIES		
Current		
Accounts payable and accrued liabilities – Note 8	$ 522,226	$ 1,878,503
Due to related party – Note 8	1,840,705	1,603,418
	$ 2,362,931	3,481,921
Loan payable – Note 6	14,482,680	14,631,900
Non-controlling interest – Note 5	6,156,609	6,309,300
	23,002,220	24,423,121
SHAREHOLDERS' EQUITY		
Share capital – Note 7	25,506,120	20,208,913
Share subscriptions received	1,931,279	-
Contributed surplus – Note 7	1,351,256	1,173,071
Deficit – Note 2	(13,966,153)	(14,266,373)
	14,822,502	7,115,611
	$37,824,722	$ 31,538,732

Nature and Continuance of Operations – Note 1
Commitments – Notes 4, 5, 6
Subsequent Events – Note 10

APPROVED BY THE DIRECTORS:

_____ Director _____ Director

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2006 AND 2005

	Three Months Ended November 30		Nine Months Ended November 30	
	2006	2005	2006	2005
Sales	$ 70,252		$ 83,419	
Cost sales	0		11,097	
Gross margin	70,252		72,322	
General and Administrative Expenses				
Amortization	$ 3,953	$ 3,140	$ 15,856	$ 9,419
Bank charges	160	2,444	1,215	4,800
Interest	425,683	9,392	1,006,470	44,840
Investor and international relations	16,927	40,898	57,728	134,694
Management and consulting fees	59,433	59,958	647,017	561,591
Office and administration	194,716	22,661	450,707	207,491
Professional fees	38,150	80,919	244,287	260,758
Rent	20,395	37,442	120,733	74,377
Shareholder communications	27,390	29,395	70,690	108,331
Stock-based compensation		417,350		592,350
Telephone	7,918	7,179	23,942	25,367
Transfer agent and filing fees		7,089	50,661	56,597
Travel and promotion	60,629	78,905	229,375	263,491
	855,355	796,772	2,918,681	2,344,106
Loss before other items	(785,103)	(796,772)	(2,846,359)	(2,344,106)
Other items:				
Interest income	302	2,040	8,003	93,949
Gain (loss) on foreign exchange	56,617	217,858	1,869,042	1,103,332
	0	0	1,269,534	0
	56,919	219,898	3,146,579	1,197,281
Net income (loss) for the period	(728,184)	(576,874)	300,220	(1,146,825)
Deficit, beginning of the period	(13,237,968)	(9,862,925)	(14,266,373)	(9,292,974)
Deficit, end of the period	(13,966,152)	$ (10,439,799)	(13,966,153)	$ (10,439,799)
Basic and fully diluted income (loss) per share	$ (0.02)	(0.02)	$ (0.01)	$ (0.04)
Weighted average number of shares outstanding	46,666,060	30,912,613	42,668,445	29,128,612

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2006 AND 2005

	Three Months Ended November 30		Nine Months Ended November 30	
	2006	2005	2006	2005
Operating Activities				
Net income (loss) for the period	$ (728,184)	$ (576,874)	$ 300,220	$ (1,146,825)
Items not involving cash:				
Amortization	3,952	3,140	15,586	9,419
Deferred charges		-		21,743
Shares issued for interest expense		21,477		88,332
Stock-based compensation		417,350	(176,900)	592,350
Noncontrolling interest			(1,269,534)	
Unrealized foreign exchange loss (gain)	63,389	(465,559)		(1,240,094)
	(660,843)	(600,466)	(1,130,628)	(1,675,075)
Changes in non-cash working capital items:				
GST recoverable	1,845		(26,299)	
Prepaid expenses		-	24,796	7,799
Accounts payable and accrued liabilities	49,554	308,272	(1,356,278)	413,702
Cash used in operating activities	(609,444)	(357,769)	(1,218,875)	(1,341,979)
Investing Activities				
Acquisition of equipment		(1,809)		(1,809)
Mineral property costs	(765,325)	(1,816,601)	(7,359,532)	(23,259,633)
Mineral property proceeds on sale		3,523,000		3,513,000
Reclamation bond		-		(803,920)
Loan receivable		-		1,715,687
Cash used in investing activities	(765,325)	1,694,590	(7,359,532)	(18,836,675)
Financing Activities				
Advances from (to) related parties	36,325	(12,738)	261,434	1,318,770
Bridge loan payable		2,876,418		15,933,204
Obligation payable		(4,098,500)		230,300
Issuance of shares for cash, net of share issue costs		27,386	1,931,279	1,057,607
Share subscriptions collected	1,229,553		1,229,553	
Cash provided by financing activities	1,265,878	(1,207,434)	3,422,266	18,539,881
Decrease in cash during the period	108,891	129,387	(1,065,319)	(1,638,773)
Cash, beginning of the period	502,136	398,627	1,676,346	2,166,787
Cash, end of the period	$ 611,027	$ 528,014	$ 611,027	$ 528,014
Supplemental disclosure of cash flow information;				
Cash paid for:				
Interest	0	$ 1,090,961	299,150	$ 1,090,961
Income taxes		$ -		$ -

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD. Schedule 1

SCHEDULE OF MINERAL PROPERTIES

FOR THE NINE MONTHS ENDED NOVEMBER 30, 2006

	Argentina							USA			November 30,
	Gran Bajo	Laguna Guadalosa	Tres Hermanas	Rio Deseado	Taca Taca	La Sarita	Other	Utah Copper	Genesis Gold	Iron Springs	2006 Total
Balance beginning	$74,460	$313,661	$492,452	$579,900	$939,339	$127,500	$ 0	$5,577,474	$927,358	$19,585,186	$26,290,779
Acquisition costs											
Shares issued											
Cash paid (recovered)			$119,352					1,591,378			1,710,730
	$74,460	$313,661	$611,804	$579,900	$939,339	$127,500	$ 0	$7, 168,852	$927,358	$19,585,186	28,001,509
Exploration expenditures (recovered)											
Claim fees										11,349	11,349
Equipment										13,071	13,071
Field costs	1,222		4,380		16,270		2,288	29,329	25,006	182,915	261,410
Geological consulting	111		10,038	843	47,951		13,382		9,204	101,811	183,340
Miscellaneous	214	346	9,375	943	16,628		15,526			839	43,871
Reclamation bond									14,283		14,283
Taxes		202	5,790	189	17,454		3,343			5,188	32,166
Travel	4,169	2,468	8,215	1,758	31,745		8,613				56,968
	5,716	3,016	37,798	3,733	130,048		43,152	29,329	48,493	315,173	616,458
Plant and equipment under construction								489,031		6,941,374	7,430,405
Total	$80,176	$316,677	$649,602	$583,633	$1,069,387	$127,500	$43,152	$7,687,212	$975,851	$26,841,733	$36,048,372

PALLADON VENTURES LTD. Schedule 1

SCHEDULE OF MINERAL PROPERTIES

FOR THE YEAR ENDED FEBRUARY 28, 2006

	Argentina							USA			February 28,
	Gran Bajo	Laguna Guadalosa	Tres Hermanas	Rio Deseado	Taca Taca	La Sarita	Other	Utah Copper	Genisis Gold	Iron Springs	2006 Total
Balance, March 1, 2005	$ 74,240	$ 312,860	$ 337,203	$ 126,448	$ 835,460	$ -	$ -	$ 2,730,720	$ 142,365	$ 159,207	$ 4,718,503
Acquisition and financing costs											
Shares issued	-	-	-	440,000	-	97,500	-	-	577,500	-	1,115,000
Cash paid	-	-	96,429	-	-	30,000	-	-	-	16,882,800	17,009,229
	-	-	96,429	440,000	-	127,500	-	-	577,500	16,882,800	18,124,229
Exploration expenditures (recovered)											
Assays	-	-	-	-	-	-	-	41,616	5,215	38,169	85,000
Claim fees	-	53	3,544	2,017	3,765	-	6,803	542,762	86,951	24,216	670,111
Equipment	-	-	-	-	-	-	-	93,659	-	46,240	139,899
Geological consulting	-	-	28,708	6,101	83,836	-	487,654	791,234	94,366	-	1,491,899
Field costs	-	744	3,448	1,257	7,619	-	8,404	342,618	18,399	-	382,489
Miscellaneous	220	4	7,252	581	3,870	-	50,886	769,481	1,279	108,003	941,576
Salaries	-	-	-	-	-	-	-	221,480	-	-	221,480
Supplies	-	-	1,234	332	588	-	22,656	43,904	1,283	-	69,997
Travel	-	-	14,634	3,164	4,201	-	40,330	-	-	-	62,329
	220	801	58,820	13,452	103,879	-	616,733	2,846,754	207,493	216,628	4,084,780
Plant and equipment under construction	-	-	-	-	-	-	-	431,924	-	2,326,551	2,758,475
Write-offs	-	-	-	-	-	-	(616,733)	-	-	-	(616,733)
Total	$ 74,460	$ 313,661	$ 492,452	$ 579,900	$ 939,339	$ 127,500	$ -	$ 6,009,398	$ 927,358	$19,585,186	$29,049,254

PALLADON VENTURES LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2006 AND FEBRUARY 28, 2006

Note 1 Nature and Continuance of Operations

Palladon Ventures Ltd. (the "Company") is a public company incorporated on August 25, 1980 under the Company Act of British Columbia and is in the business of acquiring, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. As at November 30, 2006, the Company was in the exploration stage and had interests in properties located in Argentina and the United States of America. The Company is listed on the TSX Venture Exchange (the "Exchange") and the Frankfurt exchange.

The Company is in the exploration stage and is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and deferred exploration costs is dependent upon the discovery of economically recoverable reserves and confirmation of the Company's interest in the underlying mineral properties, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof.

The financial statements have been prepared using Canadian generally accepted accounting principles applicable for a going concern which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. As at November 30, 2006, the Company has not yet achieved profitable operations and has accumulated losses of $14,022,771 since its inception. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Note 2 Significant Accounting Policies

These unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a basis consistent with those followed in the most recent audited financial statements. These unaudited consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements. Therefore readers are advised to refer to the company's annual audited financial statements for the year ended February 28, 2006 for additional information.

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada and are stated in Canadian dollars. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates that have been made using careful judgement. Actual results may differ from these estimates.

Note 2 Significant Accounting Policies (continued)

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Note 3 Equipment

	November 30, 2006		
	Cost	Accumulated Amortization	Net
Office furniture and equipment	$ 31,741	$ 9,306	$ 22,435
Vehicle	44,194	23,382	20,812
	$ 75,935	$ 32,688	$ 43,247

	February 28, 2006		
	Cost	Accumulated Amortization	Net
Computer equipment	$ 6,866	$ 2,049	$ 4,817
Vehicle	44,194	17,898	26,296
	$ 51,060	$ 19,947	$ 31,113

Note 4 Reclamation Bond

The Company is obligated to provide an amount of US$1,300,000 as security for future reclamation work. The Company has deposited 50% of the amount ($732,615 (US$650,000)) with a government agency. The Company has obtained an insurance policy to fund the balance in the event that a claim is made.

Note 5 Mineral Properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing. The properties in which the Company has committed to earn an interest are located in Argentina and the United States and the Company is relying on title opinion by legal counsel who is basing such opinions on the laws of Argentina and the United States, respectively.

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Argentina

a) By agreement dated October 1, 2002, and amended April 11, 2003, the Company entered into an option agreement with Deseado LLC ("Deseado") to earn up to a 51% interest in approximately 100,000 hectares of mineral properties located in the Santa Cruz, Rio Negro and Chubut provinces of Argentina. Deseado has a director in common with the Company.

As consideration for the option the Company issued 600,000 shares at $0.30 per share during the year ended February 29, 2004, 800,000 common shares during the quarter ended May 31, 2005 and is required to issue up to 400,000 shares as expenditures are completed. The Company also issued 100,000 shares at $0.30 per share during the year ended February 29, 2004 for finder's fees. The properties are divided into groups with exploration expenditure requirements as follows:

Laguna Guadalosa Property Group

- US$30,000 on or before March 31, 2003 (paid);
- An additional US$270,000 on or before March 31, 2004 (paid)

All other properties (Gran Bajo, Tres Hermanas, Rio Desado and Other)

- US$40,000 on or before April 30, 2003 (paid)
- An additional US$160,000 on or before March 31, 2004 (paid)

Note 5 Mineral Properties – (cont'd)

b) By agreement dated March 19, 2004, the Company entered into an option agreement to acquire a 100% interest in approximately 830 hectares known as the Rodino property located in Argentina, adjacent to the Tres Hermanas property. Consideration payable is US$500,000 payable over four years in six month intervals as follows:

On March 19, 2004	US$	40,000	(paid)
September 19, 2004		30,000	(paid)
March 19, 2005		40,000	(paid)
September 19, 2005		40,000	(paid)
March 19, 2006		50,000	(paid)
September 19, 2006		50,000	(paid)
March 19, 2007		60,000	
September 19, 2007		80,000	
March 19, 2008		110,000	
Total	US$	500,000	

This agreement is subject to regulatory approval.

By agreement dated May 31, 2004, the Company entered into an option agreement to acquire a 100% interest in approximately 2,000 hectares known as the Taca Taca Alta properties located in Salta province, Argentina. Consideration payable is US$5,000,000 payable from the agreement date as follows:

Five days after signing	US$	100,000	(paid)
November 30, 2004		100,000	(paid)
July 10, 2005		30,000	
August 1, 2005		700,000	
November 30, 2005		150,000	
May 31, 2006		200,000	
November 30, 2006		250,000	
May 31, 2007		300,000	
November 30, 2007		350,000	
May 31, 2008		500,000	
May 31, 2009		2,950,000	
Total		US$5,000,000	

The agreement is subject to regulatory approval. The Company has not made any payments subsequent to November 30, 2004 and is currently negotiating with the grantor to extend the payment terms.

Note 5 Mineral Properties – (cont'd)

Utah, USA

a) The Company has entered into an option agreement dated November 20, 2003 to acquire a 50% interest in approximately 40,000 acres of mineral rights located in Beaver County, Utah. As consideration the Company will update and finalize a feasibility study and expend up to US$4,000,000 over five years with a minimum of US$800,000 (paid) to be spent in the first year. Any property in the new exploration areas in which a feasibility study has been completed, the Company shall have the right to a 65% interest.

b) On May 7, 2004, the Company entered into an option agreement for the right to acquire a 100% interest in five mineral exploration properties covering 5,480 acres in Utah and Nevada in consideration for 250,000 common shares (issued) and a further 1,300,000 shares in stages on or before the third anniversary (1,150,000 issued to date). The properties are subject to a 3% net smelter return royalty.

In May 2006, the Company granted an option to another public company having a director in common to acquire a 75% interest in the properties by issuing 450,000 common shares to the Company and 850,000 shares to the underlying optionor within five days of regulatory approval. The optionee must also incur exploration expenditures of US$5,000,000 over five years of which US$1,200,000 must be completed during calendar 2006.

c) During fiscal 2006 the Company completed the purchase of the Rex, Mountain Lion and Comstock Iron properties (the Iron Springs properties) with the proceeds of an interim loan from Luxor Capital Group, LC. ("Luxor"). The purchase price for the property was US$10.0 million, of which $50,000 was paid on signing, with $1.3 million as a credit at closing for the amount of the reclamation bond obligation to be assumed by the Company (Note 5), and $8.65 million paid in cash at closing. Prior to entering into the purchase agreement, the Company and Western Utah Copper Company (WUCC) entered into a Joint Venture Agreement, which provided that the Company shall have a 65 % interest in the property, and WUCC shall have a 35 % interest. Concurrently with the acquisition, the parties negotiated for the buyout of WUCC's interest for US$3.5 million plus the forgiveness of approximately US$1,500,000 in loans and accrued interest receivable (Note 3) previously made by the Company to WUCC. The Iron Springs properties are held by the Company's subsidiary, Palladon Iron Corporation. During the year ended February 28, 2006, in connection with the refinancing of the interim loan, the Company sold 50% of its interest in Palladon Iron Corporation, at cost, to Luxor for US$3,000,000.

Note 6 Loan Payable

Loan payable to Luxor of US$12,750,000 with interest at 9.25% per annum due September 24, 2010. The loan is secured by a promissory note, a general security agreement, the shares of PIC and a mortgage on the Murdock Railway property (Note 3). In connection with the financing, the Company granted the lender share purchase warrants which entitle Luxor to acquire up to 2,357,137 common shares at $0.62 per share until September 23, 2007.

Note 7 Share Capital

Authorized:
Unlimited common shares without par value

Issued:

		Number of Shares	Amount
Balance, February 28, 2006		31,977,109	$20,208,913
For cash:			
Private placement	- at $0.50	10,000,000	5,000,000
Less: share issue costs, cash		-	(490,000)
agent's options		-	(247,000)
Private placement	- at $0.55	1,400,000	770,000
Exercise of broker options	- at $0.50	278,602	208,116
Various shares issued	- at $0.50	1,802,248	901,125
Balance, November 30, 2006		45,457,959	$ 26,351,154

Note 7 Share Capital – (cont'd)

Escrow shares:

As at November 30, 2006, 37,500 (February 28, 2006: 37,500) common shares are held in escrow subject to direction for their release by regulatory authorities.

Commitments:

Stock-based compensation

The Company may grant share purchase options to directors, officers or employees to acquire shares of the Company. Unless otherwise noted, the share purchase options vest when granted. Share purchase option activities for the nine months ended November 30, 2006 and the year ended February 28, 2006 are summarized as follows:

	Period ended November 30, 2006		Year ended February 29, 2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of period	1,975,000	$0.66	1,590,000	$0.55
Granted			1,135,000	$0.75
Agent's options granted	1,000,000		-	-
Exercised			(500,000)	-
Expired	(278,602)		(250,000)	-
Outstanding, end of period	2,711,398	$0.64	1,975,000	$0.66
Exercisable, end of period	2,711,398		1,975,000	

Note 7 Share Capital – (cont'd)

Commitments: – (cont'd)

Stock-based compensation – (cont'd)

As at November 30, 2006, there were 2,711,038 employee, director and agent's share purchase options outstanding. Each option entitles the holder thereof the right to purchase one common share, except for the agent's options as follows:

Number of Options	Exercise Price	Expiry Date
721,038	$0.50	March 31, 2008
400,000	$0.45	September 9, 2008
50,000	$0.80	November 26, 2008
100,000	$0.50	October 22, 2009
100,000	$0.70	October 22, 2009
350,000	$0.75	April 21, 2010
180,000	$0.85	August 8, 2010
450,000	$0.75	August 29, 2010
160,000	$0.75	November 10, 2010
200,000	$0.80	See below *
2,711,038		

* The 200,000 options were granted as compensation to a vendor, effective for a period of 30 days after the termination of the contract.

Share Purchase Warrants

As at November 30, 2006, the Company had 15,137,988 share purchase warrants outstanding. Each warrant entitles the holder to purchase one common share as follows:

Number	Exercise Price	Expiry Date
2,357,137	$0.62	September 23, 2007
10,000,000	$0.75	March 31, 2008
278,602	$0.75	July 13, 2008
700,000	$0.70	July 19, 2008
1,802,249	$0.70	August 31, 2008
15,137,988		

Note 7 Share Capital – (cont'd)

Contributed Surplus

	November 30, 2006	February 28, 2006
Balance, beginning of period	$ 1,173,071	$ 542,492
Fair value of share purchase options granted	247,000	550,700
Fair value of share purchase warrants granted on debenture conversion		196,705
Fair value of share purchase warrants granted with loan payable		895,712
Less: value transferred on exercise of options	(68,815)	(187,501)
Less: deferred finance charge		(825,037)
Balance, end of period	$1,351,256	$ 1,173,071

Note 8 Related Party Transactions

The Company incurred the following transactions with related parties consisting of current and/or former directors of the Company or private companies controlled by them:

	Nine Months Ended November 30, 2006	November 30 2005
Management and consulting fees	$ 0	$ 63,043
Rent	0	32,269
Total	$ 0	$ 95,312

The charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

Amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

Note 9 Financial Instruments

a) Credit risk:

The Company estimates, on a continuing basis, the probable losses, and provides a provision for losses based on the estimated realizable value.

b) Foreign currency risk:

The Company is exposed to fluctuations in foreign currencies through its operations in the United States and Argentina. The Company monitors this exposure, but has no hedge positions. As at November 30, 2006, cash totalling $611,027 (February 28, 2006: $1,476,245) was held in US dollars and $nil in Argentine Pesos (February 28, 2006: $791).