

PALLADON VENTURES LTD.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 2005

Unless otherwise indicated herein all dollar amounts refer to Canadian dollars

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.

"George S. Young"
Chief Executive Officer

January 30, 2006

PALLADON VENTURES LTD.
INTERIM CONSOLIDATED BALANCE SHEETS
NOVEMBER 30, 2005 AND FEBRUARY 28, 2005

	<u>ASSETS</u>	<u>Nov. 30, 2005</u>	<u>Feb. 28, 2005</u>
Current			
Cash – Note 12	\$	528,014	\$ 2,166,787
Accounts receivable		102,245	13,840
Prepaid expenses		-	7,799
		<hr/>	<hr/>
		630,259	2,188,426
Loans receivable – Notes 3 and 6		-	1,715,687
Deferred finance charge		-	42,466
Equipment – Note 4		34,253	41,863
Reclamation Bond – Note 5		758,485	-
Mineral properties – Notes 5, 6, 7 and Schedule 1		25,515,136	4,718,503
		<hr/>	<hr/>
	\$	26,938,133	\$ 8,706,945
	<u>LIABILITIES</u>		
Current			
Accounts payable and accrued liabilities	\$	568,070	\$ 154,368
Due to related party – Note 9		1,345,633	26,863
		<hr/>	<hr/>
		1,913,703	181,231
Loan payable – Notes 6 and 7		14,877,975	-
Convertible debentures – Note 11		-	734,250
		<hr/>	<hr/>
		16,791,678	915,481
	<u>SHAREHOLDERS' EQUITY</u>		
Share capital – Notes 5, 6, 8, 10 and 11		19,465,412	16,180,041
Share subscriptions received		-	361,905
Contributed surplus – Note 2		1,120,842	542,492
Deficit – Note 2		(10,439,799)	(9,292,974)
		<hr/>	<hr/>
		10,146,455	7,791,464
	\$	26,938,133	\$ 8,706,945
Nature and Continuance of Operations – Note 1			
Commitments – Notes 5, 6, 7 and 8			
Subsequent Events – Note 13			

APPROVED BY THE DIRECTORS:

SEE ACCOMPANYING NOTES

“Donald G. Foot” Director

“Paul Higgins” Director

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2005 AND 2004

	Three Months Ended November 30		Nine Months Ended November 30	
	2005	2004	2005	2004
General and Administrative Expenses				
Amortization	\$ 3,140	\$ 2,048	\$ 9,419	\$ 5,789
Bank charges	2,444	91	4,800	950
Interest	9,392	20,701	44,840	79,986
Investor and International relations	40,898	23,163	134,694	123,844
Management, consulting & salaries	59,958	100,373	561,591	295,165
Office and administration	22,661	21,020	207,491	51,593
Professional fees	80,919	23,623	260,758	67,852
Rent	37,442	6,513	74,377	16,131
Shareholder communications	29,395	33,724	108,331	61,684
Stock-based compensation	417,350	139,196	592,350	139,196
Telephone	7,179	8,145	25,367	19,625
Transfer agent, listing & filing fees	7,089	6,289	56,597	27,641
Travel and promotion	78,905	56,281	263,491	213,584
Loss before Other	(796,772)	(441,167)	(2,344,106)	(1,103,040)
Other:				
Interest income	2,040	59,461	93,949	181,918
Gain (loss) on foreign exchange	217,858	(436,452)	1,103,332	(488,743)
Net earnings (loss) for the period	(576,874)	(818,158)	(1,146,825)	(1,409,865)
Deficit, beginning of the period	(9,862,925)	(8,147,008)	(9,292,974)	(7,204,504)
Accounting change for stock-based compensation retroactively applied	-	-	-	(350,797)
Deficit, end of the period	\$(10,439,799)	\$(8,965,166)	\$(10,439,799)	\$(8,965,166)
Basic and diluted loss per share	\$ (0.02)	\$ (0.04)	\$ (0.04)	\$ (0.08)
Diluted earnings/loss per share	Anti-Dilutive	Anti-Dilutive	Anti-Dilutive	Anti-Dilutive
Weighted average number of shares	30,912,613	21,612,923	29,128,612	21,612,923

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2005 AND 2004

	Three Months Ended November 30		Nine Months Ended November 30	
	2005	2004	2005	2004
Operating Activities				
Net earnings (loss) for the period	\$ (576,874)	\$ (818,158)	\$ (1,146,825)	\$ (1,409,865)
Items not involving cash:				
Amortization	3,140	2,048	9,419	5,789
Deferred charges	-	6,097	21,743	48,181
Shares issued for interest expense	21,477	-	88,332	-
Stock-based compensation	417,350	139,196	592,350	139,196
Unrealized foreign exchange	(465,559)	124,398	(1,240,094)	47,495
	(600,466)	(546,419)	(1,675,075)	(1,169,204)
Changes in non-cash working capital items:				
Accounts receivable	(65,575)	4,327	(88,405)	(5,755)
Prepaid expenses	-	3,805	7,799	3,980
Accounts payable and accruals	308,272	7,685	413,702	(27,549)
Cash provided by (used in) operating activities	(357,769)	(530,602)	(1,341,979)	(1,198,528)
Investing Activities				
Loan receivable	-	-	1,715,687	(489,145)
Acquisition of capital assets	(1,809)	-	(1,809)	(47,539)
Reclamation bond	-	-	(803,920)	-
Mineral property – costs	(1,816,601)	(322,455)	(23,259,633)	(2,745,585)
Mineral property – proceeds on sale	3,513,000	-	3,513,000	-
Cash provided by (used in) investing activities	1,694,590	(322,455)	(18,836,675)	(3,285,269)
Financing Activities				
Advances from (to) related parties	(12,738)	6,769	1,318,770	(91,476)
Loan payable	2,876,418	-	15,933,204	-
Obligation payable	(4,098,500)	-	230,300	-
Issuance of shares for cash	27,386	351,402	1,057,607	1,167,088
Cash provided by financing activities	(1,207,434)	358,171	18,539,881	1,075,612
Increase (decrease) in cash during the period	129,387	(494,886)	(1,638,773)	(3,408,185)
Cash, beginning of the period	398,627	2,655,613	2,166,787	5,568,912
Cash, end of the period	\$ 528,014	\$ 2,160,727	\$ 528,014	\$ 2,160,727
Supplemental disclosure of cash flow information:				
Cash paid for Interest	\$ 1,090,961	\$ -	\$ 1,090,961	\$ -
Cash paid for Income taxes	\$ -	\$ -	\$ -	\$ -

SEE ACCOMPANYING NOTES

Non-cash Transactions – Note 10

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
SCHEDULE OF MINERAL PROPERTIES
FOR THE NINE MONTHS ENDED NOVEMBER 30, 2005

	Argentina						USA			Nov. 30, 2005 Total	
	Gran Bajo	Laguna Guadalosa	Tres Hermanas	Rio Descado	Taca Taca	La Sarita	Other	Utah Copper	Genesis Gold		Iron Springs
Balance beginning	\$ 74,240	\$ 312,860	\$ 337,203	\$ 126,448	\$ 835,460	\$ -	\$ -	\$ 2,730,720	\$ 142,365	\$ 159,207	\$ 4,718,503
Acquisition, financing and construction costs	-	-	-	440,000	-	32,500	-	-	577,500	-	1,050,000
Shares issued	-	-	-	-	-	-	-	-	(3,513,000)	-	(3,513,000)
Proceeds received	-	-	-	-	-	-	-	192,076	-	19,548,441	19,740,517
Cash paid	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	440,000	-	32,500	-	192,076	577,500	16,035,441	17,277,517
Construction costs	-	-	-	-	-	-	-	232,817	-	-	232,817
Exploration expenditures (recovered)	-	-	49,890	-	-	-	4,308	274,703	14,144	6,212	349,257
Claim fees	-	-	-	-	-	-	-	-	77,728	100,832	178,560
Equipment & construction	-	-	19,731	3,887	69,527	-	126,274	469,760	210,937	194,141	1,094,257
Geological consulting	-	47	6,833	1,327	7,999	-	13,149	419,581	-	98,872	547,808
Field costs	215	12	3,818	1,135	4,217	-	47,958	711,224	-	52,565	821,144
Miscellaneous	-	-	647	-	-	-	16,795	143,619	84,203	-	245,264
Salaries and wages	-	-	9,925	2,011	8,024	-	30,049	-	-	-	50,009
Travel	215	59	90,844	8,360	89,767	-	238,533	2,018,887	387,012	452,622	3,286,299
Total	\$ 74,455	\$ 312,919	\$ 428,047	\$ 574,808	\$ 925,227	\$ 32,500	\$ 238,533	\$ 5,174,500	\$ 1,106,877	\$ 16,647,270	\$ 25,515,136

PALLADON VENTURES LTD.
SCHEDULE OF MINERAL PROPERTIES
FOR THE YEAR ENDED FEBRUARY 28, 2005

	Argentina						USA			February 28, 2005 Total	
	Choiqe La Brecha	Gran Bajo	Laguna Guadalosa	Hermanas Tres	Rio Deseado	Taca Taca	Other	Utah Copper	Genesis Gold		Iron Springs
Balance beginning	\$ 140,544	\$ 69,102	\$ 306,037	\$ 225,827	\$ 105,845	\$ -	\$ 102,694	\$ 108,602	\$ -	\$ -	\$ 1,058,651
Acquisition costs	-	-	-	-	-	-	-	-	-	-	-
Shares issued	-	-	-	92,264	47	262,126	(70,000)	835,718	117,500	-	117,500
Cash paid (recovered)	-	-	-	-	47	262,126	(70,000)	835,718	-	125,171	1,245,326
	-	-	-	92,264	47	262,126	(70,000)	835,718	117,500	125,171	1,362,826
Exploration expenditures (recovered)	-	-	-	-	-	-	-	-	-	-	-
Assays	2,859	230	306	1,607	251	10,607	(16,607)	122,029	-	-	122,029
Claim fees	-	-	-	-	-	-	-	72,851	-	-	72,851
Drilling	-	-	-	-	-	-	-	79,376	-	-	79,376
Equipment	-	-	-	-	-	-	-	275,268	-	-	275,268
Geological consulting	36,776	4,201	1,283	2,704	896	416,257	(4,849)	382,718	24,865	34,036	898,887
Field costs	5,743	-	2,616	-	9,536	43,312	-	236,721	-	-	297,928
Miscellaneous	8,817	367	1,639	1,194	2,800	60,824	(2,273)	123,603	-	-	196,971
Repairs	-	-	-	-	-	-	-	29,987	-	-	29,987
Salaries and wages	-	-	-	-	-	-	(5,858)	276,117	-	-	270,259
Supplies	-	-	-	-	-	-	-	60,724	-	-	60,724
Travel	8,053	340	979	13,607	7,073	42,334	(3,107)	127,006	-	-	196,285
	62,248	5,138	6,823	19,112	20,556	573,334	(32,694)	1,786,400	24,865	34,036	2,499,818
Write-off	(202,792)	-	-	-	-	-	-	-	-	-	(202,792)
Total	\$ -	\$ 74,240	\$ 312,860	\$ 337,203	\$ 126,448	\$ 835,460	\$ -	\$ 2,730,720	\$ 142,365	\$ 159,207	\$ 4,718,503

PALLADON VENTURES LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2005

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 subsequently transitioned under the Business Corporation Act of British Columbia on August 22, 2005. The Company 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, 2005, the Company had exploration stage 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 process of exploring its mineral properties and has not yet determined if these properties contain mineral reserves or if such resources will be 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 generally accepted Canadian 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, 2005, the Company has not yet achieved profitable operations and has accumulated losses of \$10,439,799 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

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

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:

PALLADON VENTURES LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2005 AND FEBRUARY 28, 2005 – PAGE 2

Note 2 Significant Accounting Policies – (cont'd)

a) Financial Instruments

The carrying value of the Company's financial instruments, consisting of cash, accounts payable, accrued liabilities, and amounts due to related parties approximate their fair value due to the short-term maturity of such instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

b) Equipment and Amortization

Equipment is recorded at cost. The Company provides for amortization using the following rates:

Office furniture and equipment	3 year straight-line method
Computer equipment	30% declining balance
Vehicle	30% declining balance

Additions to equipment are amortized at one-half the normal rate during the year of acquisition.

c) Mineral Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet identified any NI 43-101 compliant mineral reserves. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

Argentina

PALLADON VENTURES LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2005 AND FEBRUARY 28, 2005 – PAGE 3

Extended expenditure commitments were successfully renegotiated on the La Sarita property in December 2005 to enable the company additional time to complete its planning and development for the coming year.

Note 2 Significant Accounting Policies – (cont'd)

d) Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

e) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if all applicable securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

f) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely-than-not that they can be realized.

g) Foreign Currency Translation

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in operations.

PALLADON VENTURES LTD.
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2005 AND FEBRUARY 28, 2005 – PAGE 4

Note 2 Significant Accounting Policies – (cont'd)

h) Consolidation

These financial statements include the accounts of the Company and its wholly owned subsidiary Palladon Iron Corporation. All material inter-company transactions and balances have been eliminated.

Note 3 Loans receivable

The Company had loans receivable at February 28, 2005, from its joint venture partner, Western Utah Copper Company (“WUCC”), for the amount of US\$1.2 million. These loans comprised of US\$800,000 that was originally advanced by the Company to WUCC in November of 2003 in connection with entering into the Western Utah Copper joint venture, plus an additional US\$400,000 of advances that were made during the course of calendar year 2004. In order to provide for security for the loans, WUCC offered to and did convey on settlement an undivided 50% interest in certain land holding, known as the Murdock Railroad Property, on which WUCC had previously obtained a certified appraisal valuing the property at US\$8.2 million, net of an encumbrance of approximately US\$550,000. In connection with that conveyance, the parties have also agreed that at such time that project financing is obtained for the production portion of the Western Utah Copper joint venture, such financing will include sufficient funds to pay off the encumbrance on the property. The transactions with WUCC were completed during the quarter ended November 30, 2005. During the quarter the Company agreed to arrange financing of the US\$550,000 encumbrances in order to allow the Development JV to proceed with project financing, and consequently will receive a credit upon facilitating such financing. See Note 5 & Note 7 for additional information relating to the WUCC joint venture, and for additional information relating to loans receivable.

Note 4 Equipment

	November 30, 2005		
	Cost	Accumulated Amortization	Net
Computer equipment	\$ 6,866	\$ 1,726	\$ 5,140
Vehicle	44,194	15,081	29,113
	\$ 51,060	\$ 16,807	\$ 34,253
	February 28, 2005		
	Cost	Accumulated Amortization	Net
Computer equipment	\$ 5,057	\$ 759	\$ 4,298

PALLADON VENTURES LTD.
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2005 AND FEBRUARY 28, 2005 – PAGE 5

Vehicle	44,194	6,629	37,565
	\$ 49,251	\$ 7,388	\$ 41,863

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.

Note 6 Loan Payable

During the year, the Company received an interim bridge loan of US\$10,300,000 consisting of US\$9,300,000 to assist in the purchase of the Iron Springs properties and US\$1,000,000 of prepaid interest with the loan bearing interest at 20% per annum and is due October 14, 2005. During the quarter, the terms of the agreement were amended such that the loan facility included a \$US 1,000,000 upfront fee and interest of 20% per annum.

On September 23, 2005, additional funds were received from the lender and together with accrued interest on the bridge loan, total amounts owing increased to US\$12,750,000. This amount was rolled over into a five-year term loan bearing interest at 9.25% per annum. Interest is payable quarterly, with the principal reduction payments coming from up to 65% of the Company's share of project net revenues. The lender also received 2,357,157 share purchase warrants exercisable until September 23, 2007 at \$0.62 per share.

The loan is secured by a promissory note, a general security agreement, the Company's shares of Palladon Iron Corporation and a mortgage on the Company's interest in the Murdock Railroad property.

All interest and fees associated with these financings have been capitalized to the Iron Springs properties.

Note 7 Obligation Payable – Western Utah Copper Company

During the quarter, the Company agreed to arrange financing of the US\$550,000 prior encumbrance on the Murdock Railroad in order to allow the Development JV to proceed with project financing, and consequently will receive a credit upon facilitating such financing.

PALLADON VENTURES LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2005 AND FEBRUARY 28, 2005 – PAGE 6

Note 8 Share Capital

Authorized:
Unlimited common shares without par value

Issued:

	Number of Shares	Amount
Balance, February 29, 2004	19,429,252	13,799,728
For cash:		
– pursuant to exercise of warrants		
– at \$0.30	3,953,520	1,186,056
– at \$0.36	504,518	181,626
– at \$0.50	166,400	83,200
– at \$0.80	60,000	48,000
– at \$0.85	26,349	22,397
Pursuant to exercise of Agent’s options	– at \$0.75 571,268	426,752
Pursuant to mineral property agreement	– at \$0.47 250,000	117,500
Pursuant to conversion of convertible debentures		
– at \$0.69	498,220	343,772
Less: finders fee costs	-	(28,990)
Balance, February 28, 2005	25,459,527	\$ 16,180,041
For cash:		
Pursuant to exercise of warrants		
– at \$0.36	328,815	118,373
– at \$0.50	1,101,280	550,640
– at \$0.80	723,666	578,933
– at \$0.85	152,986	130,038
Pursuant to conversion of convertible debentures		
– at \$0.69	1,192,148	822,582
Less: finders fee costs	-	(20,723)
Pursuant to exercise of options	– at \$0.50 40,000	20,000
Add: fair value of options	-	14,000
Pursuant to exercise of Agent’s options	– at \$0.75 28,562	21,422
Pursuant to exercise of Agent’s options	– at \$0.85 125	106
Pursuant to mineral property agreement	– at \$0.87 250,000	217,500
Pursuant to mineral property agreement	– at \$0.55 800,000	440,000
Pursuant to mineral property agreement	– at \$0.40 900,000	360,000
Pursuant to mineral property agreement	– at \$0.65 50,000	32,500
Balance, November 30, 2005	31,027,109	\$ 19,465,412

PALLADON VENTURES LTD.
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2005 AND FEBRUARY 28, 2005 – PAGE 7

Note 8 Share Capital – (cont'd)

Escrow shares:

As at November 30, 2005, 37,500 (February 28, 2005: 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, 2005 and the year ended February 28, 2005 are summarized as follows:

	Nine months ended November 30, 2005		Year ended February 28, 2005	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
	<u>Shares</u>	<u>Price</u>	<u>Shares</u>	<u>Price</u>
Outstanding, beginning of period	1,590,000	\$0.55	850,000	\$0.51
Granted	1,135,000	\$0.75	140,000	\$0.50
Exercised	(40,000)	\$0.50	350,000	\$0.70
Granted	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>\$0.50</u>
Outstanding, end of period	<u>2,685,000</u>	\$0.59	<u>1,590,000</u>	\$0.55
Exercisable, end of period	<u>2,685,000</u>		<u>1,590,000</u>	

As at November 30, 2005, there were 2,685,000 employee and director share purchase options outstanding. Each option entitles the holder thereof the right to purchase one common share as follows:

PALLADON VENTURES LTD.
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2005 AND FEBRUARY 28, 2005 – PAGE 8

Note 8 Share Capital – (cont'd)

Commitments: – (cont'd)

Stock-based compensation – (cont'd)

Number of Options	Exercise Price	Expiry Date
210,000	\$0.50	January 26, 2006
700,000	\$0.45	September 9, 2008
150,000	\$0.80	November 26, 2008
140,000	\$0.50	October 22, 2009
350,000	\$0.70	October 22, 2009
350,000	\$0.75	April 21, 2010
625,000	\$0.75	August 19, 2010
160,000	\$0.75	November 25, 2010
<u>2,685,000</u>		

Share Purchase Warrants

As at November 30, 2005, the Company had 6,733,044-share purchase warrants outstanding. Each warrant entitles the holder to purchase one common share as follows:

Number	Exercise Price	Expiry Date
3,260,922	\$0.80	February 27, 2006
269,782	\$0.85	February 27, 2006
249,110	\$0.86	April 26, 2006
283,867	\$0.86	March 15, 2007
81,874	\$0.86	July 21, 2007
106,837	\$0.86	August 8, 2007
2,357,157	\$0.62	September 23, 2007
62,388	\$0.86	October 4, 2007
61,107	\$0.86	October 18, 2007
<u>6,733,044</u>		

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Note 8 Share Capital – (cont'd)

Commitments: – (cont'd)

Stock-based compensation – (cont'd)

Agent's Options

In connection with a private placement completed during the year ended February 29, 2004, the Agents (Canaccord Capital and Pacific International Securities) were granted the option to acquire 1,193,876 units at \$0.75 per unit up to February 27, 2006. Each unit consists of one share and one-half share purchase warrant. Each warrant is exercisable at \$0.85 per share until February 27, 2006. During the period ended November 30, 2005, 28,125 units were acquired by the agent, leaving 593,940 agent's options outstanding at November 30, 2005.

Note 9 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	
	2005	2004
Management and consulting fees	\$ 63,043	295,166
Rent	32,269	3,600
Total	\$ 63,209	\$ 290,766

As at November 30, 2005, accounts payable included \$1,345,633 (February 28, 2005: \$26,863) owing to related parties. Amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment. The related party is George S. Young, a director of the Company, and a one third owner of Deseado LLC. an Argentinian company.

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Note 10 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the cash flow statements.

During the nine months ended November 30, 2005, the following transactions were excluded from the statement of cash flows:

- a) The Company issued 250,000 shares at \$0.87 per share, 800,000 shares at \$0.55 per share, 900,000 shares at \$0.40 and 50,000 shares at \$0.65 per share pursuant to mineral property acquisition agreements.
- b) The Company issued 1,192,148 shares at \$0.69 per share pursuant to the conversion of convertible debentures. Included in this transaction was \$20,723 finder's fee allocated to share issue costs.

Note 11 Convertible Debentures

During the quarter ended November 30, 2005, the final portion of the convertible debentures payable of \$148,947 was paid out by conversion into units (February 28, 2005 - \$734,250). These debentures incurred interest at 8% per annum, were due November 20, 2005, and were unsecured. As at November 30, 2005, accrued interest of \$Nil (February 28, 2005 - \$74,789) is included in accounts payable. The principal amount and accrued interest outstanding was convertible into units at a conversion price of \$0.69.

Note 12 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, 2005, cash and cash equivalents totalling \$528,014 (February 28, 2005: \$353,831) of which \$US 227,378 was held in the United States and Pesos \$332,501 (\$US113,999) in Argentine Pesos (February 28, 2005: \$558,358) and loans receivable totalling \$Nil (February 28, 2005: \$1,715,687) were held in US dollars.

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Note 13 Subsequent Events

Subsequent to November 30, 2005, the following share transactions have taken place:

		Number of Shares	Amount
Balance, November 30, 2005		31,027,109	\$ 19,465,412
For cash:			
Pursuant to exercise of options	– at \$0.45	200,000	90,000
Pursuant to exercise of options	– at \$0.70	250,000	175,000
Pursuant to exercise of options	– at \$0.75	100,000	75,000
Pursuant to exercise of options	– at \$0.80	50,000	40,000
Pursuant to mineral property agreement	– at \$0.65	100,000	65,000
Balance, January 23, 2006		<u>31,727,109</u>	<u>\$ 19,910,412</u>