

PALLADON VENTURES LTD.
Q3 2005
MANAGEMENT DISCUSSION AND ANALYSIS
For the nine month period ending November 30, 2005

Unless otherwise indicated herein all dollar amounts refer to Canadian dollars

The following discussion and analysis of the results and financial condition (MD&A) for Palladon Ventures Ltd. (the Corporation) should be read in conjunction with the unaudited interim consolidated financial statements for the nine months ended November 30 2005 and related notes therein. The financial information in this MD&A is derived from the Corporation's consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles.

1.1 DATE OF REPORT: *The effective date of the report is January 30, 2006.*

1.2 OVERALL PERFORMANCE

The Company is in the business of acquiring, exploring, and developing mineral resource properties.

The Company's primary assets consist of mineral rights on 130,000 hectares in the Deseado Massif region of Patagonia, Argentina; 8,000 hectares in and around the Tacalto Project in northern Argentina; the 100,000 acre Western Utah Copper Project, near Milford, Utah; 5420 acres of gold projects in Utah and Nevada; and the Iron Springs properties covering approximately 6,000 acres of patented and unpatented claims encompassing the Comstock, Mountain Lion and Rex iron ore mines in Utah.

The Iron Mountain Project

During the quarter, the Company's focus was site preparation; foundations were completed for the power substation and processing facility. Grid wiring was completed. The old facilities were demolished and scrap removed from the site. The hurricanes that devastated the gulf coast of the United States delayed progress due to the difficulty in procurement of power poles, wiring, transformers, switches, and steel structures. The rail project progressed quicker than expected due to mild weather conditions and the close cooperation of the Union Pacific Railroad and Mountain States Contracting, who commenced exchange track modifications and rail upgrading at the Iron Springs interchange. With the help of Gilbert Development Corp., the Company has been finalizing processing plant design to meet the upgraded production target of 2,000,000 mt/year. Delays have not impacted obligations to supply iron ore concentrates with our customer, the 1,000,000 mt/year supply contract remains intact and terms will be activated upon commencement of production. An updated technical report was released October 24, 2005.

Western Utah Copper Project

Upon the completion of a NI 43-101 report in September 2005, drilling programs were laid out

and commenced on the Candy B target, and in the Beaver Lake Mountain area. Three drill rigs were deployed. To date, 5,000 feet of reverse-circulation drilling and 11,000 feet of core drilling have been completed, and the land position has expanded to 100,000 acres of mineral rights. Results from this work are currently being assessed. An evaluation of the properties under lease for potential copper porphyry targets is under way.

Argentina

Activities during the quarter in Argentina included additional geological work, evaluation and sampling on the La Sarita project. Property payments were also made towards maintaining purchase option agreements on the Taca Taca and Tres Hermanas projects. The Company is now preparing for a full season of field work on its various projects in northern and southern Argentina.

Expenditure commitments were extended on the La Sarita property in December, 2005, to enable the company additional time to complete work obligations.

Great Basin Gold

During the quarter budgets were prepared for the 2006 drilling season, on each of the five gold exploration projects in the region. Field work was focused on the Caldera project located in west-central Nevada. Assays from the summer sampling program were announced November 1, 2005. The company intends to proceed with initial drilling on Caldera in the summer of 2006.

Other

On October 19, 2005, the Company announced the appointment of an additional director to the Board, Dr. Michael G. Nelson, and the restructuring of the Board committees for Corporate Governance, Compensation & Nominating, and Audit. Donald G. Foot, Jr. was appointed as President and Chief Operating Officer, George S. Young, reappointed as the Company's Chief Executive Officer.

1.3 SELECTED ANNUAL INFORMATION

As reported in annual information circular.

1.4 RESULTS OF OPERATIONS

The main focus during this quarter was on the Utah projects as the company moved forward after the loan renegotiations. At Iron Mountain, site preparation accounted for most of the project's cost for the quarter of \$101,862. On the copper project, additional drilling and consulting resulted in an expenditure of \$68,808. In Nevada, geological work and claim fees at Genesis Gold resulted in expenses of \$109,311. Work in South America focused on meeting planned earn-in expenditures, with \$76,633 allocated to geological evaluation. Budgets have been submitted for all the company's projects and are currently being reviewed for 2006.

1.5 SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	2005				2004				2003
		Q2	Q1	Q4	Q3	Q2	Q1	Q4	
		Aug. 31	May. 31	Feb. 28	Nov. 30	Aug. 31	May. 31	Feb. 28	
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Net loss before discontinued operations and extraordinary items:									
Total	(576,874)	(823,251)	(818,838)	(453,095)	(818,158)	(395,259)	(196,448)	(302,220)	
Per share	\$ (0.02)	\$ (0.01)	\$ (0.37)	\$ (0.08)	\$ (0.03)	\$ (0.02)	\$ (0.01)	\$ (0.02)	
Per share, fully diluted	\$ (0.02)	\$ (0.01)	\$ (0.37)	\$ (0.08)	\$ (0.03)	\$ (0.02)	\$ (0.01)	\$ (0.02)	
Net loss:									
Total	(576,874)	(823,251)	(818,838)	(453,095)	(818,158)	(395,259)	(196,448)	(302,220)	
Per share	(0.02)	(0.01)	(0.37)	(0.08)	(0.03)	(0.02)	(0.01)	(0.02)	
Per share, fully diluted	(0.02)	(0.01)	(0.37)	(0.08)	(0.03)	(0.02)	(0.01)	(0.02)	

1.6 LIQUIDITY

At the end of the quarter the Company had \$528,014 in cash and \$25,515,136 in resource properties. The Company intends to continue exploration and evaluation work in accordance with its planning and agreements.

The Company has a working capital of \$(1,283,444). All obligations noted in the prior quarter were refinanced or paid before the end of this quarter. Management, at the date of this report, is continuing negotiations for sufficient funding to enable it to continue with its development, construction and production planning.

1.7 CAPITAL RESOURCES

The capital resources of the Company include mineral properties, carried at \$25,515,136. The Company's intention is to commit additional funds for continuing exploration activities.

1.8 OFF BALANCE SHEET ARRANGEMENTS

The Company is committed to equity and debt associated with the Murdock Railroad Property and the iron ore contract signed on August 2, 2005. (Refer to Note 3 of the accompanying financial statements.) There are no other off balance sheet arrangements.

1.9 TRANSACTIONS WITH RELATED PARTIES

For the quarter ended November 30, the Company incurred and accrued management fees of \$63,043 to directors and officers of the Company (2004: \$295,166) and rent of \$32,269 (2004: \$3600) to directors of the Company.

	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

Included as a Current Liability at November 30 2005 is \$ 1,345,633 (February 28 2005: \$26,863) due to related parties. Amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment. These transactions were in the normal course of operations and are measured at the applicable rate of exchange at the time of the transaction. The related party is George S. Young, who is also a director and a one-third owner of Deseado LLC, an Argentinian company.

1.10 THIRD QUARTER

The Company's loss for the third quarter and the nine months ending November 30, 2005, were \$576,874 and \$1,146,825 respectively, as compared with losses of \$818,158 and \$1,409,865 for the same periods of 2004. A close watch on the expenditures for the quarter, the finalizing of the long term funding interest charges being adjusted in the renegotiations, and the continuing fluctuation of the \$US dollar, providing a gain on foreign exchange (\$217,858 for the quarter and \$1,103,332 for the nine- month period), kept the quarter's loss at an anticipated level. Stock-based compensation added to the overall loss for the quarter (\$417,350 for the quarter and \$592,350 for the nine-month period). Costs related to Investor Relations, Shareholder Communications & Agents' Costs remained relatively stable, while Travel and Promotion rose mainly due to increased travel to conferences and for fundraising purposes.

1.11 PROPOSED TRANSACTIONS

The Company will allocate funds as they become available for the evaluation, acquisition, and exploration of attractive properties in Utah, Nevada, and Argentina. Palladon Iron Corporation has secured suitable office space in Salt Lake City in line with the planned commencement of operations. The Company plans to obtain financing of debt and equity to facilitate the development of both the Iron Mountain Project and full participation in the Development JV with Western Utah Copper Company.

1.12 CRITICAL ACCOUNTING ESTIMATES

Loans Receivable

There are no current Loans receivable.

Mineral Properties

The company defers the costs of acquiring and maintaining its interests for exploration and development. The respective properties are either placed into production, abandoned, sold or considered to be impaired in value, as in the case of Choique La Brecca last year. Costs associated with 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 mineral properties, with any excess included in operations.

Write-downs due to impairment in value are charged to operations.

1.13 CHANGE IN ACCOUNTING POLICY

Effective for fiscal years commencing on or after January 1, 2004, generally accepted Canadian accounting principles require the fair value of all share purchase options to be expensed over their vesting periods, with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital. Previously only share purchase options granted to non-employees followed this method and

options granted to employees were not expensed.

The Company has adopted the new policy on a retroactive basis with no restatement of prior periods. Accordingly on March 1, 2004, deficit and contributed surpluses were each increased by \$225,510 to account for share purchase option expense that would have been charged to operations in 2003 and 2004 with respect to employee share purchase options granted since March 1, 2002. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options. The company continues to adopt this approach and review this policy if necessary.

1.14 FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The carrying values 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 or credit risks arising from these financial instruments. The carrying value of the loans receivable also approximates fair value where applicable. The Company is exposed to fluctuations in foreign currencies through its operations in the United States, Canada and Argentina.

1.15 OTHER ITEMS

Share Capital

Authorized:

Unlimited common shares without par value

Issued:

Number of Shares

Amount

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; share issuance 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	<u>50,000</u>	<u>32,500</u>
Balance, November 30, 2005		<u>31,027,109</u>	<u>\$ 19,465,412</u>

Escrow Shares:

As of 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, from time to time, 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 three 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
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>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:

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 6,339,767 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
62,388	\$0.86	October 4, 2007
61,107	\$0.86	October 18, 2007
2,357,157	\$0.62	September 23 2007
<u>6,339,767</u>		

Agents' Options

In connection with a private placement completed during the year ended February 29, 2004, the Agents (Canaccord Capital Corp, and Pacific International Securities Inc.) 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 Agents, leaving 593,940 agent's options outstanding at November 30, 2005.

Subsequent Events

The Company released a Press release on January 16, 2006 relating to assays from the area known as the Candy B Prospect in the Milford Mineral Belt in southwestern Utah.

Also subsequent to November 30, 2005:
Shares issued

		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
	– at \$0.70	250,000	175,000
	– at \$0.75	100,000	75,000
	– 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>

