PGM VENTURES CORPORATION – MANAGEMENT'S DISCUSSION AND ANALYSIS

QUARTER ENDED MARCH 31, 2006

Introduction

This management discussion and analysis ("MD&A") of results, operations and financial condition of PGM Ventures Corporation ("PGM" or the "Company", and formerly Icelandic Gold Corporation) describes the operating and financial results of the Company for the quarter ended March 31, 2006. The MD&A supplements, but does not form part of the unaudited consolidated financial statements of the Company, and should be read in conjunction with PGM's unaudited consolidated financial statements and related notes for the quarter ended March 31, 2006, as well as the results of fiscal years 2005 and 2004. The Company prepares and files its consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The currency referred to in this document is the Canadian Dollar, all holdings in foreign currencies by PGM or its subsidiaries have been converted to Canadian Dollars at the prevailing conversion rates at the time of reporting.

Overview of the First Quarter

Following the company's divestment of various interests and properties during 2005 together with its decision not to carry on any further work on its other properties the Company's focus during the Quarter was mainly on its wholly owned Aguas Tenidas project (MATSA) located in Huelva Province, Southwest Spain. During the Quarter MATSA continued to focus on the rehabilitation of the existing mine infrastructure, completed the construction of both the high security explosives magazine and the rehabilitation of the underground ventilation shafts. MATSA also submitted two permit applications to the Junta de Andalucia (the regional Government) for the Recommencement of the Exploitation at the Aguas Tenidas mine and the expansion of the activity at the mine with the construction of an Ore Treatment Plant and Tailings Deposit. Subsequent to March 31, 2006 the Company announced that MATSA had received authorization from the Junta de Andalucia for the Recommencement of Exploitation at the Aguas Tenidas mine.

On January 20, 2006 the company received a positive Bankable Feasibility Study on Aguas Tenidas, which had been commissioned by SRK Consulting (UK) Ltd. ("SRK"). The Feasibility Study demonstrates that the project is both technically feasible and economically viable. The Company is continuing negotiations with Investec Bank (UK) Ltd. for a project loan as well as with Aker Kvaerner Engineering Services Ltd. for an EPCM Construction Contract.

Currently the Company holds the mining interests defined below;

Mineral project	Location	Principal metals	PGM interest	Project information
Aguas Tenidas	Huelva Province,	Copper, zinc, lead	100%	VMS deposit in Spain's Northern Pyrite Belt

	Spain	& silver		
Various Investigation Licenses	Huelva Province, Spain	VMS	100%	VMS exploration licenses in Spain's Pyrite Belt
Sangold	Keith Township, Ontario	Gold	Option to earn 80%	Gold Exploration Project
Nixon-Bartleman	Keifer Township, Ontario	Gold	100%	Gold Exploration Project, no further work intended

Additional Information

Additional information relating to the Corporation is available on the Internet at the SEDAR website at www.sedar.com.

1.1 Date of MD&A

This MD&A was prepared on May 30, 2006

1.2 Overall Performance

During the first quarter of 2006 the Company focused its attention on the Aguas Tenidas project. In March the Company completed a private placement for the sale of 9,252,200 common shares for net proceeds of $5,917,754 which enhanced the Company's working capital position at the end of the Quarter. These funds will be utilized on the continuing development of the Aguas Tenidas Project.

PGM incurred a net loss of $1,444,441 for the three months ended March 31, 2006 compared to a net loss before extraordinary items of $890,953 for the corresponding period of 2005. The net loss for the Quarter is primarily made up of costs and expenses incurred in the quarter.

General and Administration expenses totaled $487,374 during the first quarter of 2006 compared to $459,605 for the corresponding period of 2005. A breakdown of General and Administration for these periods is set out in Section 1.15. Within General and Administration there were increases in Accounting and Corporate Services costs of $36,268 to $51,106 reflecting the increased level of accounting services now being required by the Company. Office expenses increased by $16,358 to $36,807 due to an increase in various office related costs. The increase of $17,670 to $67,873 in Transfer agent, listing and filing fees reflects increases in volumes. Advertising, promotion and public relations has increased from$17,057 to $45,315 due to the increased level of advertising and promotion now being required to be undertaken by the Company. Flow through interest penalties incurred by the Company increased from $26,358 during the first quarter 2005 to $46,766 during the first quarter 2006. There were also additional categories of General & Administration costs in the current quarter which did not occur in the corresponding period of 2005 including Insurance costs $34,936, Occupancy costs $4,500 and Administration expenses on mining interests previously written off of $19,092. All these General and Administration increases in the first quarter of 2006 have been partially offset by decreases in both Professional and Consulting fees $100,255 and Travel costs $29,841 which is due primarily to MATSA related costs being capitalized in the first quarter of 2006 which costs would have been charged to the Consolidated Statements of Operations and Deficits in the first quarter of 2005.

Stock Option Expenses amounted to $855,042, an increase of $401,513 over 2005. This increase is due to the timing of the vesting of stock options and their corresponding treatment as expense for accounting. Foreign Exchange losses totaled $107,584 and arose mainly from the increased exposure of the Company to fluctuations in the value of the Euro against the Canadian dollar. This loss compares to a gain of $22,181 in 2005. These expenses were partially offset by interest income of $5,559. There was no interest income during the corresponding period of 2005.

Additionally in the corresponding period of 2005 there was a gain of $1,262,829 on the sale of the Simberi Mining Property, a gain on dilution of interest in Simberi Gold Corporation of $155,081, which together with an adjustment for the non-controlling interests share of loss of $481,162 resulted in a net income after extraordinary items of $1,008,119 for the corresponding quarter in 2005.

1.3 Selected Annual Information

Not applicable to quarterly MD&A

1.4 Results of Operations

2006 Financing Activities

Date	Amount Raised	Stated Use of Proceeds	Actual Use of Proceeds
March 2006	$5,917,754	-work in Spain -general working capital	In accordance with stated use

2006 Project Summaries

1 - Aguas Tenidas (MATSA)

During the first quarter of 2006 site personnel at Aguas Tenidas completed the underground rehabilitation and services required to safely utilize the existing underground infrastructure facilities. These works were carried out by the contractor INSERSA. On surface the construction of the explosive storage magazine was completed by Insersa Cruz and the security system installed. These latter have yet to be inspected and accepted by the Civil Guard.

On January 20,2006 the Company released the positive feasibility study prepared by SRK Consulting (UK) Ltd. This document is available at www.sedar.com.

The Company submitted two permit applications to the Junta de Andalucia (the regional Government) for the Recommencement of the Exploitation at the Aguas Tenidas mine and the expansion of the activity at the mine with the construction of an Ore Treatment Plant and Tailings Deposit. Subsequent to March 31, 2006 the Company announced that MATSA had received authorization from the Junta de Andalucia for the Recommencement of Exploitation at the Aguas Tenidas mine.

2 - Various Investigation licenses

The Company intends to pursue the evaluation of these licenses but has not yet commenced any definitive exploration programmes. There were no expenses incurred in the first quarter of 2006 in conjunction with these licenses.

3 - Sangold Project

During the first quarter of 2006 the Company expended $74,654 in conjunction with the Sangold project. The Company is presently considering its options in regards to a future course of action for this project for the remainder of 2006.

4 – Nixon-Bartleman Project

In 2005 the Company wrote off the value of this project and determined that no further work will be carried out on this project. There was no work done, and no funds expended, on this project in the first quarter of 2006.

5 - Thierry Mine Project

As discussed in the MD&A for fiscal 2005 the Company completed an agreement in December 2005 with Richview Resources Corporation ("Richview") to sell the balance of the Thierry Mine ("Thierry") for 5,700,000 units in the capital of Richview, each unit consisting of one common share and one half share purchase warrant of Richview. Each whole warrant entitles the Company to acquire an additional common share of Richview at a price of $0.90 for a period of two years from the date of completion of the transaction. Richview now owns 100% of Thierry. The total proceeds were calculated as $2,166,000 which was the fair value of the units received on the date of the transaction.

6 - Venezuelan Properties

As discussed in the MD&A for fiscal 2005 the company has either written off or disposed of these assets, and currently awaits a first installment of $250,000 USD due June 15, 2006, and a second installment of $250,000 USD is due December 15, 2006, pursuant to this disposal.

Risks and Uncertainties

PGM is a junior exploration and development company, and accordingly, is subject to a number of risks and uncertainties, any of which could have a material effect on its business, operations or future performance, including but not limited to: permitting risks, reliance on capital markets in order to meet its funding requirements both to continue as a going concern as well as to raise the significant amounts of capital required to develop the Aguas Tenidas project, commodity price and capital market volatility, possible challenges to the title to its properties, exploration and exploitation risks, country risk, uninsurable risks, environmental risks, changes in the legal or political environment in which is operates, currency fluctuations and dilution. A summary of these risks and uncertainties has been included beginning on page 9 of this document and the reader is encouraged to read this section carefully.

1.5 Summary of Quarterly Results

	First Quarter March 31, 2006	**Fourth Quarter** December 31, 2005	**Third Quarter** September 30, 2005	**Second Quarter** June 30, 2005
Revenue (including Interest Income)	$5,559	$12,552	$11,058	$13,019
Income (loss) before extraordinary items	(1,444,441)	(977,873)	(900,400)	(790,385)
Income (loss) per share before extraordinary items (basic)	$(0.02)	($0.02)	($0.01)	($0.01)
Income (loss) per share before extraordinary items (diluted)	$(0.02)	($0.02)	($0.01)	($0.01)
Net income (loss)	(1,444,441)	(2,593,826)	(6,946,391)	(759,408)
Net income (loss) per share (basic)	$(0.02)	($0.04)	($0.12)	$0.01
Net income (loss) per share (diluted)	$(0.02)	($0.04)	($0.12)	$0.01

	First Quarter March 31, 2005	**Fourth Quarter** December 31, 2004	**Third Quarter** September 30, 2004	**Second Quarter** June 30, 2004
Revenue (including Interest Income)	$0	$2,687	$0	$0
Income (loss) before extraordinary items	(890,953)	(1,161,956)	(1,057,355)	(778,495)
Income (loss) per share before extraordinary items (basic)	($0.02)	($0.04)	($0.03)	($0.03)
Income (loss) per share before extraordinary items (diluted)	($0.02)	($0.04)	($0.03)	($0.03)
Net income (loss)	1,008,119	(1,373,729)	(914,896)	(703,498)
Net income (loss) per share (basic)	$0.02	($0.04)	($0.03)	($0.03)
Net income (loss) per share (diluted)	$0.02	($0.04)	($0.03)	($0.03)

Revenue arising from deposit interest remained steady quarter over quarter from the quarter ended March 31, 2005 to the quarter ended December 31, 2005. Revenue for the quarter ended March31, 2006 is at lower levels due to the lower level of cash holdings during the quarter. The loss before extraordinary items has been relatively stable over the last eight quarters and the primary contributors thereto amongst others include: maintaining the Company's status as a reporting issuer, paying management fees and salaries of employees, maintaining an office for operations in Toronto and the vesting of stock options. Over the eight quarters set out above the Company records a net loss after extraordinary items each quarter with the exception of the quarter ended March 31, 2005. During the first quarter of 2005 Simberi Gold Corporation sold 75% of its 50% interest in the Simberi mining joint venture. With Simberi being consolidated into

PGM the gain on the sale of $1.2 million was included in PGM's consolidated financial statements resulting in a net income after extraordinary items of $1,008,119.

There have been increased net losses after extraordinary items in 2005 for the third and fourth quarters. The loss in the third quarter is due primarily to the write down of mining interests with approximately $3million relating to Venezuela together with a loss of $3.6 million approximately related to the disposition of Simberi. This loss on Simberi was reversed in the 4th quarter with the recalculated loss of $1.7 million being offset against contributed surplus due to it being a related party transaction. The loss in the fourth quarter of 2005 is due mainly to additional write offs of mining interests together with a loss arising from the sale of the Thierry mine. The impact of these events in the third and fourth quarters of 2005 is also reflected in the loss per share after extraordinary items.

1.6 Liquidity

PGM reported a working capital of $2,752,456 at March 31, 2006 compared with a working capital deficit of $(654,960) as at December 31, 2005, and cash and cash equivalents of $4,768,605 at the end of the first quarter of 2006 ($762,081 at December 31, 2005). These variances are largely related to the amount raised and timing of closing of the various equity financings on which the Company relies.

During the first quarter of 2006, PGM raised capital from financings of $5,917,754 net along with $31,350 from the exercise of warrants. The Company has the need to raise additional capital in order to meet the capital intensiveness of PGM's business as it anticipates commencing the construction of the Aguas Tenidas project during fiscal 2006.

The January 2006 SRK Feasibility Study estimates the required capital cost would be approximately USD$168 million to place the Aguas Tenidas mine into commercial production. In order to meet these requirements the Company is in the process of negotiating a bank loan of up to USD$110 million principal amount and has reached an agreement with Trafigura Beheer which will provide the Company with a financing package of up to USD$20 million by way of a combination of equity, subordinated debt and capital cost overrun guarantees.

As a subsequent event announced on May 16, 2006 the Company reported that it had closed the financing announced on April 28, 2006 when the Company signed an engagement letter with MGI Securities Inc. to underwrite the sale of a $30 million private placement equity financing. Further as an additional subsequent event announced on May 23, 2006 the Company reported that it had accepted a Canadian $25 million offer of financing from Dundee Resources Limited. The financing will be a private placement of a $25 million principal amount subordinated convertible debenture issued at par. The units comprising this convertible debenture are convertible at C$1.25 per PGM share and half a share purchase warrant exercisable at $2.00 per share. The issue of the convertible debenture is subject to a number of conditions including amongst others the completion of an equity financing by PGM resulting in PGM receiving gross proceeds of $15 million by issuing 15 million Common Shares

The Company does not anticipate any required exploration costs for Aguas Tenidas which are not already included in the $168 million budget noted above. The various Spanish exploration licenses will require some work to be done on them this year, and the Company is presently evaluating their course of action with reference to the Sangold project. As stated there will be no work done on the Nixon-Bartleman project or funds required.

PGM anticipates revenue from operations in 2008 at the earliest, and it currently does not have any credit facilities with financial institutions. In order to continue work toward bringing its mineral property projects into commercial production, additional capital resources will be required in 2006 as discussed above.

1.7 Capital Resources

At March 31st, 2006 the Company had the following capital requirements under existing arrangements:

(a) the Company is obligated to make the final payment of €495,000 in conjunction with the purchase of 140 hectares of surface rights above and around the Aguas Tenidas mineralized system from Piritas de Huelva SL
(b) accounts payable in the normal course of business; and
(c) the Company, though it has not made commitments for the construction phase of the project, plans to do so during fiscal 2006 and will require funds for this accordingly. The sources of these funds will include those defined above.

1.8 Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements

1.9 Transactions With Related Parties

The Company has the following transactions with related parties;

The Company has management agreements with Peter Miller and Norman Brewster for their services as President and CEO, and Chairman and Vice President respectively whereby each receives annual fees of CDN $240,000. Aggregate fees for the first quarter were $23,500 (2005 - $17,500.)

Additionally the Company paid a total of $76,500 (2005 - $52,500) to directors as consulting fees capitalized to properties as disclosed in the financial statements as per the following: Peter Miller $44,000 and Norm Brewster $32,500.

During the first quarter of 2006 the Company paid to Billiken Management Services Inc., a company which is controlled by the spouses of Norm Brewster and Peter Miller, a total of $11,281 (2005 - $11,018), incurred in conjunction with the management of the Company's exploration program for Sangold, pursuant to a management agreement. Additionally the Company paid rent to Billiken in the amount of $4,500 (2005 - nil) and consulting fees of $6,000 (2005 - $4,000).

The Company also paid legal fees of $223,924 (2005 - $26,756) to McMillan Binch Mendelsohn LLP, a firm in which Carmen Diges is a partner. Ms. Diges also acts as the corporate secretary of the Company. The fees represent legal costs incurred in conjunction with the Company's business over the first quarter and the substantial increase in fees is due to increased activity.

All directors and officers of the Company and its subsidiaries were reimbursed for out of pocket expenses that occurred in the normal course of operations.

In the first quarter of 2006 the Company carried out no private placement transactions in which related parties to PGM participated.

1.10 First Quarter 2006

PGM recorded a net loss before extraordinary items of $1,444,441 for the three months to March 31, 2006 compared to a net loss of $977,873 for the three months to December 31, 2005. This increased loss is due mainly to an increase of $545,000 in Stock based compensation during the three months ended March 31, 2006 when compared to the previous quarter.

The net loss after extraordinary items for the three months ended March 31, 2006 amounted to $1,444,441 compared to a net loss after extraordinary item of $2,593,826 for the previous quarter. The decreased net loss during the first quarter 2006 is mainly attributable to additional mining interest write offs during this period together with the loss arising from the sale of the Thierry mine incurred in the previous quarter.
The Company had cash and cash equivalents of $4,768,605 at March 31, 2006 compared with $762,081 at the end of the fourth quarter.

1.11 Proposed Transactions

The Company presently has no planned or proposed business or asset acquisitions or dispositions.

1.12 Critical Accounting Estimates

PGM did not rely on any critical accounting estimates in the most recent quarter.

1.13 Changes in Accounting Policies Including Initial Adoption

In light of the receipt by the Company of the positive Feasibility Study in respect of Aguas Tenidas received in January 2006, and its decision to put the project into production, the Company has adopted Accounting Guideline 11 – Enterprises in the Development Stage as of January 20, 2006.

1.14 Financial Instruments and Other Instruments

The Company’s current financial instruments consist of cash and cash equivalents, funds held in trust, mineral property settlement, accounts receivable, accounts payable and accrued liabilities, promissory notes and due to Simberi Gold Corporation. The carrying values approximate the fair values of these financial instruments due to the short-term maturity of these items.

The long-term investment, at cost is in shares of Richview Resources Inc. which the Company is holding for the long term. The fair value at March 31, 2006 is the same as its carrying amount of $2,166,000.

The long term debt is related to payments of the Spanish subsidiary. The fair value of this long-term debt is not readily determinable.

1.15 Other MD&A Requirements

Additional Disclosure for Venture Issuers without Significant Revenue Exploration

(a) Property, plant and equipment

	March 31, 2006
Property, plant and equipment	$55,217,308
Acquisition of property, plant and equipment	251,720
Less: capital grant	(5,239,858)
Application of Negative Goodwill	(27,326,207)
Interest income	(103,331)
Capitalization of MATSA operating Expenditures	3,232,805
TOTAL	**$26,032,437**

(b) General and administrative

	March 31/06	**%**	**March 31/05**	**%**
Accounting and corporate services	51,106	10%	14,838	3%
Office expenses	37,807	8%	21,449	5%
Professional & Consulting fees	106,843	22%	207,098	45%
Transfer agent, listing & filing fees	67,873	14%	50,203	11%
Shareholders' information	15,162	3%	14,642	3%
Travel	47,433	10%	77,273	17%
Salaries, benefits & other compensation	11,081	2%	14,687	3%
Advertising, promotion & public relations	45,315	9%	17,057	4%
Insurance	34,396	7%	-	0%
Occupancy costs	4,500	1%	-	0%
Flow through interest penalty	46,766	10%	26,358	6%
Write off of administration expenses on mining interest	19,092	4%	-	0%
Interest Expense	-	0%	16,000	3%
TOTAL GENERAL & ADMINISTRATIVE	**487,374**	**100**	**459,605**	**100**

(c) Sangold Project

Please refer to Note 5 for a breakdown of the project to comply with section 5.3 of NI 51-102.

Disclosure of Outstanding Share Data

PGM is traded on the TSX Venture Exchange under the symbol PPG. On May 26, 2006 there were 98,536,231 shares issued, 7,330,000 stock options outstanding expiring from July 2006 to February 2011, and 20,987,257 warrants outstanding expiring from September 2006 to December 2007

RISKS AND UNCERTAINTIES

The business of PGM is subject to a number of risks and uncertainties commensurate with its status as a junior exploration company. In addition to considering the information disclosed in the financial statements and in the other publicly filed documentation regarding the Company available at www.sedar.com, the reader should carefully consider the following information. Any of these risk elements could have material adverse affects on the business of the Company.

Permitting Requirements

The Company is required to obtain certain permits for the construction and operation of the Aguas Tenidas project. In particular, the Company has applied to the Spanish authorities for a permit to recommence commercial production at the mine. This is required in lieu of an initial production permit due to the previous operations carried out on the property by its predecessor in interest. The Company has also applied for a construction permit for the plant and the tailings installations. There is, however, no guarantee as to when or that permits, licenses or consents required by the Company for its business will be granted or renewed as applicable.

Additional Funding Requirements

Notwithstanding the $30 million underwritten private placemen announced on May 16th, the $25million financing offer from Dundee Resources Ltd, the up to USD$110 million banking loan arrangement being negotiated, the up to USD$20 million available from Trafigura, and the potential of the Company being successful in its grant applications with the relevant Spanish authorities, the Company does have limited financial resources. There is no assurance that sufficient additional financing will be available to the Company on acceptable terms or at all. Failure to obtain such additional financing could result in a delay or the indefinite postponement of the Aguas Tenidas Project.

Commodity Price Volatility

The price of various commodities which the Company intends to exploit and subsequently market can fluctuate drastically, and is beyond the Company's control. The Company is specifically concerned with the price of Copper and Zinc with Lead, Silver and Gold providing useful by product revenues. While the Company would benefit from an increase in the value of these metals, the Company could be adversely affected by a decrease in the value of these metals. Were the prices of these metals to descend below the prices used for the determination of the positive feasibility study authored by SRK the economic viability of the project could be affected. The details of the pricing can be found in the feasibility study which is available within the Company's filings at www.sedar.com.

Title to Mineral Properties

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed or impugned. Although the Company has investigated its title to the mineral properties for which it holds concessions or mineral leases or licenses, there can be no assurance that the Company has valid title to such mineral properties or that its title thereto will not be challenged or impugned. For example, mineral properties sometimes contain claims or transfer histories that examiners cannot verify; and transfers under foreign law often are complex. The Company does not carry title insurance with respect to its mineral properties. A successful claim that the Company does not have title to a mineral property could cause the Company to lose its rights to mine that property, perhaps without compensation for its prior expenditures relating to the property.

Mineral Exploration and Exploitation

Mineral exploration and exploitation involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities. The Company has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. Substantial expenditures are required to establish mineral reserves and resources through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of some properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining, or to upgrade existing infrastructure. There can be no assurance that the funds required to exploit any mineral reserves and resources discovered by the Company will be obtained on a timely basis or at all. The economics of exploiting mineral reserves and resources discovered by the Company are affected by many factors, many outside the control of the Company, including the cost of operations, variations in the grade of ore mined and metals recovered, price fluctuations in the metal markets, costs of processing equipment, and other factors such as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. There can be no assurance that the Company's mineral exploration and exploitation activities will be successful.

Country Risk

Political and Economic Instability

The Company's mineral exploration and exploitation activities may be adversely affected by political instability and legal and economic uncertainty in the countries where the Company has operations. The risks associated with the Company's foreign operations may include political unrest, labour disputes, invalidation of governmental orders and permits, corruption, war, civil disturbances and terrorist actions, arbitrary changes in laws, regulations and policies, taxation, price controls, exchange controls, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on mineral exports and increased financing costs. These risks may limit or disrupt the Company's projects or operations, restrict the movement of funds or result in the deprivation of contractual rights. The Company presently holds assets in Ontario, which it considers to be extremely low risk with reference to the above stipulated potential risks, and in Spain, in which the Company does not foresee country risk as being problematic, but country risk is out of the control of the Company.

Uninsurable Risks

Mineral exploration and exploitation activities involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could negatively affect the Company's profitability and financial position and the value of the common shares of the Company. The Company does not maintain insurance against environmental risks.

Environmental Regulation and Liability

The Company's activities are subject to laws and regulations controlling not only mineral exploration and exploitation activities themselves but also the possible effects of such activities upon the environment. Environmental legislation may change and make the mining and processing of ore uneconomic or result in significant environmental or reclamation costs. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mineral exploitation activities, such as seepage from tailings disposal areas that could result in environmental pollution. A breach of environmental legislation may result in the imposition of fines and penalties or the suspension or closure of operations. In addition, certain types of operations require the submission of environmental impact statements and approval thereof by government authorities.

Environmental legislation is evolving in a manner which may mean stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors, officers and employees. Permits from a variety of regulatory authorities are required for many aspects of mineral exploitation activities, including closure and reclamation. Future environmental legislation could cause additional expense, capital expenditures, restrictions, liabilities and delays in the development of the Company's properties, the extent of which cannot be predicted. In the context of environmental permits, including the approval of closure and reclamation plans, the Company must comply with standards and laws and regulations which may entail costs and delays depending on the nature of the activity to be permitted and how stringently the regulations are implemented by the permitting authority. The Company does not maintain environmental liability insurance.

Regulations and Permits

The Company's activities are subject to wide variety of laws and regulations governing health and worker safety, employment standards, waste disposal, protection of the environment, protection of historic and archaeological sites, mine development and protection of endangered and protected species and other matters. The Company is required to have a wide variety of permits from governmental and regulatory authorities to carry out its activities. These permits relate to virtually every aspect of the Company's exploration and exploitation activities. Changes in these laws and regulations or changes in their enforcement or interpretation could result in changes in legal requirements or in the terms of the Company's permits that could have a significant adverse impact on the Company's existing or future operations or projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Company will be able to obtain the necessary permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the

Company from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities.

Currency Fluctuations

Currency fluctuations may affect costs at the Company's operations.

Dependence on Key Employees

The Company's business and operations are dependent on retaining the services of a small number of key employees. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these employees. The loss of one or more of these employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

Potential Dilution

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional option and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

PGM VENTURES CORPORATION

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

(PREPARED BY MANAGEMENT)

THREE MONTHS ENDED

MARCH 31, 2006

(UNAUDITED)

PGM VENTURES CORPORATION

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

(PREPARED BY MANAGEMENT)

THREE MONTHS ENDED

MARCH 31, 2006

(UNAUDITED)

Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements for PGM Ventures Corporation (a development stage company) have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the December 31, 2005 audited consolidated financial statements. Only changes in accounting information have been disclosed in these consolidated financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the consolidated financial statements, management is satisfied that these consolidated financial statements have been fairly presented.

PGM VENTURES CORPORATION
(A DEVELOPMENT STAGE COMPANY)
Consolidated Balance Sheets
(Prepared by Management - Unaudited)

	March 31, 2006 (unaudited)	December 31, 2005 (audited)
Assets		
Current assets		
Cash and cash equivalents	$ 4,768,605	$ 762,081
Funds held in trust	-	4,001,350
Mineral property settlement	581,500	581,500
Accounts receivable	1,237,693	1,051,382
Prepaids	71,246	99,696
	6,659,044	6,496,009
Long-term investment, at cost	2,166,000	2,166,000
Simberi Gold Corporation settlement	882,000	882,000
Property, plant and equipment (note 4)	26,032,437	24,201,216
Mining interests (note 5)	1,247,845	1,173,191
	$ 36,987,326	**$ 34,918,416**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 2,800,741	$ 3,595,730
Promissory notes (note 6)	-	2,465,925
Due to Simberi Gold Corporation (note 7)	393,800	393,800
Current portion of long-term debt (note 8)	712,047	695,514
	3,906,588	7,150,969
Long-term debt (note 8)	798,671	845,085
	4,705,259	7,996,054
Shareholders' equity		
Share capital (note 9)	44,124,964	38,399,811
Contributed surplus (note 11)	1,761,204	906,162
Warrants (note 12)	4,989,310	4,765,359
Deficit	(18,593,411)	(17,148,970)
	32,282,067	26,922,362
	$ 36,987,326	**$ 34,918,416**

Nature of operations and going concern assumption (note 1).

The notes to consolidated financial statements are an integral part of these statements.

Approved by the Board of Directors:

(signed) Peter M. Miller Director (signed) Norman Brewster Director

PGM VENTURES CORPORATION

(A DEVELOPMENT STAGE COMPANY)
Consolidated Statements of Operations and Deficit
(Prepared by Management - Unaudited)
Three Months Ended March 31,

	Cumulative from January 20, 2006 to March 31, 2006	2006	2005
Costs and expenses (income)			
General and administration	$ 398,718	$ 487,374	$ 459,605
Stock-based compensation (note 10)	855,042	855,042	453,529
Foreign exchange loss (gain)	32,781	107,584	(22,181)
Interest income	(4,671)	(5,559)	-
	1,281,870	1,444,441	890,953
(Loss) before the following	**(1,281,870)**	**(1,444,441)**	**(890,953)**
Gain on sale of the Simberi Mining Property, net of selling costs	-	-	1,262,829
Gain on dilution of interest - Simberi Gold Corporation	-	-	155,081
	-	-	1,417,910
Net (loss) income before non-controlling interest	(1,281,870)	(1,444,441)	526,957
Non-controlling interest's share of loss	-	-	481,162
Net (loss) income for the period	**(1,281,870)**	**(1,444,441)**	**1,008,119**
Deficit, beginning of period	(17,311,541)	(17,148,970)	(7,857,464)
Deficit, end of period	**$ (18,593,411)**	**$ (18,593,411)**	**$ (6,849,345)**
(Loss) income per share		**$ (0.02)**	**$ 0.02**
Weighted average number of common shares		**79,457,059**	**53,922,407**

The notes to consolidated financial statements are an integral part of these statements.

PGM VENTURES CORPORATION
(A DEVELOPMENT STAGE COMPANY)
Consolidated Statements of Cash Flows
(Prepared by Management - Unaudited)
Three Months Ended March 31,

	Cumulative from January 20, 2006 to March 31, 2006	2006	2005
Operating activities			
Net (loss) income for the period	$ (1,281,870)	$ (1,444,441)	$ 1,008,119
Gain on dilution of interest - Simberi Gold Corporation	-	-	(155,081)
Non-controlling interest's share of (loss)	-	-	(481,162)
Stock-based compensation (note 10)	855,042	855,042	453,529
	(426,828)	(589,399)	825,405
Net change in non-cash working capital	(1,009,356)	(982,731)	(1,697,800)
	(1,436,184)	(1,572,130)	(872,395)
Financing activities			
Funds held in trust	-	4,001,350	-
Shares issued for cash, net of share issue costs	5,949,104	5,949,104	1,456,507
	5,949,104	9,950,454	1,456,507
Investing activities			
Capital expenditures on mining interests	(71,160)	(74,654)	(298,438)
Cash acquired from Minas de Aguas Tenidas SAU	-	-	1,014,491
Cash paid to acquire Minas de Aguas Tenidas SAU	-	(2,465,925)	(1,164,224)
Purchase of property, plant and equipment	(251,720)	(251,720)	-
Capital grants offset to property, plant and equipment	497,006	497,006	-
Capitalized operating expenditures	(2,197,537)	(2,076,507)	-
	(2,023,411)	(4,371,800)	(448,171)
Change in cash and cash equivalents	2,489,509	4,006,524	135,941
Cash and cash equivalents, beginning of period	2,279,096	762,081	2,209,148
Cash and cash equivalents, end of period	**$ 4,768,605**	**$ 4,768,605**	**$ 2,345,089**

The notes to consolidated financial statements are an integral part of these statements.

1. Nature of operations and going concern assumption

PGM Ventures Corporation (the "Company" or "PGM") is a company involved in the evaluation, development and mining of base metal deposits in Spain. The Company's shares are listed on the TSX Venture Exchange.

As at March 31, 2006, the Company does not have the required funds to construct the mine for the Minas Aguas Tenidas deposit.

The recoverability of amounts shown as mining interests and property, plant and equipment is dependent upon a number of factors including environmental risks, legal and political risks, the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying assets, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

These consolidated financial statements have been prepared on the basis that the Company is a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. The ability of the Company to continue operations is dependent upon obtaining the necessary financing to complete the development of its properties and/or the realization of proceeds from the sale of one or more of its properties. These consolidated financial statements do not include any adjustments related to the carrying values and classifications of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

2. Summary of significant accounting policies

The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian generally accepted accounting principles for annual consolidated financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2006 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2006.

The consolidated balance sheet at December 31, 2005 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for annual consolidated financial statements. The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited consolidated financial statements for the year ended December 31, 2005, except for Note 3. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2005.

3. Change in accounting policies

On January 20, 2006, the Company received a positive bankable feasibility study on the Aguas Tenidas project. As such the Company now has a property that can be developed and the Company has entered into the Development Stage. As of January 20, 2006, the Company is applying Accounting Guideline 11 "Enterprises in the Development Stage".

4. Property, plant and equipment

	March 31, 2006	December 31, 2005
Property, plant and equipment (1)	$ 53,358,644	$ 51,527,423
Less: negative goodwill (2)	(27,326,207)	(27,326,207)
	$ 26,032,437	$ 24,201,216

(1) On January 20, 2006, the balance in property, plant and equipment was $24,080,186. Since this date the Company has incurred additional costs, net of capital grants of $1,952,251 for a total balance of $26,032,437 as of March 31, 2006.

(2) Refer to Note 6 of the December 31, 2005 audited consolidated financial statements for details.

5. Mining interests

	March 31, 2006	December 31, 2005
Sangold Property, Ontario (a)	$ 1,247,845	$ 1,173,191

(a) The following is a detailed list of expenditures that the Company incurred on the Sangold Property:

Payment to Kalwea Financial Corporation	$ 67,500
Consulting	358,914
Accommodation	34,094
Travel	15,159
Drilling	517,928
Software usage	10,400
Linecutting	73,606
Assay work	44,107
Equipment rental	10,100
Survey	75,882
Other charges	40,155
	$ 1,247,845

The Company will pay Kalwea Financial Corporation $232,500, should it decide to exercise its option of increasing its interest in the Sangold property.

6. Promissory notes

Subject to the Minas de Aguas Tenidas SAU ("Matsa") acquisition, the Company paid two promissory notes totaling €1,750,000 (CDN $2,465,925) in January 2006 to INSERSA S.A. Refer to Note 6 of the audited December 31, 2005 consolidated financial statements for details of the Matsa purchase.

7. Due to Simberi Gold Corporation

The amount due to Simberi Gold Corporation ("Simberi") is non-interest bearing and due on demand. Simberi has demanded repayment of this amount. As of March 31, 2006, no action has been taken against the Company by Simberi.

8. Long-term debt

	March 31, 2006	December 31, 2005
Social security debt	$ 461,250	$ 506,726
Payments due arising from general creditors agreement	357,773	350,398
Finance leases	20,578	21,915
Government assistance	8,732	12,828
Fixed asset loan	662,385	648,732
	1,510,718	1,540,599
Amounts payable within one year	(712,047)	(695,514)
	$ 798,671	$ 845,085

9. Share capital

(a) Authorized - Unlimited number of common shares

(b) Common shares issued

	Number of common shares	Stated value
Balance, December 31, 2005 and January 20, 2006 (Note 3)	78,629,031	$ 38,399,811
Exercise of warrants - cash	55,000	31,350
Black-Scholes fair value of warrants	-	11,055
Private placement (1)	9,252,200	6,476,540
Cost of issue - agent's option certificates (1)	-	(235,006)
Cost of issue - cash (1)	-	(558,786)
Balance, March 31, 2006	87,936,231	$ 44,124,964

(1) On March 23, 2006, the Company completed a private placement for the sale of 9,252,200 common shares at $0.70 per share for gross proceeds of $6,476,540. The shares are subject to a four-month hold period expiring on July 24, 2006.

In addition, under an agency agreement dated March 23, 2006 entered into between the Company and Haywood Securities Inc. ("Haywood"), Haywood, together with the selling group members, Canaccord Capital Corporation and MGI Securities Inc., received a cash commission of $526,509 and agent's option certificates, which will entitle Haywood, Canaccord and MGI at any time until September 23, 2007 to subscribe for an aggregate of up to 925,220 shares. Other costs associated with the private placement amounted to $32,277.

The agent's option certificates have an estimated value of $235,006. The fair value was estimated using the Black-Scholes option pricing model based on the followings assumptions: dividend yield 0%; expected volatility 87.21%; risk-free interest rate 3.96%; and an expected life of 18 months.

10. Stock options

The changes in stock options for the period ended March 31, 2006 is as follows:

	Number of common shares		Weighted Average Exercise Price
Balance, December 31, 2005 and January 20, 2006 (Note 3)	5,560,000	$	0.60
Grant of stock options (1)	2,170,000		0.77
Balance, March 31, 2006	7,730,000	$	0.65

(1) On February 1, 2006, the Company granted stock options to members of its management team and certain employees: Options to acquire 670,000 common shares at an exercise price of $0.70 per share for a period of 5 years from the date of grant; Options to acquire 1,500,000 common shares exercisable at a price per common share of $0.80 until December 31, 2006 and $1.00 until December 31, 2007.

The first option group has an estimated value of $269,340 which will be expensed over the vesting period. The fair value was estimated using the Black-Scholes option pricing model based on the followings assumptions: dividend yield 0%; expected volatility 98.05%; risk-free interest rate 3.86%; and an expected life of 2.41 years.

The second option group has an estimated value of $498,000 which will be expensed over the vesting period. The fair value was estimated using the Black-Scholes option pricing model based on the followings assumptions: dividend yield 0%; expected volatility 96.79%; risk-free interest rate 3.86%; and an expected life of 23 months.

As of March 31, 2006, the following stock options were outstanding:

	Expiry Date	Number of Options	Weighted Average Exercise price	
	July 16, 2006	150,000	$ 0.65	
	May 27, 2007	35,000	0.67	
	November 12, 2007	165,000	0.50	
(a)	March 16, 2008	300,000	0.87	
(b)	August 27, 2008	540,000	0.40	
(c)	October 10, 2008	375,000	0.60	
(d)	February 11, 2009	1,335,000	0.80	
(e)	April 14, 2009	100,000	0.86	
(f)	October 12, 2009	2,390,000	0.50	
(g)	February 3, 2010	20,000	0.50	
(h)	February 24, 2010	150,000	0.61	
(i)	February 1, 2011	670,000	0.70	
(j)	December 31, 2007	1,500,000	0.80	until December 31, 2006 then
			1.00	until December 31, 2007
		7,730,000		

PGM VENTURES CORPORATION
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Notes to Consolidated Financial Statements
(Prepared by Management - Unaudited)
March 31, 2006

10. Stock options (continued)

Stock options have been expensed as follows:

	Number of active options valued	Cumulative expense from inception of stock options	Amount expensed	Remainder to be expensed	Exercise of stock options	Total stock option compensation
(a)	300,000	$ 142,263	$ 37,437	$ -	$ -	$ 179,700
(b)	540,000	51,542	-	-	-	51,542
(c)	375,000	35,144	-	-	-	35,144
(d)	1,335,000	817,020	-	-	-	817,020
(e)	100,000	65,800	-	-	-	65,800
(f)	2,390,000	801,401	126,977	-	-	928,378
(g)	20,000	4,041	2,059	-	-	6,100
(h)	150,000	36,921	21,729	-	-	58,650
(i)	670,000	-	168,840	100,500	-	269,340
(j)	1,500,000	-	498,000	-	-	498,000
	7,380,000	$ 1,954,132	$ 855,042	$ 100,500	$ -	$ 2,909,674

11. Contributed surplus

The following is a continuity of contributed surplus for March 31, 2006:

Balance, December 31, 2005 and January 20, 2006 (Note 3)	$ 906,162
Stock-option compensation	855,042
Balance, March 31, 2006	$ 1,761,204

12. Warrants

The following table sets out the warrant activity during the period ended March 31, 2006:

	Number of warrants	Value
Balance, December 31, 2005 and January 20, 2006 (Note 3)	20,317,037	$ 4,765,359
Private placement (Note 9(b)(1))	925,220	235,006
Warrant exercise	(55,000)	(11,055)
Balance, March 31, 2006	21,187,257	$ 4,989,310

12. Warrants (continued)

As of March 31, 2006, the following warrants were outstanding:

Number of Warrants		Black-Scholes value	Exercise price ($)	Expiry
1,342,690	$	284,650	0.63	June 25, 2006
938,923		235,670	0.72	July 26, 2006
3,126,600		747,257	0.65	July 29, 2006
9,090,909		1,918,182	0.57	September 3, 2006
304,000		64,144	0.57	September 24, 2006
70,000		17,850	0.57	December 17, 2006
350,000		89,250	0.57	December 17, 2006
130,000		33,150	0.57	December 30, 2006
2,307,000		588,285	0.57	December 30, 2006
102,000		27,234	0.57	February 2, 2007
540,000		144,180	0.57	February 2, 2007
800,000		224,000	0.57	March 14, 2007
925,220		235,006	0.86	September 23, 2007
1,159,915		380,452	0.75	December 21, 2007
21,187,257	$	4,989,310		

13. Related party transactions

The Company has entered into management agreements with two directors whereby each director receives annual fees of US$80,000. During fiscal 2004 this amount was changed to CDN $120,000. Total consulting fees in the amount of $23,500 (2005 - $17,500) were paid to the directors during the period and were recorded in general and administration expenses. The Company also paid to directors and a company controlled by a director a total of $76,500 (2005 - $52,500) in consulting fees for services provided to Matsa and Sangold. The amounts paid were capitalized to mining interests.

The Company has an agreement with Billiken Management Services Inc., a private company that is controlled by the spouses of two directors to manage Sangold. This company charges a fee of 10% of expenses incurred on behalf of the Company plus additional service charges. This fee totaled $11,281 (2005 - $11,018). This Company also paid rent in the amount of $4,500 (2005 - $nil) and consulting fees of $6,000 (2005 - $4,000).

The Company also paid legal fees of $223,924 (2005 - $26,756) to a law firm where a partner of the firm is the corporate secretary of the Company.

Directors and related companies were also reimbursed for out of pocket expenses that occurred in the normal course of operations.

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

14. Supplementary cash flow information

The Company did not pay any income taxes for each period presented.

15. Segmented information

Segmented assets

March 31, 2006

	Canada	Spain	Consolidated
Current assets	$ 4,130,648	$ 2,528,396	$ 6,659,044
Long-term assets	4,295,845	26,032,437	30,328,282
	$ 8,426,493	$ 28,560,833	$ 36,987,326

December 31, 2005

	Canada	Spain	Consolidated
Current assets	$ 4,848,937	$ 1,647,072	$ 6,496,009
Long-term assets	4,221,191	24,201,216	28,422,407
	$ 9,070,128	$ 25,848,288	$ 34,918,416

16. Comparative figures

Certain comparative figures have been reclassified to conform to the current period's basis of presentation.

17. Commitments and contingencies

(a) On November 17, 2005, the Company and Matsa agreed to the following with Piritas de Huelva SL (“Piritas”):

i) Matsa will purchase a total of 140 hectares (346 acres) of surface rights from Piritas. This property is located directly above and around the main Aguas Tenidas mineralised system.

ii) The total purchase price of the 140 hectares of surface rights, before taxes, is €550,000 (Can $770,000). An amount of 10%, or €55,000, has been paid as a deposit and the 90% balance is due in May 2006.

iii) An option to acquire a minimum additional 35 hectares (86 acres) for a price of €3,928 per hectare (Can $5,500 per acre), plus applicable taxes.

17. Commitments and contingencies (continued)

(b) The Company has entered into a formal management services agreement with Billiken Management Services Inc. ("Billiken"). Billiken has provided similar services to the Company over the past twelve months pursuant to a verbal agreement. The current written agreement reflects the prior understanding between the parties. Pursuant to the management services agreement, Billiken shall provide administrative and general reception services to the Company, as well as providing office space, telephone and other related services. The consideration for these services is $2,000 per month. Billiken shall also provide investor relations services and any other services over and above administrative and office space to the Company for 10% in excess of Billiken's cost of providing the same. The term of the agreement is for twelve months and may be renewed at the option of the Company for a further twelve months.

(c) The Company's activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. The Company believes that its operations comply in all material respects with all applicable past and present laws and regulations.

18. Subsequent events

(a) On May 16, 2006, the Company issued 10,000,000 units ("Units") at a price of $3.00 per Unit for gross proceeds of $30,000,000. Each Unit is comprised of one (1) common share (a "Common Share") and three (3) subscription receipts (a "Subscription Receipt") of PGM. Each Subscription Receipt entitles the holder thereof to acquire, without payment of any additional consideration, one Common Share. Initial gross proceeds that were released to the Company amounted to $7,500,000. The balance of the gross proceeds, being $22,500,000, is being held in escrow until certain escrow release conditions are met. MGI Securities Inc., Orion Securities Inc. and Canaccord Adams acted as co-lead underwriters in the offering.

The Subscription Receipts, which are exercisable by the holders at any time, will be automatically exercised for Common Shares, and the remaining escrowed proceeds plus accrued interest will be automatically released to the Company upon the receipt by MATSA of permits from the applicable Spanish authorities for: (i) Reinicio de la Explotacion en Mina de Aguas Tenidas (Re-start of the Exploitation at Aguas Tenidas Mine) and (ii) Ampliacion de la actividad en Mina de Aguas Tenidas con la Construccion de una Planta de Tratamiento de Mineral y un Deposito de Esteriles (Expansion of the activity at Aguas Tenidas Mine with a Construction of an Ore Treatment Plant and Tailings Deposit). If such permits are not received on or before the 6-month anniversary of the closing of the offering, the Company shall be required to repurchase the outstanding Subscription Receipts for cancellation at a price of $0.75 per Subscription Receipt plus a pro rata share of accrued interest.

MGI Securities Inc., Orion Securities Inc. and Canaccord Adams received cash commission of 6% of the gross proceeds and compensation options entitling them to acquire up to 2,400,000 Common Shares at an exercise price per Common Share of $0.75 at any time for a period of 12 months from the date of closing of the offering.

The 2,400,000 options have an estimated value of $420,000. The fair value was estimated using the Black-Scholes option pricing model based on the followings assumptions: dividend yield 0%; expected volatility 57.94%; risk-free interest rate 4.09%; and an expected life of 11 months.

(b) The Company also announced that it received a letter from Northcote Holdings Limited ("Northcote") a shareholder that states that it that holds approximately 11% of the outstanding shares of the Company. Northcote indicated in the letter that the above offering is dilutive and they do not support it. Northcote further indicated that if the Company proceeds with the offering, it intends to requisition a meeting of shareholders and prepare a dissident's proxy circular to change the composition of the Board of the Company and oppose the financing. On May 29, 2006, the Company received a letter from Northcote's legal counsel stating that they had been advised to inform the Company that Northcote will not prepare a dissident's proxy circular at this time.

18. Subsequent events (continued)

(c) Subsequent to March 31, 2006, the Company has accepted a Canadian $25 million offer of financing from Dundee Resources Limited. (“Dundee Resources”). The financing will be a private placement of a $25,000,000 principal amount subordinated convertible debenture (the "Debenture") issued at par. The Debenture will bear interest at the rate of 6% per annum, payable semi-annually. The outstanding principal amount of the Debenture will be convertible at Dundee Resources’ option at any time, in whole or in part, into units of the Company ("Units") at a conversion price of $1.25 per Unit (the "Conversion Price"). Each Unit will be comprised of one Common Share and one-half of a warrant ("Warrant"), with each Warrant being exercisable for one Common Share at an exercise price of $2.00 for a period of two years after the date of issue of the Warrants. At any time, after three years from the closing date of the financing, the Company will be entitled to accelerate the conversion of the Debenture by giving 30 days notice, if the Common Shares have a closing price above $2.00 for a period of 20 consecutive trading days. The issue of the convertible debenture is subject to a number of conditions including: completion of an equity financing by the Company resulting in the Company's receiving gross proceeds of $15,000,000 by issuing 15,000,000 Common Shares; the completion of due diligence to the satisfaction of Dundee Resources; execution of definitive documentation; and receipt of all required consents and approvals, including regulatory approval. Dundee Resources is a private Canadian company and is the resource merchant banking arm of the Toronto Stock Exchange listed Dundee Corporation.

(d) MATSA has received authorization from the Junta de Andalucia (the regional government) for the “Recommencement of Exploitation” at the Aguas Teñidas Mine. Among other things, this authorization allows MATSA to: extend the main ramp at the mine; extend the exploration decline and undertake additional drilling, in order to further define mineable resources; and develop the surface infrastructure required to reopen the mine. The Recommencement of Exploitation is one of two principal permits that MATSA requires to begin production at Aguas Teñidas. MATSA has already made application to the Junta de Andalucia for the remaining permit, “Ampliacion de la actividad en Mina de Aguas Teñidas con la Construccion de una Planta de Tratamiento de Mineral y un Deposito de Esteriles”. (Expansion of the activity at Aguas Teñidas Mine with a Construction of an Ore Treatment Plant and Tailings Deposit).

(e) Subsequent to March 31, 2006, 550,000 warrants and 50,000 stock options were exercised for cash proceeds of $313,500 and $20,000, respectively.