

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CENTRAM EXPLORATION LTD.

For the three months ended July 31, 2006

(unaudited)

CENTRAM EXPLORATION LTD.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited interim period consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor, Davidson & Company LLP, has not performed a review of these financial statements.

Centram Exploration Ltd.
September 26, 2006

CENTRAM EXPLORATION LTD.

CONSOLIDATED BALANCE SHEETS

As at	July 31, 2006	April 30, 2006
	(unaudited)	(audited)
ASSETS		
Current assets		
Cash	\$ 459,823	\$ 402,007
Receivables	20,983	19,128
Prepaid expenses (notes 6(a), 6(d))	3,673	833
	484,479	421,968
Deferred financing costs (note 5(b))	-	43,000
	\$ 484,479	\$ 464,968
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accruals (note 6)	\$ 34,976	\$ 57,724
Obligation to issue shares (notes 5(b), 6(b), 6(c))	-	35,000
	34,976	92,724
Shareholders' equity		
Capital stock (note 5(b))	4,004,755	3,513,045
Contributed surplus (note 5(c))	89,623	47,418
Subscriptions received in advance (note 5(b))	-	394,500
Deficit	(3,644,875)	(3,582,719)
	449,503	372,244
	\$ 484,479	\$ 464,968

See accompanying notes.

CENTRAM EXPLORATION LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT (unaudited)

For the three months ended July 31,	2006	2005
Expenses		
Amortization	\$ -	\$ 111
Filing and transfer agent fees	2,966	521
Interest	22	-
Management fees (note 6(a))	10,000	12,000
Office and miscellaneous (note 6(d))	2,535	2,972
Professional fees	5,057	(13,082)
Shareholder information	152	-
Loss before other items	20,732	2,522
Other items		
Interest income	(781)	-
Stock based compensation (note 5(c))	42,205	-
Loss for the period	62,156	2,522
Deficit, beginning of period	3,582,719	3,504,040
Deficit, end of period	\$ 3,644,875	\$ 3,506,562
Basic and diluted loss per share (note 5(e))	\$ (0.003)	\$ -

See accompanying notes.

CENTRAM EXPLORATION LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

<u>For the three months ended July 31,</u>	<u>2006</u>	<u>2005</u>
Cash provided by (used in):		
Operating activities		
Loss for the period	\$ (62,156)	\$ (2,522)
Adjustment for items not affecting cash:		
Amortization	-	111
Stock based compensation	42,205	-
	<u>(19,951)</u>	<u>(2,411)</u>
Changes in non-cash working capital items:		
Receivables	(1,855)	(149)
Prepaid expenses	(2,840)	-
Accounts payable and accruals	(14,748)	(31,633)
	<u>(39,394)</u>	<u>(34,193)</u>
Financing activities		
Issuance of common shares and warrants	491,710	-
Share subscriptions received in advance	(394,500)	-
	<u>97,210</u>	<u>-</u>
Investing activities		
	<u>-</u>	<u>-</u>
Increase (decrease) in cash	57,816	(34,193)
Cash, beginning of period	402,007	91,415
Cash, end of period	\$ 459,823	\$ 57,222

See accompanying notes.

CENTRAM EXPLORATION LTD.

Notes to the Unaudited Interim Period Consolidated Financial Statements

For the three months ended July 31, 2006

1. Nature and continuance of operations

Centram Exploration Ltd. (the "Company") is an exploration stage company and was incorporated in the Province of Alberta on October 24, 1996. The Company's principal business activities involve the acquisition and exploration of mineral properties.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future.

These consolidated financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. Summary of significant accounting policies

(a) Basis of presentation

These unaudited interim consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies and methods as those used in the preparation of the audited annual consolidated financial statements for the year ended April 30, 2006. These interim consolidated financial statements do not include all information and note disclosure required in annual financial statements. Additional disclosure is required in annual financial statements and accordingly the unaudited interim period consolidated financial statements should be read together with the audited annual consolidated financial statements.

(b) Principles of consolidation

These consolidated financial statements included the accounts of the Company and its wholly-owned subsidiary Maya Gold Corporation S.A. de C.V., a Honduras company. All significant inter-company transactions and balances have been eliminated upon consolidation.

(c) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. By their nature, estimates are subject to uncertainty.

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(d) Deferred financing costs

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

(e) Stock-based compensation

The Company accounts for stock-based compensation using the fair value based method. The fair value of stock-based compensation is determined by using the Black-Scholes option pricing model. The fair value of stock options is recognized as stock-based compensation expense, with an offsetting credit charged to contributed surplus, on a straight line basis over the option vesting period. The applicable contributed surplus is transferred to share capital, if and when the stock options are exercised. Any consideration paid on the exercise of stock options is credited to capital stock.

(f) Loss per share

The computation of earnings (loss) per share and diluted earnings (loss) per share amounts are based upon the weighted average number of outstanding common shares during the periods. Dilution is calculated based on the net number of common shares issued, should "in the money" options and warrants be exercised and the proceeds used to purchase common shares at the weighted average market price in the period.

(g) Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. There were no material obligations for the period presented.

3. Comparative figures

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

4. Financial instruments

Financial instruments of the Company are represented by cash, receivables, and accounts payable and accruals. 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. The carrying value of these instruments approximates fair value due to their immediate or short-term maturity.

CENTRAM EXPLORATION LTD.

Notes to the Unaudited Interim Period Consolidated Financial Statements

For the three months ended July 31, 2006

5. Capital stock

(a) Authorized:

Unlimited common shares with no par value
Unlimited preferred shares with no par value, issuable in series

(b) The following table summarizes the common share transactions:

	Number of shares	Amount
Balance, at April 30, 2004 and 2005	11,540,557	\$ 3,513,045
2006:		
Return to treasury (*)	(10,000)	-
Share adjustment	5	-
Balance, at April 30, 2006	11,530,562	3,513,045
2007:		
Shares issued by private placement (**)	10,000,000	500,000
Shares issued for debt settlement (***)	100,000	5,000
Compensation shares (**)	600,000	30,000
Less share issuance costs	-	(43,290)
Balance, at July 31, 2006	22,230,562	\$ 4,004,755

(*) On July 8, 2005, the Company had 10,000 shares, originally issued in error, returned to treasury.

(**) On May 4, 2006, the Company issued 10,000,000 units at \$0.05 per unit for proceeds of \$500,000. Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of \$0.10, expiring April 26, 2007. Also, the Company issued 600,000 shares valued at \$30,000 as a finder's fee (note 6(c)). The 600,000 shares were issued May 24, 2006. As at April 30, 2006, the Company had received subscriptions of \$394,500 and had incurred deferred financing costs of \$43,000 related to the placement.

(***) On May 4, 2006, the Company issued 100,000 units at \$0.05 per unit for a debt settlement of \$5,000 (Note 6(b)). Each unit is comprised of one common share and one share purchase warrant. Each warrant entitles the holder to acquire an additional common share at a price of \$0.10 expiring April 26, 2007.

CENTRAM EXPLORATION LTD.

Notes to the Unaudited Interim Period Consolidated Financial Statements

For the three months ended July 31, 2006

(c) Stock options and contributed surplus

On June 5, 2006, 800,000 options were granted to officers and directors of the Company in accordance with the Company Stock Option Plan. Under the terms of the Stock Option Plan, the Company is authorized to issue a maximum of 10% of the issued shares. These 800,000 options were issued for a five year term at an exercise price of \$0.19. One-third of the options granted vest immediately, one-third vest twelve months from the date of grant and the remaining one-third vest twenty-four months from the date of grant. The fair value of the options at the time of grant has been estimated using the Black-Scholes option pricing model with the following assumptions:

Dividend yield	-	\$ Nil
Expected volatility	-	118.39%
Risk free rate of return	-	4.19%
Expected life of the options	-	5 Years

The total calculated stock-based compensation expense is \$126,614, with \$42,205 recognized in the current period. The offsetting credit is charged to contributed surplus.

Option pricing models require the input of subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the estimate of fair value, and therefore, use of the Black-Scholes option pricing model, as required by Canadian Generally Accepted Accounting Principles, may not provide a realistic measure of the fair value of the Company's stock options at the date of the grant or thereafter.

The following table summarizes the stock option activity for 2007 and 2006:

	<u>July 31, 2006</u>		<u>April 30, 2006</u>	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding - opening	-	\$ -	70,000	\$ 0.18
Cancelled/expired	-	-	(70,000)	0.18
Granted	800,000	0.19	-	-
Outstanding - ending	800,000	\$ 0.19	-	\$ -

The following table summarizes information about the outstanding options:

Number	Exercise Price	Options Exercisable at July 31, 2006	Weighted Average Remaining Contractual Life	Expiry date
800,000	\$ 0.19	266,667	4.85	June 5, 2011

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Notes to the Unaudited Interim Period Consolidated Financial Statements

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(d) Warrants

The following table summarizes the warrant activity to July 31, 2006:

	Number of Warrants	Weighted Average Price
Balance, at April 30, 2005	745,000	\$ 0.14
2006:		
Cancelled/expired	(745,000)	\$ 0.14
Balance, at April 30, 2006	-	\$ -
2007:		
Issued by private placement (note 5(b))	10,000,000	\$ 0.10
Issued for debt settlement (note 5(b))	100,000	\$ 0.10
Balance, at July 31, 2006	10,100,000	\$ 0.10

(e) Supplemental information on weighted average number of shares outstanding:

As at July 31,	2006	2005
Basic	21,751,214	11,540,557
Diluted	31,521,866	11,540,557

The effect of the potential dilutive warrants were not included in the calculation of the diluted loss per share as the result would be anti-dilutive. Stock options had no dilutive effect.

6. Related party transactions

During the quarter ended July 31, 2006, the Company:

- Prepaid management fees of \$2,140 and paid or accrued management fees of \$10,000 (2005 - \$12,000) to directors/officers and to companies controlled by officers of the company. These amounts are recorded in prepaid expenses and in the management fees accounts, respectively.
- issued 80,000 units, valued at \$4,000 (note 5(b)) to a director/officer of the Company. These units were issued pursuant to the terms of a debt settlement made during the year ended April 30, 2006.
- issued 600,000 common shares, valued at \$30,000 (note 5(b)) as payment of a finder's fee. The common shares were issued on May 24, 2006 to Mark McMurdie, who became an officer of the Company on June 5, 2006.

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(d) prepaid rent of \$700 and paid rent of \$2,100 to a company related by virtue of a common director. These amounts are recorded in prepaid expenses and in the office and miscellaneous accounts, respectively.

Included in accounts payable and accruals at July 31, 2006 is \$11,011 (2005 – \$8,780) payable to directors/officers, former directors, and to a company related by virtue of a common director.

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

7. Segmented information

The Company operates in one reportable segment, which is the acquisition and exploration of mineral properties. All assets and all items in the statement of operations and deficit relate to operations in Canada. In prior years, the Company had operations in Canada and in Honduras.

CENTRAM EXPLORATION LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS (for the three month period ended July 31, 2006)

September 26, 2006

Introduction

The following management's discussion and analysis ("MD&A") of operating results, financial condition and future prospects of Centram Exploration Ltd. (the "Company") should be read in conjunction with the Company's MD&A and audited annual consolidated financial statements and related notes for the year ended April 30, 2006 and the unaudited interim consolidated financial statements and related notes for the quarterly period ended July 31, 2006. This MD&A reviews the three month period ended July 31, 2006 and the subsequent period up to September 26, 2006.

The interim and annual consolidated financial statements of the Company have been prepared in accordance with Canadian Generally Accepted Accounting Principles (Canadian GAAP). All amounts in this report and in the Company's consolidated financial statements are expressed in Canadian dollars unless otherwise noted.

This MD&A and the Company's unaudited interim consolidated financial statements and related notes for the three month period ended July 31, 2006, have been approved by the Company's audit committee and Board of Directors.

Forward Looking Statements

This MD&A contains forward looking statements, such as estimates and statements that describe the Company's future plans, objectives or goals, that are subject to a number of unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in our forward looking statements. Factors that could cause such differences include: changes in world precious and base metal markets, equity markets, costs and supply of materials and equipment and changes in government and mining regulations. Although we believe that expectations reflected in our forward looking statements are reasonable, results may vary, and we cannot guarantee future results, levels of activity, performance or achievements.

Overview

The Company is currently listed for trading on the NEX board of the TSX Venture Exchange, under the symbol CNA.H. Prior to August 12, 2005 the Company was listed on the TSX Venture Exchange as a Tier 2 mining issuer. The Company's listing status was changed as a

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result of the Company's failure to maintain the minimum TSX Venture Exchange Tier 2 listing requirements.

As a result of changes made by the government of the Republic of Honduras to its mining policies in July, 2004, ownership of the Company's two Honduran mineral concessions, namely, El Triunfo and Rio Rico is questionable. The Company believes there is a possibility that it may still retain its 100% interest in these mineral concessions, though the Company has not confirmed this belief. Accordingly, the Company has no immediate plans of pursuing its exploration activities for these mineral concessions and has written off all related expenditures.

With respect to the Rio Rico mineral concession, in March, 2002, the Company entered into an exploration and development option agreement (the "Option Agreement") with Glamis Gold Ltd. ("Glamis"), providing Glamis with the opportunity to earn a 70% interest by spending US\$500,000 in exploration over 5 years. In addition, Glamis paid the Company \$US\$2,500 on signing, US\$5,000 on each of the first and second anniversaries and is required to make further payments of \$US\$10,000 on each of the third, fourth, fifth and any additional anniversaries falling prior to the end of the option period. In November, 2004, due to uncertainties created by the Honduran government's decision to suspend the granting of all metallic concessions and in accordance with the Option Agreement, Glamis, enacted the force majeure clause and indefinitely suspended its obligations thereunder.

In furtherance of the Company's effort to address the Company's TSX Venture Exchange Tier 2 listing deficiencies and return to the TSX Venture Exchange as a Tier 2 mining issuer, the Company completed a \$500,000 non-brokered private placement (please refer to the Liquidity and Capital Resources section for further details) and replaced two members of the Company's Board of Directors.

On April 26, 2006, two new Directors were appointed to the Company's Board of Directors, namely:

1. **David Mosher P. Geo.**, *President & CEO, High River Gold Mines Ltd., Toronto, Ontario.* Mr. Mosher is also a Director of a number of companies, including OJSC Buryatzoloto, a publicly traded Russian mining company, and has over thirty years of international experience, as a mining executive and geologist associated with projects in Australia, Canada, Russia, the United States, Asia and Africa. Over the years he has been instrumental in restructuring and refinancing a number of private and public junior resource companies. As the Project Manager for Pancontinental Mining, he led the exploration team that discovered the world's largest uranium deposit, the Jabiluka Deposit, in northwestern Australia.
2. **Donald Whalen**, *Executive Chairman, High River Gold Mines Ltd., Toronto, Ontario.* Mr. Whalen has held this position with High River since June 1992, and he is also a Director of OJSC Buryatzoloto. He is Chairman of the Canada Eurasia Russia Business Association (CERBA), and Co-Chairman of the Canada Russia Business Council, non-profit

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organizations aimed at increasing business trade and investment between Canada and Russia. Formerly, he held numerous marketing, technical and management positions during a twenty-nine year career with IBM Canada Ltd. He holds a Bachelor of Commerce degree from the University of Toronto.

On June 5, 2006, Mr. Whalen was appointed non-executive Chairman and Mark McMurdie, C.M.A., was appointed Chief Financial Officer and Corporate Secretary. Richard Mark remains as a Director and continues to act as President and Chief Executive Officer of the Company.

Also, on June 5, 2006, the Company's Board of Directors granted 800,000 stock options, exercisable at a price of \$0.19 per share, to the Company's Directors, Officers and consultants under the terms of the Company's Incentive Stock Option Plan (please refer to the Results of Operations and Liquidity and Capital Resources sections for further details).

Having made changes to its Board of Directors and received the proceeds from the non-brokered \$500,000 private placement, the Company's ability to expand its scope of domestic and international exploration activities is significantly enhanced. The Company intends to return to the TSX Venture Exchange as a Tier 2 mining issuer and is focusing its activities on the acquisition, exploration and development of mineral properties and/or mining projects.

The Company's consolidated working capital as at July 31, 2006 was \$449,503. Since April 30, 2006 working capital increased by \$120,259. This increase is primarily the result of the Company; having received \$105,500, being the balance of the proceeds from the \$500,000 non-brokered private placement; and having fulfilled its obligations to issue \$35,000 in common shares (please refer to Liquidity and Capital Resources sections for further details).

The loss for the current quarter was \$62,156 compared to a loss of \$2,522 for the same quarter of fiscal 2006. The increase in the loss is primarily attributable to the recognition of stock-based compensation (non-cash) related to the 800,000 stock options granted in the current quarter and the absence of an income effect resulting from a significant reduction of in professional fees (during the quarter ended July 31, 2005 a credit adjustment of \$20,268 was recorded for audit fees).

Results of Operations

During the three month period ended July 31, 2006, the Company focused its activities to completing the reorganization of its activities, conserving cash and maintaining its stock exchange listing.

The Company granted 800,000 stock options during the current quarter. The Company accounts for stock-based compensation using the fair-value based method. The estimated fair-value of the stock options granted, using the Black-Scholes option pricing model, is \$126,614 and is amortized over the vesting period of the options granted. \$42,205 (non-cash) of the fair-value was recognized during the quarter (2005 – nil).

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During the current quarter, the Company entered into a new management agreement with its President and Chief Executive Officer and entered into a management agreement with a company controlled by the Company's Chief Financial Officer (please refer to the Related Party Transactions section for further details). For the current quarter, management fees decreased (2006 - \$10,000 vs 2005 - \$12,000) as a result of the Company incurring management fees for only two months of services provided by its Chief Financial Officer.

Office and miscellaneous expense decreased slightly for the quarter (2006 - \$2,535 vs 2005 - \$2,972). During the quarter the Company entered into a premise lease agreement with a company related by virtue of a common director (please refer to the Related Party Transactions section for further details). Costs related to this agreement are reflected in this account. Rent costs were relatively unchanged (2006 - \$2,100 vs 2005 - \$2,131).

Professional fees, after excluding the \$20,268 credit adjustment for audit fees made during the quarter ended July 31, 2005, decreased during the current quarter (2006 - \$5,057 vs 2005 - \$7,186). This decrease is the result of lower costs for accounting and administration services.

During the quarter, the Company realized interest income of \$781 (2005 - nil). The increase in interest income is related to the significant increase in cash, as a result of the Company having received the proceeds from the \$500,000 private placement.

Cash flows used in operating activities for the current quarter were \$39,394 compared to \$34,193 used in 2005. The increase is primarily attributable to changes in non-cash working capital items. Receivables increased for GST paid and prepaid expenses increased as a result of prepayments made for rent and management fees (please refer to the Related Party transaction section for further details). Accounts payable and accruals experienced a larger decrease during the current quarter, exclusive of the \$20,268 adjustment for audit fees made during the quarter ended July 31, 2005. Cash flows provided from financing activities amounted to \$97,210 compared to nil in 2005. This increase is the result of the Company having received the balance of the funds from the \$500,000 private placement, being \$105,500, and having fulfilled its obligation to issue \$35,000 of common shares. Financing costs of \$43,290 were incurred. Due to the Company limiting its corporate activities for the current quarter, the Company did not incur any investing activities (2005 - nil).

These activities resulted in increasing the Company's cash balance as at July 31, 2006 to \$459,823 compared to \$402,007 as at April 31, 2006.

Exploration Activities

During the year the Company did not conduct any exploration activities.

As noted previously, as a result of changes made to the Republic of Honduras government's mining policies in July, 2004, ownership of the Company's two Honduran mineral concessions, namely, El Triunfo and Rio Rico is questionable. The Company believes there is a possibility that

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it may still retain its 100% interest in these concessions, though the Company has not confirmed this belief. Accordingly, the Company has no immediate plans of pursuing its exploration activities for these mineral concessions and has written off all related expenditures.

Summary of Quarterly Results

	2007	2006				2005		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-	-
Loss before other items	(20,732)	(50,355)	(2,667)	(24,494)	(2,522)	(40,063)	(23,933)	(29,533)
Net Income (Loss)	<u>(62,156)</u>	<u>(45,699)</u>	571	<u>(32,029)</u>	<u>(2,522)</u>	<u>(286,141)</u>	<u>(23,075)</u>	<u>(26,463)</u>
Net Loss per share	<u>(0.003)</u>	<u>(0.004)</u>	0.000	<u>(0.003)</u>	0.000	<u>(0.025)</u>	<u>(0.002)</u>	<u>(0.002)</u>

Liquidity and Capital Resources

The Company has no regular source of cash flow and finances its activities by raising capital in the equity markets and is dependent upon its ability to obtain the necessary financing to meet its obligations and pay its liabilities. As previously noted, the Company, as at July 31, 2006, had working capital of \$449,503.

On April 26, 2006 the Company announced that it closed a non-brokered private placement of 10,000,000 units, priced at \$0.05 per unit, for gross proceeds of \$500,000. Each unit consists of one common share of the Company and one transferable common share purchase warrant. Each share purchase warrant entitles the holder thereof, to acquire one additional common share of the Company at an exercise price of \$0.10 per share. The share purchase warrant expires on April 26, 2007. If all of these share purchase warrants are exercised, the Company will receive \$1,000,000 in additional working capital. As of the date of this MD&A, 200,000 of these share purchase warrants have been exercised for proceeds of \$20,000. Prior to April 30, 2006, the Company received \$394,500 of the proceeds from the \$500,000 private placement and during the quarter ended July 31, 2006, the balance of \$105,500 was received pursuant to delivery against payment instructions. The 10,000,000 common shares were issued on May 4, 2006. A finder's fee of \$30,000 was paid by the Company via the issuance of 600,000 common shares. The 600,000 common shares were issued on May 24, 2006. It should be noted that the finder's fee was paid to Mr. McMurdie, who became Chief Financial Officer and Corporate Secretary of the Company on June 5, 2006.

Also, on April 26, 2006, the Company announced that it would issue 100,000 units, priced at \$0.05 per unit, in settlement of certain debt. These units were issued to an Officer of the Company and to a company controlled by a former Officer of the Company in satisfaction of \$25,237 of indebtedness (please refer to the Related Party Transactions section for further details). Each unit consists of one common share of the Company and one transferable

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common share purchase warrant. Each share purchase warrant entitles the holder thereof, to acquire one additional common share of the Company at an exercise price of \$0.10 per share. The share purchase warrant expires on April 26, 2007. If all of these share purchase warrants are exercised, the Company will receive \$10,000 in additional working capital. As of the date of this MD&A, none of these share purchase warrants have been exercised. The 100,000 common shares were issued on May 4, 2006.

As a result of the above noted share issuances, financing costs of \$ 43,290 were charged to share capital during the current quarter. The financing costs are comprised of legal costs and the finder's fee. The Company's obligation to issue \$35,000 in common shares, as at April 30, 2006, was satisfied via the issuance of the 100,000 units with respect to the \$5,000 debt settlement and via the issuance of 600,000 common shares with respect to the \$30,000 finder's fee.

On June 5, 2006, the Company's Board of Directors granted 800,000 stock options to the Company's Directors, Officers and Consultants under the terms of the Company's Incentive Stock Option Plan. The stock options have a term of five (5) years and are exercisable at a price of \$0.19. One-third of the stock options granted vest immediately, one-third on the first anniversary from the date of grant and one-third on the second anniversary from the date of grant. The fair value of the stock options granted is \$126,614 and will be recognized over the stock option vesting period as stock-based compensation. \$42,205 of the fair value was recognized in the current quarter and 266,667 of the options granted are exercisable.

In fiscal 2007 the Company anticipates that it will use its cash resources to finance the evaluation and acquisition of new mineral properties, conduct exploration activities and finance its general corporate expenditures. In its effort to obtain its corporate objectives, the Company may have to raise additional capital to finance its activities. The Company anticipates that it will have or has the ability to raise sufficient working capital to meet its corporate objectives for the year.

The Company's financial success is dependent on the extent to which it can discover mineralization in economic quantities and the economic viability of developing its properties or projects. Given the nature of the Company's operations, which consist of exploration, evaluation and acquisition of mineral properties or mining projects the Company believes that the most meaningful financial information relates primarily to current liquidity and solvency.

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Share Capital	Three months ended, July 31, 2006	
Issued:	Number	\$
Balance, beginning of period	11,530,562	3,513,045
Transactions during the period:		
Private placement	10,000,000	500,000
Debt settlement	100,000	5,000
Compensation shares	600,000	30,000
Less: Share issuance costs	-	(43,290)
Balance, at end of period	22,230,562	4,004,755

As of the date of this MD&A, the Company has outstanding 22,430,562 common shares and 10,700,000 dilutive securities. The dilutive securities are represented by 9,900,000 common share purchase warrants and 800,000 incentive stock options.

Related Party Transactions

For the quarter ended July 31, 2006, management fees of \$10,000 (2005 - \$12,000) were paid or became payable to the Company's President and Chief Executive Officer, Richard Mark, and to Rustle Woods Capital Inc., a company controlled by the Company's Chief Financial Officer, Mark McMurdie. During the current quarter, the company entered into a new management agreement with Mr. Mark and entered into a management agreement with Mr. McMurdie. Each of these agreements provide for monthly remuneration of \$2,000. The Company prepaid management fees of \$2,140. This prepayment was made to Mr. Mark and was expensed in the second quarter, ended October 31, 2006. A payable of \$4,260 to Rustle Woods Capital Inc. is included in accounts payable and accruals, as at July 31, 2006, and has been subsequently paid.

During the year ended April 30, 2006, the Company, pursuant to debt settlement agreements made with its current President and Chief Executive Officer, Mr. Mark and with 667981 B.C. Ltd., a company controlled by the Company's former President and Chief Financial Officer, Mr. John Roozendaal, settled debt of \$25,237 by issuing 100,000 units, valued at \$5,000, in the share capital of the Company (please refer to the Liquidity and Capital Resources section for further details). Mr. Mark received 80,000 units, valued at \$4,000 and 667981 B.C. Ltd. received 20,000 units, valued at \$1,000.

As noted above, 600,000 common shares were issued to Mr. McMurdie on May 24, 2006 in settlement of a \$30,000 finder's fee. Mr. McMurdie became an officer of the Company on June 5, 2006.

As at July 31, 2006, the Company was indebted to Rare Earth Metals Corp. ("Rare Earth") in the amount of \$6,751. The Company's President and Chief Executive Officer, Mr. Mark, also acts as Chief Executive Officer for Rare Earth. This amount has been included in accounts

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payable. This indebtedness was outstanding as at April 30, 2006, and is the result of Rare Earth funding certain operating expenses on the Company's behalf.

During the prior fiscal year, the Company and Rare Earth shared office premises and were co-tenants, along with another unrelated party, on a premise lease agreement. As a result of the Company restructuring its finances during the prior year, the premise lease agreement was amended and the Company's obligations thereunder were assumed by Rare Earth and the other co-tenant. The Company has agreed to sublet office premises from Rare Earth at a cost of \$700 per month. During the current quarter, the Company paid rent of \$2,100 and prepaid one month of rent. This prepayment was expensed during the second quarter, ended October 31, 2006.

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

Proposed Transaction

The Company, from time to time, reviews potential merger, acquisition, investment and joint venture opportunities. At the current time there are no reportable proposed transactions.

Risks and Uncertainties

The Company is in the business of exploring for minerals and if successful, ultimately mining them. The mining sector is by its nature, both cyclical and risky. There is no assurance that economic deposits will be discovered and in fact, most companies are unsuccessful due to the low probability of discovering an economic deposit. Once a potentially economic deposit is identified, the Company's ability to establish a profitable mining operation is subject to a host of variables, such as technical and economic factors and regulatory issues. Many of these risks are beyond the Company's control.

Investment in the mining sector in general, and the exploration sector in particular, involves a great deal of risk and uncertainty and the Company's common shares should be considered as a highly speculative investment. Current and potential investors should give special consideration to the risk factors involved.

Financing Risk

The Company does not have any producing properties or projects and no source of revenue. The Company's ability to finance its exploration and development activities and make acquisitions is highly dependent upon its ability to raise capital in the financial markets. There is no assurance that the Company will be able to raise the capital required to fund the Company's activities or opportunities.

Critical Accounting Estimates

The Company does not make any critical accounting estimates other than the carrying value of mineral exploration property costs. On a quarterly basis, a committee of the Board of Directors considers whether events or changes in circumstances related to the mineral exploration properties indicate that the carrying value may not be recoverable.

Change in Accounting Policies including Initial Adoption

During the current quarter, the Company did not change any existing or adopt any additional accounting policies.

Financial Instruments

The Company has not entered into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk. There are no off-balance sheet arrangements. Cash, accounts receivable, accounts payable, accrued liabilities and amounts due to related parties are short-term financial instruments whose fair value approximates their carrying amount given that they will mature shortly.

Disclosure Controls and Procedures

Disclosure controls and procedures within the Company are designed to provide reasonable assurance that all relevant information is identified to ensure that appropriate and timely decisions are made regarding public disclosures. Management believes that the controls and procedures in place provide reasonable assurance that the annual and interim filings do not contain any misrepresentations or omit to state any material facts.

Other MD&A Requirements

All relevant information related to the Company is filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.