

# **BENTON RESOURCES CORP.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**For the Year Ended June 30, 2006**

**October 21, 2006**

### **GENERAL**

Benton Resources Corp. (the "Company") is a development stage public company engaged in exploration for mineral deposits in Canada. The Company is in the early exploration stage with respect to all of its properties.

The following discussion of the financial condition and results of operations of the Company constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended June 30, 2006. The discussion should be read in conjunction with the audited annual financial statements of the Company for the year ended June 30, 2006, including the notes thereto.

Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars and all financial information (as derived from the Company's financial statements) has been prepared in accordance with Canadian generally accepted accounting principles.

Certain information regarding the Company within Management's Discussion and Analysis (MD & A) may include "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD & A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, goals, expansion and growth of the Company's businesses, operations, plans and other such matters are forward-looking statements. When used in this MD & A the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements. Such statements are subject to known and unknown risks and uncertainties that may cause actual results in the future to differ materially from those anticipated in forward-looking statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

### **FINANCIAL OVERVIEW**

#### **Financial Condition**

The Company's cash balance as at June 30, 2006 was \$436,756 compared to \$642,853 as at June 30, 2005. This decrease is attributable in large part to an increase in exploration costs and general operating expenses incurred during the year over and above the proceeds received from private placements. Current assets of the Company as at June 30, 2006 were \$639,614 compared to \$679,255 as at June 30, 2005. The decrease in current assets was attributable in a large part to the aforementioned exploration and general operating expenditures. Total assets as at June 30, 2006 were \$4,312,411 compared to \$1,681,758 as at June 30, 2005. The increase in total assets was attributable to the aforementioned private placements during the period, the proceeds of which have been used to fund exploration expenditures capitalized by the Company. Current liabilities as at June 30, 2006 were \$221,053 compared to \$88,274 as at June 30, 2005. This increase is attributable to increased activity in exploration activities and general operating expenses throughout the period and immediately prior to the year end.

## Results of Operations

The net loss for the year ended June 30, 2006 was \$977,607 (\$0.05 per common share) as compared to \$283,893 (\$0.10 per common share) for the same period in 2005. The Company's loss arose primarily due to the issuance of stock options to various employees and non-employees during the period, professional fees arising as a result of the financings, promotional expenditures, and administrative expenditures incurred. Another factor contributing to the loss was the write down of mineral properties in the amount of \$209,588.

## Cash Flows

The cash used by operating activities was \$612,048 for the year ended June 30, 2006 compared to cash used by operating activities of \$237,962 for the same period in 2005. This difference is mainly due to the aforementioned increase in general operating expenditures and to a large receivable outstanding at year end related to GST input tax credits. Cash provided by financing activities was \$3,127,502 for the year ended June 30, 2006 as compared to cash provided by financing activities of \$1,250,754 for the same period in the prior year; this change arose due to a significant increase in the proceeds from the issuance of units with respect to private placements closing during the year ended June 30, 2006. Cash used in investing activities was \$2,721,551 for the year ended June 30, 2006 as compared to \$637,764 for the same period in 2005. The change in cash used by investing activities is due to an increase in mineral property acquisitions and exploration expenditures between 2005 and 2006.

## SELECTED FINANCIAL INFORMATION

Description	Year ended June 30, 2006 \$	Year Ended June 30, 2005 \$	Period Ended June 30, 2004 \$
Operating expenses	858,443	283,893	56,702
Interest income	14,724	-	-
Write down of mineral properties	209,588	-	-
Net loss	977,607	283,893	56,702
Net loss per share – basic (1) (2)	0.05	0.10	56,702
Cumulative mineral properties and deferred development expenditures	3,652,590	988,236	354,483
Total assets	4,312,411	1,681,758	648,711

- (1) Basic per share calculations are made using the weighted-average number of shares outstanding during the year.
- (2) Loss per share on a diluted basis is the same as the basic calculation per share as all factors are anti-dilutive.

## SUMMARY OF QUARTERLY RESULTS

Three Month Period Ending	Net Loss \$	Net Loss per Share Basic and Diluted (1) (2) \$
June 30, 2006	334,917	0.01
March 31, 2006	367,273	0.02
December 31, 2005	199,046	0.01
September 30, 2005	76,371	0.01
June 30, 2005	139,006	0.01
March 31, 2005	52,612	52,612
December 31, 2004	75,551	75,551
September 30, 2004	16,724	16,724

- (1) Basic loss per share calculations are made using the weighted-average number of shares outstanding during the period. For all periods reported up to and including March 31, 2005, there was only one outstanding share.
- (2) Loss per share on a diluted basis is the same as the basic calculation per share as all factors are anti-dilutive.

In the fourth quarter the Company's cash on hand decreased by \$752,693 to \$436,756 at June 30, 2006 as compared to \$1,189,449 as at March 31, 2006. The decrease in cash on hand is attributed to mineral properties and deferred development expenditures and general operating expenditures offset by the proceeds of a private placement during the period. Accounts receivable increased from \$175,877 at March 31, 2006 to \$202,858 at June 30, 2006 due to additional GST input tax credits arising from exploration and operational expenditures during the period. Mineral properties and deferred development expenditures increased from \$3,003,629 at March 31, 2006 to \$3,652,590 at June 30, 2006 due to extensive exploration activities during the period, offset by a write down of abandoned properties which totaled \$209,588. Accounts payable and accrued liabilities increased from \$163,059 at March 31, 2006 to \$221,053 at June 30, 2006 due primarily to expenditures incurred for exploration and operational activities close to the period end, which were paid for subsequently. Future income tax liability decreased from \$1,171,828 at March 31, 2006 to \$1,037,026 at June 30, 2006 due to the future income tax benefits of \$75,700 arising from the aforementioned write down of properties and to adjustments for the tax effects of properties acquired for share consideration. As a result of the private placement noted above, plus the exercise of options and warrants during the period, share capital, warrants, and contributed surplus have increased from \$4,118,085, \$235,506, and \$277,261 respectively at March 31, 2006 to \$4,406,024, \$252,696, and \$307,616 respectively at June 30, 2006. Part of the increase in share capital and warrants during the period is attributable to adjustments for the tax effects of properties acquired for share consideration.

## TRANSACTIONS WITH RELATED PARTIES

The Company paid or accrued the following amounts to related parties during the year ended June 30, 2006:

Payee	Description of Relationship	Nature of Transaction	2006 Amount (\$)	2005 Amount (\$)
Stares Contracting Corp.	Company controlled by Stephen Stares, Director and Officer and Michael Stares, Director	Payments for equipment rentals, supply of labour and reimbursement of expenses capitalized in deferred development expenditures and for office costs included in general and administrative expenses	455,573	95,239
Barr Geological Consulting	Company controlled by Clinton Barr, Director and Officer	Payments for geological services, equipment rentals and reimbursement of expenses capitalized in deferred development expenditures and for promotional activities included in advertising and promotion expenses	126,077	93,127
Cindy Stares	Spouse of Stephen Stares, Director and Officer	Bookkeeping services	6,450	8,040
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell, Director and Officer	Legal fees charged/accrued during the period	95,917	82,912

The purchases from/fees charged by the related parties 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.

Included in accounts payable and accrued liabilities is \$4,730 to Gordon J. Fretwell Law Corporation for legal services expensed as professional fees, \$14,723 to Barr Geological Consulting for geological consulting services capitalized as part of deferred development expenditures, and \$35,037 to Stares Contracting Corp. for exploration activities capitalized as part of deferred development expenditures.

## SHARE DATA

As at the date hereof, the Company has 29,611,017 common shares issued and outstanding, as well as: (a) stock options to purchase an aggregate of 3,465,000 common shares, 1,400,000 of which being exercisable at a price of \$0.30 per share and the remainder at a price of \$0.36 per share, expiring at dates between October 18, 2007 and March 29, 2011; and, (b) share purchase warrants to purchase an aggregate of 12,553,311 common shares expiring at various dates between August 23, 2006 and November 2, 2007 and exercisable at various prices between \$0.20 and \$0.50 per share. For additional details of share data, please refer to note 5 of the audited June 30, 2006 financial statements.

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts and other receivables and accounts payable and accrued liabilities. The fair values of these financial instruments are not materially different from their carrying values. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company has a net working capital as at June 30, 2006 of \$418,561 (\$590,981 as at June 30, 2005) and cash on hand of \$436,756 (\$642,853 as at June 30, 2005).

During the year, the Company issued, pursuant to private placements, 9,244,052 common shares for gross proceeds of \$3,401,120 of which 5,582,736 shares for gross proceeds of \$2,125,720 were Flow Through shares. The Company agreed to renounce to subscribers under these private placements "Canadian Exploration Expenditures" as defined in the Income Tax Act (Canada) in the aggregate consideration equal to \$2,125,720, with effective dates for income tax purposes, of December 31, 2005 for \$1,985,600 of the proceeds and December 31, 2006 for \$140,120 of the proceeds. As a result of the renunciations, the Company had an obligation to spend \$1,985,600 by December 31, 2006, and \$140,120 by December 31, 2007.

During 2005, the Company issued shares pursuant to private placements for gross proceeds of \$1,380,000.

The Company anticipates that the continued sale of Flow Through shares/warrants should enable it to maintain exploration activities on its mineral properties. However, there can be no assurance that these activities will be sufficient to enable the Company to carry on its planned activities.

## **RISKS AND UNCERTAINTIES**

At the present time, the Company does not hold any interest in a mining property in production. The Company's viability and potential success lie in its ability to discover, develop, exploit and generate revenue out of mineral deposits. Revenues, profitability and cash flow from any future mining operations involving the Company will be influenced by precious and/or base metal prices and by the relationship of such prices to production costs. Such prices have fluctuated widely and are affected by numerous factors beyond the Company's control.

## **EFFECTIVENESS OF DISCLOSURE CONTROLS**

The Chief Financial Officer and Chief Operating Officer have evaluated the effectiveness of the Company's disclosure controls as of June 30, 2006. They have concluded that the Company's disclosure controls and procedures provide reasonable assurance that material information relating to the Company would be made known to them by others within the Company, particularly during the period during which this report was being made.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).