



**FORUM URANIUM CORP.**  
(formerly Forum Development Corp.)

Quarterly Financial Statements  
For the Six Months Ended  
May 31, 2006 and 2005

**Auditor Review** - These interim financial statements and related schedules were prepared by management. They have not been reviewed by the Company's external independent auditor.

**FORUM URANIUM CORP.**  
(formerly Forum Development Corp.)  
(An Exploration Stage Company)  
Balance Sheets

	May 31, 2006	November 30, 2005
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,803,660	\$ 1,269,692
Marketable securities (Note 3)	12,000	12,000
Accounts receivable (note 6a)	191,408	85,116
Prepaid expenses and deposits	209,401	27,438
	<b>5,216,469</b>	1,394,246
<b>Equipment</b> (Note 4)	<b>84,145</b>	45,729
<b>Mineral properties</b> (Note 5)	<b>2,946,731</b>	1,914,244
	<b>\$ 8,247,345</b>	<b>\$ 3,354,219</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 87,662	\$ 126,260
Amounts due to related parties (Note 6)	-	19,881
	<b>87,662</b>	146,141
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Capital stock</b> (Note 7)	<b>13,093,604</b>	7,987,481
<b>Contributed surplus</b> (Note 8)	<b>555,763</b>	445,553
<b>Subscription received</b>	<b>166,500</b>	-
<b>Deficit</b>	<b>(5,656,184)</b>	(5,224,956)
	<b>8,159,683</b>	3,208,078
	<b>\$ 8,247,345</b>	<b>\$ 3,354,219</b>

Nature of Operations – Note 1  
Commitments – Note 11  
Subsequent event – Note 12

Approved by the Board of Directors

”Richard Mazur”  
Richard Mazur

Director

“Anthony Balme”  
Anthony Balme

Director

The accompanying notes are an integral part of these financial statements

**FORUM URANIUM CORP.**  
(formerly Forum Development Corp.)  
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Statements of Loss and Deficit

	<b>Three Months Ended May 31, 2006</b>	Three Months Ended May 31, 2005	<b>Six Months Ended May 31, 2006</b>	Six Months Ended May 31, 2005
<b>Expenses</b>				
Stock-option compensation	\$ -	\$ 135,784	\$ 163,430	\$ 135,784
Investor and shareholder relations	44,286	6,892	98,665	8,569
Management fees	19,500	32,750	39,000	57,750
Consulting	24,109	12,412	42,992	30,117
Office and miscellaneous	24,628	22,127	42,905	41,031
Corporate administration fees	24,796	19,500	39,196	45,000
Regulatory	10,505	7,172	17,951	16,535
Directors fees	6,750	6,750	13,500	13,500
Travel	7,230	-	11,170	-
Amortization	1,377	752	2,754	805
Property investigations	-	-	1,321	-
<b>Loss before other items</b>	<b>163,181</b>	244,139	<b>472,884</b>	349,091
<b>Other Items</b>				
Interest income	(40,313)	(1,715)	(41,656)	(1,715)
	(40,313)	(1,715)	(41,656)	(1,715)
<b>Net loss for the period</b>	<b>122,868</b>	242,424	<b>431,228</b>	347,376
<b>Deficit, Beginning of the Period</b>	<b>5,533,316</b>	4,468,421	<b>5,224,956</b>	4,363,469
<b>Deficit, End of the Period</b>	<b>\$ 5,656,184</b>	\$ 4,710,845	<b>\$ 5,656,184</b>	\$ 4,710,845
<b>Basic and Diluted Loss per share</b>	<b>\$ -</b>	\$ 0.01	<b>\$ 0.01</b>	\$ 0.02
<b>Weighted average shares outstanding</b>	<b>42,372,265</b>	19,960,746	<b>37,222,942</b>	18,340,731

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**FORUM URANIUM CORP.**  
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(An Exploration Stage Company)  
Statements of Cash Flows

	<b>Three Months Ended May 31, 2006</b>	Three Months Ended May 31, 2005	<b>Six Months Ended May 31, 2006</b>	Six Months Ended May 31, 2005
<b>Cash was provided by (used in):</b>				
<b>Operating activities</b>				
Loss for the period	\$ (122,868)	\$ (242,424)	\$ (431,228)	\$ (347,376)
Items not affecting cash:				
Amortization	1,377	753	2,754	805
Bad debts	-	6,000	-	135,784
Stock-option compensation	-	135,784	163,430	6,000
	<b>(121,491)</b>	(99,887)	<b>(265,044)</b>	(204,787)
Changes in non-cash working capital items:	<b>(144,681)</b>	(54,577)	<b>(132,836)</b>	20,742
Net cash used in operation activities	<b>(266,172)</b>	(154,464)	<b>(397,880)</b>	(184,045)
<b>Financing activities</b>				
Advances to related parties	(20,497)	12,278	(19,881)	(49,434)
Shares issued for cash	5,216,321	95,090	5,375,921	867,810
Share issuance costs	(384,037)	16,426	(386,118)	(15,000)
Subscriptions receivable	166,500	(11,000)	166,500	(6,000)
Net cash used in financing activities	<b>4,978,287</b>	112,794	<b>5,136,422</b>	797,376
<b>Investing Activities</b>				
Deferred exploration costs incurred	(888,293)	(117,124)	(1,129,894)	(198,735)
Property acquisition	(22,975)	(83,466)	(22,975)	(127,985)
Purchase of capital assets	(21,405)	(23,800)	(51,705)	(25,199)
Net cash provided by investing activities	<b>(932,673)</b>	(224,390)	<b>(1,204,574)</b>	(351,919)
<b>Increase / (Decrease) in Cash</b>	<b>3,779,442</b>	(266,060)	<b>3,533,968</b>	261,412
<b>Cash, Beginning of the Period</b>	<b>1,024,218</b>	871,891	<b>1,269,692</b>	344,419
<b>Cash, End of the Period</b>	<b>\$ 4,803,660</b>	\$ 605,831	<b>\$ 4,803,660</b>	\$ 605,831

Supplementary Cash Flow Information- Note 10

The accompanying notes are an integral part of these financial statements

**FORUM URANIUM CORP.**  
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Schedule of Mineral Property Costs  
Canadian Funds

<b>Six months ended May 31,</b>	<b>2006</b>	<b>2005</b>
<b>North Thelon Project</b>		
Claim staking	\$ 135,101	\$ -
	<b>135,101</b>	-
<b>Key Lake Road, Saskatchewan, Canada</b>		
Acquisition	-	44,519
Claim staking	(4,920)	-
Geological mapping	1,975	-
Geophysical surveying	3,900	-
Airborne geophysics	55,813	-
Report writing and filing	23,878	7,512
Management and planning	49,038	1,550
Data processing	1,733	326
Line cutting	24,375	-
License, permits and taxes	887	58
Analysis and assay	664	1,209
Travel, camp and other	6,366	1,452
Equipment	3,609	-
	<b>167,318</b>	56,626
<b>Maurice Point, Saskatchewan, Canada</b>		
Acquisition	-	18,155
Claim staking	-	37,811
Geological mapping	613	-
Geophysical surveying	167,221	-
Airborne geophysics	22,266	-
Report writing and filing	25,120	8,937
Management and planning	51,042	1,670
Data processing	1,873	334
Line cutting	52,782	-
License, permits and taxes	792	1,087
Analysis and assay	2,741	58
Travel, camp and other	15,058	1,452
Amortization	3,706	-
	<b>343,214</b>	69,504
<b>Balance Carried Forward</b>	<b>\$ 645,633</b>	\$ 126,130
<b>Balance Brought Forward</b>	<b>645,633</b>	126,130

The accompanying notes are an integral part of these financial statements

**FORUM URANIUM CORP.**  
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Schedule of Mineral Property Costs

Six Months Ended May 31,	2006	2005
<b>Balance Brought Forward</b>	<b>\$ 645,633</b>	<b>\$ 126,130</b>
<b>Haultain River, Saskatchewan, Canada</b>		
Claim staking	29,659	-
Geological mapping	383	-
Airborne geophysics	22,943	-
Report writing and filing	11,345	-
Management and planning	44,379	-
Data processing	1,733	-
Line cutting	8,125	-
Analysis and assay	664	-
Travel, camp and other	6,467	-
Amortization	3,610	-
	<b>129,308</b>	-
<b>Costigan JV, Saskatchewan, Canada</b>		
Acquisition	22,975	-
Diamond drilling	188,818	-
Geological mapping	383	-
Geophysical surveying	85,128	-
Report writing and filing	225	-
Management and planning	12,821	-
Data processing	2,613	-
Line and road cutting	16,277	-
Analysis and assay	831	-
License, permits and taxes	961	-
Travel, camp and other	703	-
Partner contribution	(120,382)	-
	<b>211,353</b>	-
<b>General and Other Properties</b>		
Acquisition	-	253,000
Claim staking	13,640	-
Prospecting	800	-
Geophysical surveying	13,966	-
Airborne geophysics	400	-
Report writing and filing	600	-
Management and planning	267	-
Line and road cutting	4,200	-
Data processing	165	-
Travel, camp and other	11,198	-
License, permits and taxes	957	-
	<b>46,193</b>	<b>253,000</b>
<b>Costs for the year</b>	<b>1,032,487</b>	<b>379,130</b>
<b>Balance - beginning of year</b>	<b>1,914,244</b>	<b>95,151</b>
<b>Balance - end of year</b>	<b>\$ 2,946,731</b>	<b>\$ 474,281</b>

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# FORUM URANIUM CORP.

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(An Exploration Stage Company)

Notes to the Quarterly Financial Statements

For the Six Months Ended May 31, 2006 and 2005

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## 1. Nature of Operations

The Company is in the business of acquiring and exploring energy projects which to date primarily include uranium properties. There has been no determination whether properties held contain reserves which are economically recoverable.

The recoverability of values assigned to these properties is dependant upon the discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development, and future profitable productions or proceeds from disposition.

## 2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada, on the assumption that the Company is a going concern. The ability of the Company to continue as a going concern is dependant on its ability to obtain continued financing to discharge its liabilities as they become due, and upon attaining future profitable operations.

Because a precise determination of certain assets and liabilities is dependant on future events, the preparation of the financial statements involves the use of estimates based on careful judgement and actual results could differ from such estimates. The financial statements have, in management's opinion, been prepared within reasonable limits of materiality using the significant accounting policies noted below:

### a) Oil and gas properties

The Company follows the full cost method of accounting for oil and gas operations, whereby all costs of exploring for and developing oil and gas reserves are capitalized and accumulated in cost centres established on a country-by-country basis. Such costs include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells, interest costs on significant investments in unproved properties and major development projects and overhead charges directly related to acquisition, exploration and development activities, less any government incentives relating thereto.

The costs related to each cost centre from which there is production, together with the costs of production equipment, are depleted and amortized on the unit-of-production method based on the estimated gross proved reserves of each country. Oil and natural gas reserves and production are converted into equivalent units based upon estimated relative energy content. Costs of acquiring and evaluating significant unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment in value has occurred. When proved reserves are assigned or the value of the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion.

The capitalized costs less accumulated amortization in each cost centre from which there is production are limited to an amount equal to the estimated future net revenue from proved reserves (based on prices and costs at the balance sheet date) plus the cost (net of impairments) of unproved properties. The total capitalized costs less accumulated depletion and amortization and deferred taxes of all cost centres is further limited to an amount equal to the estimated future net revenue from proved reserves plus the cost (net of impairments) of all cost centres less estimated future general and administrative expenses, future financing costs and taxes.

# FORUM URANIUM CORP.

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Notes to the Quarterly Financial Statements

For the Six Months Ended May 31, 2006 and 2005

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## 2. Significant Accounting Policies (continued)

The costs (including exploratory dry holes) related to cost centres from which there has been no commercial production are not subject to depletion until commercial production commences. The capitalized costs are periodically assessed to determine whether it is likely such costs will be recovered in the future. Costs unlikely to be recovered in the future are written off. Proceeds from the sale of oil and gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would significantly alter the rate of depletion and amortization.

### b) Mineral properties

Mineral exploration and acquisition costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for the prospects abandoned are written off.

### c) Loss per share

Basic earnings (loss) per share is computed by dividing income (or loss) attributable to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents are reflected in diluted earnings per share by application of the treasury stock method.

### d) Fair market value of financial instruments

The carrying value of cash and cash equivalents, marketable securities, accounts receivable, accounts payable and amounts due to related parties approximate fair market value because of the short maturity of those instruments.

### e) Stock-based compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of the options is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

### f) Amortization

Amortization is recorded on the declining balance at the following annual rates:

Computer equipment	30%
Exploration equipment	30%

One half of the normal rate is recorded in the year of acquisition.

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Notes to the Quarterly Financial Statements

For the Six Months Ended May 31, 2006 and 2005

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## 2. Significant Accounting Policies (continued)

### g) Income taxes

The Company uses the liability method for recording income taxes and records future income tax liabilities or assets for temporary differences between the tax basis of an asset or liability and its carrying amount on the balance sheet, using tax rates anticipated to apply in the periods that the differences are expected to reverse.

### h) Share Capital

i) The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant were exercised.

ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

### i) Flow-Through Shares

The Company adopted the new recommendations of the Emerging Issues Committee relating to flow-through shares effective for all flow-through agreements dated after March 19, 2004. Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the renunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital.

If a company has sufficient unused tax losses and deductions ("losses") to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, a portion of such unrecognized losses (losses multiplied by the effective corporate tax rate) is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures. As no flow-through shares were issued subsequent to March 19, 2004, there was no impact on the financial statements for the current fiscal year.

### j) Asset Retirement Obligations

Asset Retirement Obligations requires recognition of a legal liability for obligations relating to retirement of property, plant and equipment, and arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement cost must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life.

As at May 31, 2006 the Company does not have any asset retirement obligations.

### k) Consolidation of Variable Interest Entities

Effective January 1, 2005, the Company adopted Accounting Guideline AcG-15, "Consolidation of Variable Interest Entities", which requires consolidation of entities in which the Company has a controlling financial interest. The Company has determined that it has no variable interest entities.

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Notes to the Quarterly Financial Statements

For the Six Months Ended May 31, 2006 and 2005

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### 3. Marketable Securities

Marketable securities consist of 100,000 shares of Hidefield Gold Plc (HIF) at a cost of \$12,000 and market value of \$21,174 on May 31, 2006.

### 4. Equipment

	Cost	Accumulated	2006	2005
	\$	Amortization	Net Book	Net Book
			Value	Value
Exploration equipment	91,104	16,445	74,659	23,205
Computer Equipment	15,793	6,307	9,486	1,347
	106,897	22,752	84,145	24,552

### 5. Mineral Properties

#### a) Key Lake Road

The Company has acquired 100% interest in exploration permits totalling 83,290 hectares covering the Key Lake Road Project, located 20 kilometres southwest of Key Lake Mine/Mill Complex (operated by Cameco Corporation) in Northern Saskatchewan. The Key Lake uranium deposit, an unconformity-related deposit, was discovered in 1975 and produced 195 million pounds of uranium with an average grade of 2.5% U3O8 during a fifteen year mine life from 1983 to 1997.

#### b) Maurice Point

The Company has a 100% interest in nine mineral claims and one exploration permit, totalling 51,799 hectares, in Maurice Point which surrounds Cameco Corporation's Maurice Bay deposit. The Maurice Bay deposit, discovered in 1977, hosts significant uranium mineralization in sandstone-hosted, unconformity-associated deposits (Main Zone and B Zone) and structurally controlled deposits in silicified basement rocks (A Zone). This latter style of mineralization contains higher grade pitchblende mineralization with grades intersected in drilling of up to 3% U3O8 over 13 metres.

#### c) Haultain River

Ongoing evaluation of assessment work from exploration in the 1970's and 1980's and exploration by the Company led to the staking of 23,865 hectares of claims, held 100% by the Company, extending southwest of the Key Lake Road permit. Numerous showings of uranium on surface, grading up to 7.6% U3O8 in grade samples were identified during data compilation and field investigation.

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Notes to the Quarterly Financial Statements

For the Six Months Ended May 31, 2006 and 2005

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## 5. Mineral Properties (continued)

### d) Orchid Lake

The Company has a 100% interest in one mineral claim, totalling 5,285 hectares located approximately 25 kilometres southwest of the Key Lake Mine/Mill complex. The Company signed a letter of intent to enter on May 25, 2006 with Global Uranium Corporation ("GUC") to explore Orchid Lake. GUC can earn a 60% interest in this property by making cash payments of \$190,000, issuing 700,000 common shares of GUC to the Company and incurring \$2.25 million in exploration costs over a three year period. The Company will continue to act as operator of the project until GUC earns a 60% interest. GUC can earn an additional 10% by committing to a development drilling program and completing a bankable feasibility study. The Company retains a 3% Net Smelter Return ("NSR") with GUC holding the right to buy back 1% of the royalty for \$1 million cash and a further 0.5% of the royalty for another \$1 million cash payment.

### e) Costigan Lake Joint Venture

On February 15, 2006, the Company entered into an agreement with Cameco Corporation (Cameco's) to purchase Cameco's 65% interest in the Costigan Lake Uranium Joint Venture for a cash payment of \$22,975 (paid). The Company is operator and NVI Mining Ltd., a wholly-owned subsidiary of Breakwater Resources Ltd will maintain a 35% interest in the joint venture. A 10% Net Profits Interest royalty is payable.

### f) North Thelon Project

The Kiggavik North and Kiggavik South Joint Venture property comprises over 66,670 hectares of prospective ground in the Thelon Basin over a large area west of Baker Lake, Nunavut Territory.

### g) Merritt Coal and Coalbed Methane Property, BC

The Company acquired a 60% interest in the Merritt Property (the "Property") from Imperial Metals Corporation on February 28, 2002 at the following terms:

- i) cash payment of \$75,000 (paid);
- ii) the issuance of 800,000 warrants, exercisable at a price of \$0.30 per share for a two year period (expired);
- iii) a 3.5% gross revenue royalty on oil and natural gas (Coalbed Methane) from the Property;
- iv) a 2.5% gross revenue royalty on coal production specifically from the property; and
- v) a 1.5% gross revenue royalty on oil and natural gas (Coalbed Methane), and a 1.0% gross revenue royalty on coal production, from lands acquired by the Company within a specified Area of Mutual Interest.

The Company acquired the assets of Gosfield Associates Corp. ("Gosfield"), a British Virgin Islands private company affiliated with a director of the Company, with its main office registered in Tortola, Gibraltar by issuing 3.15 million common shares and 1,275,000 warrants to Gosfield's shareholders. Each warrant will entitle the holder to acquire one common share of the Company at \$0.15 per share for a period of two years. The Company has placed 2 million shares at \$0.10, with 1:1 warrants exercisable at \$0.10 per share if exercised within the first year, and \$0.15 per share if exercised in the second year, proceeds of which will be dedicated to completion of the transaction. In exchange, the Company received from Gosfield its 40% undivided interest in the Merritt basin coal and coalbed methane natural gas project, specifically known as Fee Lot 166, located adjacent to the town of Merritt, BC, and its industrial commercial area.

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For the Six Months Ended May 31, 2006 and 2005

## 5. Mineral Properties (continued)

Merritt Coal and Coalbed Methane Property, BC (continued)

The Company also received Gosfield's 40% interest in coal license applications known as the Normanandale, Diamondvale and Merritt Extension Merritt basin and a 20% interest in the Lignite coal syndicate with holdings in BC.

The Company now has a 100% interest in the Merritt coal and coalbed methane project (Note 6(a)), a 100% interest in the surrounding coal license applications, and a 40% interest in the Lignite syndicate in B.C. (Note 6(b)).

### h) Lignite Syndicate, B.C.

In 2002, the Company acquired a 20% beneficial interest in the coal licenses and any marketable technology developed by the Lignite Syndicate for which a minimum commitment of \$7,500 was paid. The Company acquired a further 20% interest from Gosfield (Note 6 (a)).

	Nov. 30, 2005	Acquisition	Deferred	Disposals /	May 31, 2006
	Total	Cost	Exploration	Write-downs	Total
	\$	\$	\$	\$	\$
Maurice Point	530,025	-	343,214	-	873,239
Key Lake Road	617,327	-	167,318	-	784,645
Haultain River	232,182	-	129,308	-	361,490
Costigan JV	-	22,975	188,378	-	211,353
North Thelon Project	-	-	135,101	-	135,101
Orchid Lake	34,696	-	19,420	-	54,116
Other	500,014	-	26,773	-	526,787
<b>Total mineral properties</b>	<b>1,914,244</b>	<b>22,975</b>	<b>1,009,512</b>	<b>-</b>	<b>2,946,731</b>

	Nov. 30, 2004	Acquisition	Deferred	Disposals /	Nov. 30, 2005
	Total	Cost	Exploration	Write-downs	Total
	\$	\$	\$	\$	\$
Key Lake Road	-	49,838	567,489	-	617,327
Maurice Point	-	58,286	471,739	-	530,025
Haultain River	-	51,214	180,968	-	232,182
Orchid Lake	-	5,490	29,206	-	34,696
Other	95,151	315,000	89,863	-	500,014
<b>Total mineral properties</b>	<b>95,151</b>	<b>479,828</b>	<b>1,339,265</b>	<b>-</b>	<b>1,914,244</b>

# FORUM URANIUM CORP.

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Notes to the Quarterly Financial Statements

For the Six Months Ended May 31, 2006 and 2005

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## 6. Related Party Transactions

- b) At May 31, 2006, the Company was owed \$1,549 from (2005 - \$12,256 due to) companies with common directors.
- b) Included in net loss for the six months ended May 31, 2006, at their exchange amounts, are the following items:

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	May 31, 2006	May 31, 2005
HRG Management Ltd.	\$ 51,044	\$ -
Mirador Management	36,000	28,000
Brazilian Diamonds Ltd.- rent and administrative	4,875	9,750
RWA Management – administrative services	-	51,500
<b>Total</b>	<b>\$ 91,919</b>	<b>\$ 89,250</b>

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HRG Management Ltd. (“HRG”) is a captive management company jointly owned by the Company and certain other companies that share Vancouver office space. The Company shares two common directors with HRG. See commitment section below (note 11).

Mirador Management is a private company controlled by an officer that provides management services to the Company.

## 7. Capital Stock

Authorized:

- 100,000,000 Common shares without par value  
100,000,000 Class A preference shares with a par value of \$10  
100,000,000 Class B preference shares with a par value of \$50

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Notes to the Quarterly Financial Statements

For the Six Months Ended May 31, 2006 and 2005

## 7. Capital Stock (continued)

Issued:	#	\$
Balance, November 30, 2004	10,462,993	4,800,591
Issued for cash - private placements	8,774,392	1,648,095
Issued in exchange for mineral properties	3,150,000	315,000
Issued in exchange for warrants	8,542,094	1,235,409
Issued in exchange for options	465,000	50,700
Fair value of options exercised	-	6,415
Share issuance costs	-	(68,729)
Balance, November 30, 2005	31,394,479	7,987,481
Issued for cash - private placements	10,500,000	5,025,000
Issued in exchange for warrants	1,113,069	212,621
Issued in exchange for options	630,000	138,300
Fair value of options exercised	-	116,620
Share issuance costs	-	(386,418)
Balance, May 31, 2006	43,637,548	13,093,604

The Company issued 6,000,000 flow-through common shares at \$0.50 and 4,500,000 units at a price of \$0.45 for net proceeds of \$4,703,510. Each unit consisted of one common share and one-half of a common share purchase warrant with each whole warrant exercisable at a price of \$0.55 for a period of 18 months after the closing date of the private placement. Agents will received a cash commission equal to 7% of the gross proceeds and compensation warrants equal to the number to 7% of the number of flow-through common shares and units sold under the brokered private placement. The compensation warrants will be exercisable at a price of \$0.50 for a period of 12 months after the close date.

### Warrants:

Warrants have been granted and are exercisable in whole or in part allowing the holders to purchase common shares of the Company as follows:

# FORUM URANIUM CORP.

(formerly Forum Development Corp.)

(An Exploration Stage Company)

Notes to the Quarterly Financial Statements

For the Six Months Ended May 31, 2006 and 2005

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## 7. Capital Stock (continued)

Warrants (continued):

	Number of Warrants	Weighted Average Exercise Price
Balance, November 30, 2004	6,102,100	\$ 0.13
Granted	6,958,794	0.22
Exercised	(8,542,094)	0.13
Balance, November 30, 2005	4,518,800	\$ 0.25
Granted	2,918,800	0.55
Exercised	(1,109,994)	0.19
Balance, May 31, 2006	6,327,606	\$ 0.40

Of the warrants outstanding at May 31, 2006:

- a) 818,340 warrants are exercisable at \$0.15 per share up to December 9, 2006.
- b) 1,170,186 warrants are exercisable at \$0.30 per share up to July 28, 2006.
- c) 1,420,280 warrants are exercisable at \$0.30 per share up to August 9, 2006.
- d) 516,760 warrants are exercisable at \$0.50 per share up to March 18, 2007.
- e) 152,040 warrants are exercisable at \$0.50 per share up to March 22, 2007.
- f) 1,652,000 warrants are exercisable at \$0.55 per share up to September 6, 2007.
- g) 598,000 warrants are exercisable at \$0.55 per share up to September 22, 2007.

Options:

The Company has implemented a stock option plan (the "Plan") to be administered by the Board of Directors, which has the discretion to grant options for up to a maximum of 10% of the issued and outstanding share capital amount. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Company's Board of Directors. The exercise price of an option is not less than the closing price on the Exchange on the last trading day preceding the grant date.

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Notes to the Quarterly Financial Statements

For the Six Months Ended May 31, 2006 and 2005

## 7. Capital Stock (continued)

Options (continued):

Stock option transactions were as follows:

	Number of Options	Weighted Average Exercise Price
Balance, November 30, 2004	580,000	\$ 0.10
Granted	2,225,000	0.23
Cancelled	(20,000)	0.21
Exercised	(465,000)	0.11
Balance, November 30, 2005	2,320,000	\$ 0.23
Granted	795,000	0.36
Cancelled	(220,000)	
Exercised	(630,000)	
Balance, May 31, 2006	2,265,000	\$ 0.27

Options:

For newly granted options, compensation expense is based on the fair value of the options at the grant date. For any options that have alteration in their conditions, compensation expense is based on the fair value of the options on the alteration date less the fair value of the original options based on the shorter of the remaining expanded life of the old option or the expected life of the modified option.

Effective January 1, 2003, the Company recognizes compensation expense on stock options granted to both employees and non-employees using the fair value method, which the Company records as an expense.

The Company granted 600,000 stock options exercisable on or before January 24, 2011 at a price of \$0.36 per share and 120,000 stock options exercisable on or before December 20, 2010 at a price of \$0.35 per share during the period ending February 28, 2006. The weighted average remaining contractual life of these outstanding options is 4.4 years.

The total fair value of the options granted was calculated to be \$226,830. Since the options vest immediately, the full amount of the fair value has been recorded in the Company's accounts, with \$163,430 recorded as stock-option compensation expense, and the remaining \$63,400 charged to mineral property costs.

The fair value was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

Expected dividend yield	0%
Expected stock price volatility	134%
Risk free rate	3.8%
Expected life of options	5 years

# FORUM URANIUM CORP.

(formerly Forum Development Corp.)

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Notes to the Quarterly Financial Statements

For the Six Months Ended May 31, 2006 and 2005

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## 8. Contributed Surplus

Balance, November 30, 2004	\$	-
Stock –based compensation		451,968
Options exercised		(6,415)
Balance, November 30, 2005		445,553
Stock –based compensation		226,830
Options exercised		(116,620)
Balance, May 31, 2006	\$	555,763

## 9. Segmented information

The company operates in the oil and gas, and the uranium segments. Mineral property costs by operating segment as at May 31, 2006 are as follows:

	2006	2005
Oil and gas	432,909	351,013
Uranium	2,480,576	340,965
	2,480,576	691,978

## 10. Supplement Cash Flow Information

Supplemental Disclosure of Non-Cash Financing Activities include:	2006	2005
Stock-based compensation	\$ 226,830	\$ 152,890

## 11. Commitments

Entered into a services agreement, effective February 1, 2006, with HRG in which the Company will pay a monthly fee of \$13,233 to receive office administration, accounting, corporate secretarial, investor relations, chief financial officer and other related services. HRG is a captive management company jointly owned by the Company and certain other public companies, all of which comprise the Hamilton Resource Group ([www.hamiltonresourcegroup.com](http://www.hamiltonresourcegroup.com)). The Company shares two common directors with HRG. The agreement expires December 31, 2008 and can be terminated by either party prior to expiration with 90 days written notice.

# **FORUM URANIUM CORP.**

(formerly Forum Development Corp.)

(An Exploration Stage Company)

Notes to the Quarterly Financial Statements

For the Six Months Ended May 31, 2006 and 2005

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## **12. Subsequent Events**

1. Subsequent to May 31, 2006, the Company changed its name to Forum Uranium Corp. which was approved by the TSX Venture Exchange on June 26, 2006.
2. Subsequent to May 31, 2006, the Company entered into a letter of intent with Superior Diamonds Inc. (SUP: TSX-V) for a 50/50 Joint Venture, with the Company as the Operator, in an Area of Interest that encompasses approximately 39,850 square kilometers of the northeast margin of the Thelon basin.
3. Subsequent to May 31, 2006, the Company granted 1,345,000 stock options exercisable price of \$0.38 per share to July 14, 2011.



**MANAGEMENT DISCUSSION AND  
ANALYSIS**

**FOR THE SIX MONTH PERIOD ENDED MAY 31, 2006**

## INTRODUCTION

The following discussion of performance and financial condition should be read in conjunction with the audited financial statements of the Company for the year ended November 30, 2005. The Company's financial statements are prepared in accordance with Canadian GAAP. The Company's reporting currency is Canadian dollars. The date of this Management's Discussion and Analysis is July 28, 2006.

## DESCRIPTION OF BUSINESS

Forum Uranium Corp. (the "Company", formerly Forum Development Corp.) was incorporated under the provisions of the Company Act (British Columbia) on June 16, 1987. The Company is listed on the TSX Venture Exchange (the "Exchange") as a Tier 2 mining issuer under the trading symbol - **FDC**.

The Company is in the business of acquiring and exploring uranium projects. There has been no determination whether these properties contain reserves which are economically recoverable.

The Company's head office is located in Vancouver, British Columbia, Canada. Exploration headquarters are located in Saskatoon, Saskatchewan.

The recoverability of values assigned to these uranium properties is dependent upon the discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development, and future profitable production or proceeds from disposition.

## SELECTED ANNUAL INFORMATION

	November 30, 2005	November 30, 2004	November 30, 2003
<b>Financial results</b>			
Net loss for year	861,485	263,009	110,621
Basic and diluted loss per share	0.04	0.04	0.03
Expenditures (recovered) on resource properties	1,819,093	4,481	24,651
<b>Balance sheet data</b>			
Cash and short term deposits	1,269,692	344,419	151,200
Resource properties	1,914,244	95,151	97,846
Total assets	3,354,219	556,913	320,967
Shareholders' equity	3,208,078	443,120	263,849

**RESULTS OF OPERATIONS****Second Quarter**

The Company incurred a \$122,868 loss for the quarter ended May 31, 2006 as compared to a loss of \$242,424 for the same quarter last year. This amounts to a \$119,556 decrease over the prior year's quarter which can be attributed to no stock-based compensation (\$135,784) and increased interest earned due to recent financing (\$38,598). Investor relations and corporate communications increased (\$37,394, 2004 - no direct investor relations services), consulting (\$11,697) and travel (\$7,230).

Cash and cash equivalent balances increased by \$3,779,442 to \$4,803,660 at May 31, 2006. The cash spending for mineral properties was \$888,293. The \$888,293 in cash expenditures on exploration included \$278,986 on Maurice Point, \$65,947 on Haultain River, \$61,905 on Key Lake Road, \$278,082 on Costigan JV, \$135,101 on Thelon Basin Project and \$68,272 on other properties.

**Year-to-date**

The Company incurred a \$431,228 loss for the six months ended May 31, 2006 as compared to a loss of \$347,376 for the same period last year. This amounts to a \$83,852 increase over the prior year's period which can be attributed to stock-based compensation (\$27,646), investor relations and corporate communications increased (\$90,096, 2004 - no direct investor relations services), and travel (\$11,170). Increased interest earned due to recent financing (\$39,941) reduced the period's loss in comparison to the previous year's first six months.

Cash and cash equivalent balances increased by \$3,533,968 to \$4,803,660 at May 31, 2006. The cash spending for mineral properties was \$1,129,894. The \$1,129,894 in cash expenditures on exploration included \$343,214 on Maurice Point, \$129,308 on Haultain River, \$167,318 on Key Lake Road, \$331,735 on Costigan JV, \$135,101 on Thelon Basin Project and \$23,218 on other properties.

## SUMMARY OF QUARTERLY RESULTS

The table below present's selected financial data for the Company's eight most recently completed quarters.

	May 31, 2006	February 28, 2006	November 30, 2005	August 31, 2005	May 31, 2005	February 28, 2005	November 30, 2004	August 31, 2004
<b>Financial results</b>								
Net loss for period	122,868	308,360	289,150	275,374	347,375	104,951	133,268	55,143
Basic and diluted loss per share	-	0.01	0.02	0.01	0.01	0.02	0.01	0.01
Expenditures on resource properties	888,293	241,601	590,739	450,397	215,581	379,130	2,991	536
<b>Balance sheet data</b>								
Cash and short term deposits	4,803,660	1,024,218	1,269,692	1,227,817	605,831	871,891	344,419	17,357
Resource properties	2,946,731	2,223,012	1,662,720	1,045,108	689,862	474,281	95,151	91,895
Total assets	8,247,345	3,461,519	3,163,344	2,473,662	1,465,102	1,473,455	556,913	205,201
Shareholders' equity	8,159,683	3,284,067	3,091,851	2,431,777	1,411,438	1,430,891	443,120	139,102

## LIQUIDITY

The Company's exploration programs for the current financial year have been budgeted and can be completed with current finances.

The financial statements from Schedule A 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 continue to raise adequate financing and to commence profitable operations in the future.

	May 31, 2006	May 31, 2005
Working capital	\$ 5,128,807	\$ 635,182
Deficit	(5,656,184)	(4,710,845)

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**TRANSACTIONS WITH RELATED PARTIES**

- a) At May 31, 2006, the Company owed to \$1,549 (2005 - \$12,256 due to) companies with common directors.
- b) Included in net loss for the three months ended May 31, 2006, at their exchange amounts, are the following items:

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	May 31, 2006	May 31, 2005
HRG Management Ltd.	\$ 51,044	\$ -
Mirador Management	36,000	28,000
Brazilian Diamonds Ltd.- rent	4,875	9,750
RWA Management – administrative services	-	51,500
<b>Total</b>	<b>\$ 91,919</b>	<b>\$ 89,250</b>

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HRG Management Ltd. (“HRG”) is a captive management company jointly owned by the Company and certain other companies that share Vancouver office space. The Company shares two common directors with HRG. See commitments section below.

Mirador Management is a private company controlled by an officer that provides management services to the company.

**COMMITMENTS**

- a) The company issued 6,000,000 flow-through shares in March 2006 for gross proceeds of \$3,000,000 which will be spent on exploration up to the end of 2007.
- b) The Company entered into a services agreement, effective February 1, 2006, with HRG in which the Company will pay a monthly fee of \$13,233 to receive office administration, accounting, corporate secretarial, investor relations, chief financial officer and other related services. HRG is a captive management company jointly owned by the Company and certain other public companies, all of which comprise the Hamilton Resource Group. The Company shares two common directors with HRG. The agreement expires December 31, 2008 and can be terminated by either party prior to expiration with 90 days written notice.

## SHARE CAPITAL INFORMATION

The table below presents the Company's common share data as of July 28, 2006.

	Price	Expiry date	Number of common shares
Common shares, issued and outstanding			45,189,548
Securities convertible into common shares			
Warrants	\$0.15	December 9, 2006	818,340
	\$0.30	July 28, 2006	638,186
	\$0.30	August 9, 2006	400,280
	\$0.50	March 6, 2007	516,760
	\$0.55	September 6, 2007	1,652,000
	\$0.50	March 22, 2007	152,040
	\$0.55	September 22, 2007	598,000
Options	\$0.10	September 6, 2007	65,000
	\$0.21	December 2, 2009	890,000
	\$0.24	May 12, 2010	460,000
	\$0.24	August 15, 2010	230,000
	\$0.35	December 20, 2010	120,000
	\$0.36	January 24, 2011	500,000
	\$0.38	July 14, 2011	1,345,000
			53,575,154

### Private Placements

The Company completed its brokered private placement of 4,500,000 units at \$0.45 and 6,000,000 flow-through shares at \$0.50 for net proceeds of \$4,703,510. The non-flow through units includes one-half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase an additional common share at a price of \$0.55 at any time prior to September 6 and September 22, 2007. Also issued were 668,800 broker warrants that entitle the holder to purchase an additional common share at a price of \$0.50 at any time prior to March 6 and March 22, 2007.

### Stock Options

During the first quarter, 120,000 stock options were granted to directors, officers and consultants that are exercisable for one common share each on or before December 20, 2010 at a price of \$0.35.

During the first quarter, 600,000 stock options were granted to directors, officers and consultants that are exercisable for one common share each on or before January 24, 2011 at a price of \$0.36. The Company has cancelled 100,000 of these stock options during the period.

Subsequent to May 31, 2006, the Company granted 1,345,000 stock options at an exercisable price of \$0.38 per share up to July 14, 2011.

**RESOURCE PROPERTIES**

	November 30, 2005	Acquisition Cost	Deferred Exploration	Write-down/ depreciation	May 31, 2006
Maurice Point	\$ 530,025	\$ -	\$ 343,214	\$ -	\$ 873,239
Key Lake Road	617,327	-	167,318	-	784,645
Haultain River	232,182	-	129,308	-	361,490
Costigan JV	-	22,975	188,378	-	211,353
North Thelon Project	-	-	135,101	-	135,101
Orchid Lake	34,696	-	19,420	-	54,116
Other	500,014	-	26,773	-	526,787
<b>Total mineral properties</b>	<b>\$ 1,914,244</b>	<b>\$ 22,975</b>	<b>\$ 1,009,512</b>	<b>\$ -</b>	<b>\$ 2,946,731</b>

	November 30, 2004	Acquisition Cost	Deferred Exploration	Write-down/ depreciation	November 30, 2005
Key Lake Road	\$ -	\$ 49,838	\$ 567,489	\$ -	\$ 617,327
Maurice Point	-	58,286	471,739	-	530,025
Haultain River	-	51,214	180,968	-	232,182
Orchid Lake	-	5,490	29,206	-	34,696
Other	95,151	315,000	89,863	-	500,014
<b>Total mineral properties</b>	<b>\$ 95,151</b>	<b>\$ 479,828</b>	<b>\$ 1,339,265</b>	<b>\$ -</b>	<b>\$ 1,914,244</b>

Six Months Ended May 31,	2006	2005
<b>North Thelon Project, Nunavut, Canada</b>		
Claim staking	\$ 135,101	\$ -
	<b>135,101</b>	-
<b>Key Lake Road, Saskatchewan, Canada</b>		
Acquisition	-	44,519
Claim staking	(4,920)	-
Geological mapping	1,975	-
Geophysical surveying	3,900	-
Airborne geophysics	55,813	-
Report writing and filing	23,878	7,512
Management and planning	49,038	1,550
Data processing	1,733	326
Line cutting	24,375	-
License, permits and taxes	887	58
Analysis and assay	664	1,209
Travel, camp and other	6,366	1,452
Equipment	3,609	-
	<b>167,318</b>	<b>56,626</b>
<b>Maurice Point, Saskatchewan, Canada</b>		
Acquisition	-	18,155
Claim staking	-	37,811
Geological mapping	613	-
Geophysical surveying	167,221	-
Airborne geophysics	22,266	-
Report writing and filing	25,120	8,937
Management and planning	51,042	1,670
Data processing	1,873	334
Line cutting	52,782	-
License, permits and taxes	792	1,087
Analysis and assay	2,741	58
Travel, camp and other	15,058	1,452
Equipment	3,706	-
	<b>343,214</b>	<b>69,504</b>
Balance	<b>645,633</b>	126,130

Six Months Ended May 31,	2006	2005
Balance forward	645,633	126,130
<b>Haultain River, Saskatchewan, Canada</b>		
Claim staking	29,659	-
Geological mapping	383	-
Airborne geophysics	22,943	-
Report writing and filing	11,345	-
Management and planning	44,379	-
Data processing	1,733	-
Line cutting	8,125	-
Analysis and assay	664	-
Travel, camp and other	6,467	-
Equipment	3,610	-
	129,308	-
<b>Costigan JV, Saskatchewan, Canada</b>		
Acquisition	22,975	-
Diamond drilling	188,818	-
Geological mapping	383	-
Geophysical surveying	85,128	-
Report writing and filing	225	-
Management and planning	12,821	-
Data processing	2,613	-
Line cutting	16,277	-
Analysis and assay	831	-
License, permits and taxes	961	-
Travel, camp and other	703	-
Partner contribution	(120,382)	-
	211,353	-
<b>General and Other Properties</b>		
Acquisition	-	253,000
Claim staking	13,640	-
Prospecting	800	-
Geophysical surveying	13,966	-
Airborne geophysics	400	-
Report writing and filing	600	-
Management and planning	267	-
Line cutting	4,200	-
Data processing	165	-
Travel, camp and other	11,198	-
License, permits and taxes	957	-
	46,193	253,000
<b>Costs for the period</b>	<b>1,032,487</b>	<b>379,130</b>
<b>Balance - beginning of period</b>	<b>1,914,244</b>	<b>95,151</b>
<b>Balance - end of year</b>	<b>\$ 2,946,731</b>	<b>\$ 474,281</b>

**RESOURCE PROPERTIES**

<b>PROJECT</b>	<b>INTEREST</b>	<b>COMMODITY</b>	<b>LOCATION</b>	<b>AREA (Hectares)</b>
Key Lake Road	100%	Uranium	Saskatchewan	83,290
Haultain River	100%	Uranium	Saskatchewan	23,865
Orchid Lake	100%	Uranium	Saskatchewan	5,285
Maurice Point	100%	Uranium	Saskatchewan	51,799
Costigan Lake JV	65%	Uranium	Saskatchewan	743
North Thelon JV	50%	Uranium	Nunavut	66,670
Merritt Coal Bed Methane	100%	Coal/Natural Gas in coal	Merritt, British Columbia	Freehold (505) Coal License Applications (996)
Coal River	40%	Lignite	Northern B.C.	717

**KEY LAKE ROAD PROJECT**

In early June 2006, the Company mobilized a 12 man field crew at the Key Lake Road project. Surface unconformity-type uranium mineralization has been found on the project, which lies on the Wollaston Trend where one-third of the world's uranium is produced.

The 100%-owned Key Lake Road project (includes the Key Lake Road permits and Haultain River claims) consists of two exploration permits and five mineral claims comprising 107,165 hectares. The northern boundary of the project area is located 20 km southwest of Cameco's Key Lake Mine/Mill Complex, the principal processing facility for the nearby high grade McArthur River uranium mine and site of the formerly productive Key Lake Deposit (195 million pounds of uranium mined at an average grade of 2.45% U).

The Companies permits cover favourable basement rocks within the Mudjatik-Wollaston Tectonic Transition Zone, a northeast trending structural zone on the eastern rim of the Athabasca Basin along which the district's most productive uranium mines occur. Over 95% of known Canadian uranium deposits and all current uranium producing mines in Canada are located on this trend.

The project area is 40 km south of the former Key Lake Mine and the current uranium processing facility for the McArthur River Deposit, owned by Cameco Corporation and AREVA Resources Canada Inc. The property can be accessed by Saskatchewan Provincial Hwy 914 which services the Key Lake mill. Field crews will have road access to two main areas of exploration interest discovered last year along the 40 km long Key Lake Road Shear Zone - the DD and Molly Zones.

The DD zone is a 100 metre by 200 metre area of surface uranium mineralization discovered in 2005 along fractures and shears within a graphitic gneiss. The DD zone exhibits many geological similarities to Cameco's Millennium deposit with reported resources of 46 million pounds of contained uranium at a grade of 4.63% U<sub>3</sub>O<sub>8</sub>. The Molly Zone is an eight kilometre long zone of uranium mineralization paralleling the Key Lake Road Shear Zone. The Molly Zone is a strongly radioactive area with abundant uraniferous pegmatite's intruding mineralized Wollaston metasediments.

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**KEY LAKE ROAD PROJECT (continued)**

The Company conducted a 1,940 kilometre line VTEM magnetic/electromagnetic survey over the property. Both showings are associated with multiple electromagnetic conductive horizons that are sub-parallel to the Key Lake Road Shear Zone. On a regional basis, the Key Lake Road Shear Zone will be geologically mapped, thoroughly prospected and sampled by lake sediment geochemistry. In a more focused program, the DD and Molly zones will be geologically mapped in detail, radiometric grid prospected, and geochemically sampled in advance of a scheduled 4,000 m drill program.

**ORCHID LAKE**

The Company signed a letter of intent on May 25, 2006 with Global Uranium Corporation (“GUC”) to explore Orchid Lake. GUC can earn a 60% interest in this property by making cash payments of \$190,000, issuing 700,000 common shares of GUC to the Company and incurring \$2.25 million in exploration costs over a three year period. The Company will continue to be the operator of the project until GUC earns a 60% interest. GUC can earn an additional 10% by committing to a development drilling program and completing a bankable feasibility study. The Company retains a 3% Net Smelter Return (“NSR”) with GUC holding the right to buy back 1% of the royalty for \$1 million cash and a further 0.5% of the royalty for another \$1 million cash payment.

The Orchid Lake property is located 20 km west of the Key Lake Mine/Mill Complex, north of the Key Lake Road permit and claim area. The property was staked by Forum based on a review of historical exploration data and its strategic location in proximity to the Key Lake Mine and the Company’s Key Lake Road property. During the 1970-1980 period, Uranerz Exploration and Mining Ltd. carried out exploration work and identified anomalous uranium in lake sediments near Orchid Lake. Subsequent radiometric prospecting discovered pegmatitic boulders with narrow bands of graphitic gneiss grading up to 0.1% U<sub>3</sub>O<sub>8</sub>.

A 2 km, ENE trending, strong EM conductor coincident with an ENE magnetic low on the Orchid Lake property is interpreted as the southern limb of tightly folded and dislocated Wollaston metasediments. In addition, a further 10 km long, arcuate, east-west to northeast trending weak, graphitic basement type conductor was delineated at the boundary between granite and metasediments.

**MAURICE POINT PROJECT**

In early June 2006, the Company mobilized an eight man field crew for the summer exploration program at its Maurice Point project. Surface unconformity-type uranium mineralization has been found at the Maurice Point project, located in the prolific Athabasca Basin.

The Company’s exploration crews will focus on detailed mapping, sampling and prospecting at the Beach Zone and surrounding area, including the Uranium Ridge occurrence.

The 100%-owned Maurice Point project consists of nine staked mineral claims and an exploration permit, totalling 51,799 hectares, located immediately adjacent to Cameco Corporation's Maurice Bay deposit on the northwest margin of the Athabasca Basin.

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***MAURICE POINT PROJECT (continued)***

The Maurice Bay uranium deposit is reported to host 1.3 million pounds of U<sub>3</sub>O<sub>8</sub> at a grade of 0.6% at the sub-Athabasca unconformity and structurally controlled mineralization within altered basement rocks. The Forum claims and exploration permit cover extensions of basement structures containing the Maurice Bay mineralization and the favourable Athabasca unconformity.

The Uranium Ridge showings had previously been investigated during the 1950s and 1960s, where radioactivity reportedly occurred in shear-hosted basement rocks at the intersection of northwest- and northeast-trending faults/fractures. Sampling by the Company of the Uranium Ridge occurrence ranges in value from 0.257 % to 1.01 % U<sub>3</sub>O<sub>8</sub>.

A new discovery of uranium mineralization occurs in outcrop over a 100 metre long breccia zone at the Beach Zone. Grab samples taken from the Beach Zone reported assays of 7.31 %, 2.2 %, 2.16 %, 2.06%, 1.55%, 0.935%, 0.871% and 0.388 per cent U<sub>3</sub>O<sub>8</sub>.

Ground electromagnetic and gravity surveys were completed this past winter over Uranium Ridge and the Beach Zone.

***COSTIGAN LAKE JOINT VENTURE***

Six holes were drilled by the Company in March 2006, totalling 824 metres (m), tested two electromagnetic conductive trends on the property. Spring break-up did not allow for completion of the originally announced 1,000 m drill program.

The Company intersected encouraging uranium mineralization in the two holes of the project, grading from 0.025% to 0.108% U<sub>3</sub>O<sub>8</sub> in fractures within and in the footwall of a hidegraphitic horizon. The Company's drilling intersected graphitic metasediments, clay alteration and structurally deformed rocks.

The Costigan Lake Joint Venture property comprises a 743 hectare mineral lease strategically located 14 kilometres (km) southwest of the Cameco/AREVA Key Lake Mine and Mill complex in the Athabasca Basin, northern Saskatchewan. The property adjoins the Cameco/AREVA Key Lake Mine Property.

The Company acquired Cameco Corporation's ("Cameco") 65% interest in the Costigan Lake Uranium Joint Venture for a cash payment of \$22,975. The Company is the operator and NVI Mining Ltd. ("NVI"), a wholly-owned subsidiary of Breakwater Resources Ltd. ("Breakwater"), is a 35% partner in the joint venture.

The property flanks the western margin of the Archean-age Key Lake Dome. The conductive trends for 7.5 km within the Costigan Lake property have been interpreted as the southern extension of the graphitic metapelites which host the Key Lake uranium deposits.

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***COSTIGAN LAKE JOINT VENTURE (continued)***

A MaxMin Horizontal Loop EM (“HLEM”) survey at 200 m line spacing was completed in March on the property to redefine conductive trends identified during previous exploration. A reinterpretation of the airborne magnetic and geological data suggests that a major ENE structure intersects four conductive trends identified by the HLEM survey. This ENE structure is sub-parallel to the Key Lake Mine structure.

Previous drilling in a limited area on the north end of the property encountered uranium mineralization grading 0.088% over 4.0 m (including 0.43%  $U_3O_8$  over 0.36 m) at a depth of 112 m within altered graphitic pelitic gneiss. A strongly altered (chlorite-hematite-clay) graphitic pelitic gneiss was intersected over a 40 m interval in a drillhole located 150 m to the southeast of the mineralized intercept.

***NORTH THELON JOINT VENTURE***

The Company and Superior Diamonds Inc. (SUP: TSX-V) entered into a strategic alliance to explore for uranium. The Letter of Intent is for a 50/50 Joint Venture, with Forum as the Operator, in an Area of Interest that encompasses approximately 39,850 square kilometers of the northeast margin of the Thelon Basin. The Thelon Basin is largely regarded today as being one of the most prospective regions in the world for uranium exploration, second only to the Athabasca Basin in Saskatchewan.

The Kiggavik North and Kiggavik South claims property comprise over 66,670 hectares of prospective ground in the Thelon Basin over a large area west of Baker Lake, Nunavut Territory. This recent staking venture, acquired by the Company is located near the Kiggavik-Sissons Project, Nunavut’s largest known uranium deposit, which is held by AREVA Resources Canada Inc. (“AREVA”).

The Kiggavik-Sissons Project contains resources of 131 million pounds  $U_3O_8$ , 4.1 tonnes of gold and 3.3 tonnes of platinum in three deposits (Kiggavik, End Grid and Andrew Lake) grading from 0.28% to 0.44% U, as reported by AREVA. Exploration for uranium was active from 1974 to 1984 resulting in the discovery of the Kiggavik deposit in 1977. In 1987 and 1988, the nearby End Grid and Andrew Lake Deposits were discovered and a feasibility study was completed on the Kiggavik-Sissons Project in 1989. The resource estimate for the Kiggavik-Sissons Project is historic and Forum has not verified whether it is a National Instrument 43-101 defined resource. The Company believes that the historic resource estimate is relevant because of the proximity of the Kiggavik-Sissons Project to the North Thelon Joint Venture area. AREVA is currently evaluating the future development of the deposit.

The Kiggavik North and Kiggavik South claims are situated in favourable structural and lithological environments at the margin of and within the Thelon Sandstone covered areas where uranium mineralization and favourable alteration were discovered in previous exploration campaigns. The Company is reviewing assessment files and compiling a comprehensive geological database of the region. An aggressive exploration program for the North Thelon Joint Venture is anticipated over the next two years.

## **INVESTOR RELATIONS**

The Company retains the services of in-house investor relations consulting, investor relations agency firms and attends trade shows to increase exposure to Canadian retail brokers and investors.

## **FINANCIAL AND OTHER INSTRUMENTS**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of those instruments.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements requires the Company to select from possible alternative accounting principles, and to make estimates and assumptions that determine the reported amounts of assets and liabilities at the balance sheet date and reported costs and expenditures during the reporting period. Estimates and assumptions may be revised as new information is obtained, and are subject to change. The Company's accounting policies and estimates used in the preparation of the Financial Statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

Property acquisition costs and related direct exploration costs may be deferred until the properties are placed into production, sold, abandoned, or written down, where appropriate. The Company's accounting policy is to capitalize exploration costs consistent with Canadian GAAP and applicable guidelines for exploration stage companies. The policy is consistent with other junior exploration companies which have not established mineral reserves objectively. An alternative policy would be to expense these costs until sufficient work has been done to determine that there is a probability a mineral reserve can be established; or alternatively, to expense such costs until a mineral reserve has been objectively established. Management is of the view that its current policy is appropriate for the Company at this time. Based on annual impairment reviews made by management, or earlier if circumstances warrant, in the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, then the carrying amount is written down accordingly and the write-down charged to operations. A write-down may be warranted in situations where a property is to be sold or abandoned; or exploration activity ceases on a property due to unsatisfactory results or insufficient available funding.

**RISKS AND UNCERTAINTIES**

The Company is in the mineral exploration and development business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Some of the possible risks include the following:

- a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates.
- b) The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration or development. Management was successful in accessing the equity markets during the period, but there is no assurance that such sources will be available on acceptable terms in the future.
- c) Any future equity financings by the Company for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.
- d) The Company must comply with environmental regulations governing air and water quality and land disturbance and provide for mine reclamation and closure costs.
- e) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue its exploration and development activities in the future.
- f) There is no certainty that the properties which the Company has deferred as assets on its balance sheet will be realized at the amounts recorded. These amounts should not be taken to reflect realizable value.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements. The Company has not completed a feasibility study on any of its deposits to determine if it hosts a mineral resource that can be economically developed and profitably mined.

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information. The Company's CEO and CFO have confirmed to the Company that they are satisfied with the effectiveness of the Company's system of disclosure controls and procedures as at May 31, 2006 based upon their evaluation of the effectiveness of such disclosure controls and procedures.

**OTHER INFORMATION**

Additional information is available on the Company's website at [www.forumdevelopmentcorp.com](http://www.forumdevelopmentcorp.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

**CAUTION REGARDING FORWARD LOOKING STATEMENTS**

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.