



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

Quarterly Financial Statements  
For the Nine Months Ended  
August 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 Sheet

	August 31, 2006	November 30, 2005
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,479,731	\$ 1,269,692
Marketable securities (Note 3)	12,000	12,000
Accounts receivable (note 6a)	267,800	85,116
Prepaid expenses and deposits	133,869	27,438
	<b>4,893,400</b>	1,394,246
<b>Equipment</b> (Note 4)	<b>82,172</b>	45,729
<b>Mineral properties</b> (Note 5)	<b>3,969,032</b>	1,914,244
	<b>\$ 8,944,604</b>	<b>\$ 3,354,219</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 526,256	\$ 126,260
Amounts due to related parties (Note 6)	-	19,881
	<b>526,256</b>	146,141
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
<b>Capital stock</b> (Note 7)	<b>13,695,297</b>	7,987,481
<b>Contributed surplus</b> (Note 8)	<b>986,678</b>	445,553
<b>Subscription received</b>	<b>(53,509)</b>	-
<b>Deficit</b>	<b>(6,210,118)</b>	(5,224,956)
	<b>8,418,348</b>	3,208,078
	<b>\$ 8,944,604</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.**  
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Statements of Loss and Deficit

	<b>Three Months Ended August 31, 2006</b>	Three Months Ended August 31, 2005	<b>Nine Months Ended August 31, 2006</b>	Nine Months Ended August 31, 2005
<b>Expenses</b>				
Stock-option compensation	\$ 334,800	\$ 110,200	\$ 498,230	\$ 245,984
Investor and shareholder relations	100,855	38,054	199,520	46,623
Consulting	29,307	29,888	72,299	60,005
Office and miscellaneous	27,717	23,159	70,622	64,226
Management fees	20,500	28,500	59,500	91,250
Corporate administration fees	19,575	24,166	58,771	64,166
Regulatory	12,836	13,711	30,787	30,246
Directors fees	13,750	6,750	27,250	20,250
Travel	16,602	-	27,772	-
Amortization	2,633	1,942	5,387	2,747
Property investigations	15,173	-	16,494	-
<b>Loss before other items</b>	<b>593,748</b>	276,370	<b>1,066,632</b>	625,497
<b>Other Items</b>				
Interest income	(39,814)	(996)	(81,470)	(2,747)
	(39,814)	(996)	(81,470)	(2,747)
<b>Net loss for the period</b>	<b>553,934</b>	275,374	<b>985,162</b>	622,750
<b>Deficit, Beginning of the Period</b>	<b>5,656,184</b>	4,710,845	<b>5,224,956</b>	4,363,469
<b>Deficit, End of the Period</b>	<b>\$ 6,210,118</b>	\$ 4,986,219	<b>\$ 6,210,118</b>	\$ 4,986,219
<b>Basic and Diluted Loss per share</b>	<b>\$ 0.01</b>	\$ 0.01	<b>\$ 0.02</b>	\$ 0.03
<b>Weighted average shares outstanding</b>	<b>44,817,088</b>	19,960,746	<b>39,777,821</b>	21,864,464

**FORUM URANIUM CORP.**  
(formerly Forum Development Corp.)  
(An Exploration Stage Company)  
Statements of Cash Flows

	<b>Three Months Ended August 31, 2006</b>	Three Months Ended August 31, 2005	<b>Nine Months Ended August 31, 2006</b>	Nine Months Ended August 31, 2005
<b>Cash was provided by (used in):</b>				
<b>Operating activities</b>				
Loss for the period	\$ (553,935)	\$ (275,374)	\$ (985,163)	\$ (622,750)
Items not affecting cash:				
Amortization	2,633	1,942	5,387	2,747
Bad debts	-	-	-	6,000
Stock-option compensation	334,800	110,200	498,230	245,984
	<b>(216,502)</b>	(163,232)	<b>(481,546)</b>	(368,019)
Changes in non-cash working capital items:	<b>315,633</b>	(3,982)	<b>182,797</b>	(17,430)
Net cash used in operation activities	<b>99,131</b>	(167,214)	<b>(298,749)</b>	(385,449)
<b>Financing activities</b>				
Advances to related parties	-	1,441	(19,881)	(47,993)
Shares issued for cash	601,693	1,151,324	5,977,614	2,039,315
Share issuance costs	-	20,181	(386,118)	34,190
Subscription receivable	-	-	-	(15,000)
Subscriptions received	(112,991)	-	53,509	(6,000)
Net cash used in financing activities	<b>488,702</b>	1,172,946	<b>5,625,124</b>	2,004,512
<b>Investing Activities</b>				
Deferred exploration costs incurred	(1,196,341)	(383,746)	(2,326,235)	(582,481)
Joint partner contributions	289,751	-	289,751	-
Property acquisition	-	-	(22,975)	(127,985)
Purchase of capital assets	(5,172)	-	(56,877)	(25,199)
Net cash provided by investing activities	<b>(911,762)</b>	(383,746)	<b>(2,116,336)</b>	(735,665)
<b>Increase / (Decrease) in Cash</b>	<b>(323,929)</b>	621,986	<b>3,210,039</b>	883,398
<b>Cash, Beginning of the Period</b>	<b>4,803,660</b>	605,831	<b>1,269,692</b>	344,419
<b>Cash, End of the Period</b>	<b>\$ 4,479,731</b>	\$ 1,227,817	<b>\$ 4,479,731</b>	\$1,227,817

Supplementary Cash Flow Information- Note 10

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

<b>Nine months ended August 31,</b>	<b>2006</b>	<b>2005</b>
<b>Key Lake Road, Saskatchewan, Canada</b>		
Acquisition	-	44,519
Claim staking	(4,920)	5,320
Prospecting	50,890	-
Geological mapping	52,800	19,292
Geochemical sampling	36,840	-
Geophysical surveying	4,200	-
Airborne geophysics	65,581	9,944
Construction & access	41,352	-
Report writing and filing	23,878	18,318
Management and planning	110,355	44,026
Data processing	3,645	5,430
Line cutting	25,025	-
License, permits and taxes	4,757	(798)
Analysis and assay	2,908	703
Travel, camp and other	96,383	56,913
Equipment	58,081	-
	<b>571,775</b>	<b>203,667</b>
<b>Maurice Point, Saskatchewan, Canada</b>		
Acquisition	-	18,155
Claim staking	-	40,131
Prospecting	11,400	-
Geological mapping	30,623	7,988
Geochemical sampling	16,842	-
Geophysical surveying	190,541	-
Airborne geophysics	23,666	24,475
Report writing and filing	29,449	9,951
Management and planning	90,943	53,507
Data processing	1,873	11,594
Line cutting	73,782	-
Construction & access	35,111	-
License, permits and taxes	792	1,655
Analysis and assay	10,827	58
Travel, camp and other	138,642	193,978
Equipment	13,312	-
	<b>667,803</b>	<b>361,492</b>
<b>Balance Carried Forward</b>	<b>\$ 1,239,578</b>	<b>\$ 565,159</b>

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

<b>Nine Months Ended August 31,</b>	<b>2006</b>	<b>2005</b>
<b>Balance Brought Forward</b>	<b>\$ 1,239,578</b>	<b>\$ 565,159</b>
<b>North Thelon Project</b>		
Claim staking	\$ 214,671	\$ -
Geophysical surveying	200	-
Construction & access	3,600	-
Management and planning	1,852	-
Data processing	4,500	-
Travel, camp and other	4,972	-
JV partner recovery	(115,711)	-
	<u>114,084</u>	<u>-</u>
<b>Haultain River, Saskatchewan, Canada</b>		
Claim staking	29,659	44,969
Prospecting	50,900	-
Geological mapping	42,958	1,814
Geological sampling	36,461	-
Airborne geophysics	32,461	-
Construction & access	51,317	-
Report writing and filing	11,345	-
Management and planning	81,013	-
Data processing	4,056	-
Line cutting	8,125	-
Analysis and assay	3,451	-
License, permits and taxes	100	2,750
Travel, camp and other	73,007	-
Equipment	56,389	-
	<u>481,242</u>	<u>49,533</u>
<b>Balance Carried Forward</b>	<b>\$ 1,834,904</b>	<b>\$ 614,692</b>

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Schedule of Mineral Property Costs

<b>Nine Months Ended August 31,</b>	<b>2006</b>	<b>2005</b>
<b>Balance Brought Forward</b>	<b>\$ 1,834,904</b>	<b>\$ 614,692</b>
<b>Costigan JV, Saskatchewan, Canada</b>		
Acquisition	22,975	-
Prospecting	187	-
Diamond drilling	188,818	-
Geological mapping	383	-
Geophysical surveying	86,488	-
Airborne geophysics	400	-
Construction & access	4,177	-
Report writing and filing	825	-
Management and planning	14,249	-
Data processing	2,612	-
Line and road cutting	16,877	-
Analysis and assay	831	-
License, permits and taxes	1,240	-
Travel, camp and other	1,919	-
Partner contribution	(139,040)	-
	<b>202,941</b>	<b>-</b>
<b>General and Other Properties</b>		
Acquisition	-	290,434
Claim staking	8,150	-
Prospecting	374	-
Geological mapping	(1,373)	2,173
Geophysical surveying	-	-
Airborne geophysics	15,065	-
Construction & access	10,258	9,244
Report writing and filing	(400)	400
Management and planning	5,545	19,266
Line and road cutting	-	-
Data processing	165	1,326
Travel, camp and other	12,916	11,127
License, permits and taxes	650	650
Equipment	593	645
Partner contribution	(35,000)	-
	<b>16,943</b>	<b>335,265</b>
Costs for the year	<b>2,054,788</b>	<b>949,957</b>
Balance - beginning of year	<b>1,914,244</b>	<b>95,151</b>
Balance - end of year	<b>\$3,969,032</b>	<b>\$1,045,108</b>

# FORUM URANIUM CORP.

(formerly Forum Development Corp.)

(An Exploration Stage Company)

Notes to the Quarterly Financial Statements

For the Nine Months Ended August 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.

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Notes to the Quarterly Financial Statements

For the Nine Months Ended August 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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## 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 August 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

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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 \$18,719 on August 31, 2006 (2005- \$11,565).

## 4. Equipment

	Cost	Accumulated	2006	2005
	\$	Amortization	Net Book	Net Book
			Value	Value
Exploration equipment	96,276	22,213	74,063	21,420
Computer equipment	15,793	7,684	8,109	1,032
	112,069	29,897	82,172	22,452

## 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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## 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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## 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	JV Partner	Aug31,2006
	Total	Cost	Exploration	Recovery	Total
	\$	\$	\$	\$	\$
Maurice Point	530,025	-	667,803	-	1,197,828
Key Lake Road	617,327	-	571,775	-	1,189,102
Haultain River	232,182	-	481,242	-	713,424
Costigan JV	-	22,975	319,006	(139,040)	202,941
North Thelon Project	-	-	229,795	(115,711)	114,084
Orchid Lake	34,696	-	23,533	(35,000)	23,229
Other	500,014	-	28,410	-	528,424
<b>Total mineral properties</b>	<b>1,914,244</b>	<b>22,975</b>	<b>2,321,564</b>	<b>(289,751)</b>	<b>3,969,032</b>

	Nov. 30, 2004	Acquisition	Deferred	JV Partner	Nov. 30, 2005
	Total	Cost	Exploration	Recovery	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>

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Notes to the Quarterly Financial Statements

For the Nine Months Ended August 31, 2006 and 2005

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## 6. Related Party Transactions

- b) At August 31, 2006, the Company was owed \$1,405 from (2005 - \$13,197 due to) companies with common directors.
- b) Included in net loss for the nine months ended August 31, 2006, at their exchange amounts, are the following items:

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	August 31, 2006	August 31, 2005
HRG Management Ltd.	\$ 88,642	\$ -
Mirador Management	56,000	54,000
Brazilian Diamonds Ltd.- rent and administrative	4,875	17,875
RWA Management – administrative services	24,145	83,866
<b>Total</b>	<b>\$ 173,662</b>	<b>\$ 155,741</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

# FORUM URANIUM CORP.

(formerly Forum Development Corp.)

(An Exploration Stage Company)

Notes to the Quarterly Financial Statements

For the Nine Months Ended August 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	3,118,711	814,314
Issued in exchange for options	630,000	138,300
Fair value of options exercised	-	116,620
Share issuance costs	-	(386,418)
Balance, August 31, 2006	45,643,190	13,695,297

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.)

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Notes to the Quarterly Financial Statements

For the Nine Months Ended August 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	(3,115,636)	0.26
Expired	(509,824)	0.30
Balance, August 31, 2006	3,812,140	\$ 0.45

Of the warrants outstanding at August 31, 2006:

- a) 818,340 warrants are exercisable at \$0.15 per share up to December 9, 2006.
- b) 75,000 warrants are exercisable at \$0.30 per share up to August 9, 2006 (issued)
- c) 516,760 warrants are exercisable at \$0.50 per share up to March 18, 2007.
- d) 152,040 warrants are exercisable at \$0.50 per share up to March 22, 2007.
- e) 1,652,000 warrants are exercisable at \$0.55 per share up to September 6, 2007.
- f) 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.

# FORUM URANIUM CORP.

(formerly Forum Development Corp.)

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Notes to the Quarterly Financial Statements

For the Nine Months Ended August 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	2,390,000	0.36
Cancelled	(220,000)	0.33
Exercised	(630,000)	0.22
Balance, August 31, 2006	3,860,000	\$ 0.31

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.

During the past nine months, the Company granted 1,345,000 stock options exercisable on or before July 24, 2011 at a price of \$0.38, 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. 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 \$657,745. Since the options vest immediately, the full amount of the fair value has been recorded in the Company's accounts, with \$498,230 recorded as stock-option compensation expense, and the remaining \$159,515 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 Nine Months Ended August 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		657,745
Options exercised		(116,620)
Balance, August 31, 2006	\$	986,678

## 9. Segmented information

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

	2006	2005
Oil and gas	346,980	351,013
Uranium	3,622,052	340,965
	3,969,032	691,978

## 10. Supplement Cash Flow Information

Supplemental Disclosure of Non-Cash Financing Activities include:	2006	2005
Stock-based compensation	\$ 657,745	\$ 263,090

## 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 Nine Months Ended August 31, 2006 and 2005

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## **12. Subsequent Events**

1. Subsequent to August 31, 2006, the Company announced the appointment of John Paterson to the Board of Directors.
2. Subsequent to August 31, 2006, the Company granted 250,000 stock options exercisable price of \$0.35 per share to September 27, 2011.



**MANAGEMENT DISCUSSION AND  
ANALYSIS**

**FOR THE NINE MONTH PERIOD ENDED AUGUST 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 October 20, 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 \$553,934 loss for the quarter ended August 31, 2006 as compared to a loss of \$275,374 for the same quarter last year. This amounts to a \$278,560 increase over the prior year's quarter which can be attributed to stock-based compensation (\$224,600), investor relations and corporate communications increased (\$62,801), travel (\$16,602) and property investigations (\$15,173). Increased interest earned due to recent financing (\$38,818).

Cash and cash equivalent balances decreased by \$323,929 to \$4,479,731 at August 31, 2006. The cash spending for mineral properties was \$1,196,341. The \$1,196,341 in cash expenditures on exploration included \$404,457 on Key Lake Road, \$351,934 on Haultain River, \$324,589 on Maurice Point and \$115,361 on other properties.

**Year-to-date**

The Company incurred a \$985,162 loss for the nine months ended August 31, 2006 as compared to a loss of \$622,750 for the same period last year. This amounts to a \$362,412 increase over the prior year's period which can be attributed to stock-based compensation (\$252,246), investor relations and corporate communications increased (\$152,897), travel (\$27,772) and property investigations (\$16,494). Increased interest earned due to recent financing (\$78,723) reduced the period's loss in comparison to the previous year's first six months.

Cash and cash equivalent balances increased by \$323,929 to \$4,479,731 at August 31, 2006. The cash spending for mineral properties was \$2,326,235. The \$2,326,235 in cash expenditures on exploration included \$667,803 on Maurice Point, \$571,775 on Key Lake Road, \$481,242 on Haultain River, \$341,981 on Costigan JV, \$229,795 on Thelon Basin Project and \$33,639 on other properties.

## SUMMARY OF QUARTERLY RESULTS

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

<i>In thousands \$</i>	August 31, 2006	May 31, 2006	February 28, 2006	November 30, 2005	August 31, 2005	May 31, 2005	February 28, 2005	November 30, 2004
<b>Financial results</b>								
Net loss for period	554	129	309	289	275	347	105	133
Basic and diluted loss per share	0.01	-	0.01	0.02	0.01	0.01	0.03	0.01
Expenditures on resource properties	1,196	888	242	591	450	216	379	3
<b>Balance sheet data</b>								
Cash and short term deposits	4,480	4,804	1,024	1,270	1,228	606	872	344
Resource properties	3,969	2,947	2,223	1,663	1,045	690	474	95
Total assets	8,945	8,247	3,462	3,163	2,474	1,465	1,473	557
Shareholders' equity	8,418	8,160	3,284	3,092	2,432	1,411	1,431	443

## 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.

	August 31, 2006	August 31, 2005
Working capital	\$ 4,367,144	\$ 1,302,217
Deficit	(6,210,118)	(4,986,219)

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**TRANSACTIONS WITH RELATED PARTIES**

- a) At August 31, 2006, the Company was owed \$1,405 (2005 - \$13,197 due to) companies with common directors.
- b) Included in net loss for the nine months ended August 31, 2006, at their exchange amounts, are the following items:

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	August 31, 2006	August 31, 2005
HRG Management Ltd.	\$ 88,642	\$ -
Mirador Management	56,000	54,000
Brazilian Diamonds Ltd.- rent	4,875	17,875
RWA Management – administrative services	24,145	83,866
<b>Total</b>	<b>\$ 173,662</b>	<b>\$ 155,741</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 and staff on a cost basis. The Company shares a common director 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 at cost. 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 a 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 October 20, 2006.

	Price	Expiry date	Number of common shares
Common shares, issued and outstanding			45,718,190
Securities convertible into common shares			
Warrants	\$0.15	December 9, 2006	818,340
	\$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
	\$0.38	September 27, 2011	250,000
			53,315,330

### 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.
- During the third quarter the Company granted 1,345,000 stock options at an exercisable price of \$0.38 per share up to July 14, 2011.
- Subsequent to August 31, 2006, the Company granted 250,000 stock options exercisable price of \$0.35 per share to September 27, 2011.

**RESOURCE PROPERTIES**

	November 30, 2005	Acquisition Cost	Deferred Exploration	JV Partner Recovery	August 31, 2006
Maurice Point	\$ 530,025	\$ -	\$ 667,803	\$ -	\$ 1,197,828
Key Lake Road	617,327	-	571,775	-	1,189,102
Haultain River	232,182	-	481,242	-	713,424
Costigan JV	-	22,975	319,006	(139,040)	202,941
North Thelon Project	-	-	229,795	(115,711)	114,084
Orchid Lake	34,696	-	23,533	(35,000)	23,229
Other	500,014	-	28,410	-	528,424
<b>Total mineral properties</b>	<b>\$ 1,914,244</b>	<b>\$ 22,975</b>	<b>\$ 2,321,564</b>	<b>\$ (289,751)</b>	<b>\$ 3,969,032</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 August 31,	2006	2005
<b>Key Lake Road, Saskatchewan, Canada</b>		
Acquisition	-	44,519
Claim staking	(4,920)	5,320
Prospecting	50,890	-
Geological mapping	52,800	19,292
Geochemical sampling	36,840	-
Geophysical surveying	4,200	-
Airborne geophysics	65,581	9,944
Construction & access	41,352	-
Report writing and filing	23,878	18,318
Management and planning	110,355	44,026
Data processing	3,645	5,430
Line cutting	25,025	-
License, permits and taxes	4,757	(798)
Analysis and assay	2,908	703
Travel, camp and other	96,383	56,913
Equipment	58,081	-
	571,775	203,667
<b>Maurice Point, Saskatchewan, Canada</b>		
Acquisition	-	18,155
Claim staking	-	40,131
Prospecting	11,400	-
Geological mapping	30,623	7,988
Geochemical sampling	16,842	-
Geophysical surveying	190,541	-
Airborne geophysics	23,666	24,475
Report writing and filing	29,449	9,951
Management and planning	90,943	53,507
Data processing	1,873	11,594
Line cutting	73,782	-
Construction & access	35,111	-
License, permits and taxes	792	1,655
Analysis and assay	10,827	58
Travel, camp and other	138,642	193,978
Equipment	13,312	-
	667,803	361,492
<b>Balance Carried Forward</b>	<b>\$ 1,239,578</b>	<b>\$ 565,159</b>

Six Months Ended August 31,	2006	2005
<b>Balance Brought Forward</b>	<b>\$ 1,239,578</b>	<b>\$ 565,159</b>
<b>North Thelon Project</b>		
Claim staking	\$ 214,671	\$ -
Geophysical surveying	200	-
Construction & access	3,600	-
Management and planning	1,852	-
Data processing	4,500	-
Travel, camp and other	4,972	-
JV partner recovery	(115,711)	-
	<b>114,084</b>	-
<b>Haultain River, Saskatchewan, Canada</b>		
Claim staking	29,659	44,969
Prospecting	50,900	-
Geological mapping	42,958	1,814
Geological sampling	36,461	-
Airborne geophysics	32,461	-
Construction & access	51,317	-
Report writing and filing	11,345	-
Management and planning	81,013	-
Data processing	4,056	-
Line cutting	8,125	-
Analysis and assay	3,451	-
License, permits and taxes	100	2,750
Travel, camp and other	73,007	-
Equipment	56,389	-
	<b>481,242</b>	<b>49,533</b>
<b>Balance Carried Forward</b>	<b>\$ 1,834,904</b>	<b>\$ 614,692</b>

Six Months Ended August 31,	2006	2005
<b>Balance Brought Forward</b>	<b>\$ 1,834,904</b>	<b>\$ 614,692</b>
<b>Costigan JV, Saskatchewan, Canada</b>		
Acquisition	22,975	-
Prospecting	187	-
Diamond drilling	188,818	-
Geological mapping	383	-
Geophysical surveying	86,488	-
Airborne geophysics	400	-
Construction & access	4,177	-
Report writing and filing	825	-
Management and planning	14,249	-
Data processing	2,612	-
Line and road cutting	16,877	-
Analysis and assay	831	-
License, permits and taxes	1,240	-
Travel, camp and other	1,919	-
Partner contribution	(139,040)	-
	<b>202,941</b>	-
<b>General and Other Properties</b>		
Acquisition	-	290,434
Claim staking	8,150	-
Prospecting	374	-
Geological mapping	(1,373)	2,173
Geophysical surveying	-	-
Airborne geophysics	15,065	-
Construction & access	10,258	9,244
Report writing and filing	(400)	400
Management and planning	5,545	19,266
Line and road cutting	-	-
Data processing	165	1,326
Travel, camp and other	12,916	11,127
License, permits and taxes	650	650
Equipment	593	645
Partner contribution	(35,000)	-
	<b>16,943</b>	<b>335,265</b>
Costs for the year	<b>2,054,788</b>	<b>949,957</b>
Balance - beginning of year	<b>1,914,244</b>	<b>95,151</b>
Balance - end of year	<b>\$3,969,032</b>	<b>\$1,045,108</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**

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 property can be accessed by Saskatchewan Provincial Hwy 914 which services the Key Lake mill. Field crews 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.

Detailed mapping and trenching of the project area was conducted over a three month period this summer. Prospecting expanded the original area of radioactivity from 100 m by 200 m to 200 m by 500 m on the DD Zone as well as identifying other new zones. The following newly discovered zones: Millison Lake Zone, the Rainbow Zone, the Murray Lake area and the Twilight Zone (discovered in 2005) have all uncovered numerous uranium occurrences along the electromagnetic conductive trend. These zones have all been assayed for grab samples and have revealed values ranging from a few hundred ppm U to 21% U<sub>3</sub>O<sub>8</sub>.

Drilling is currently underway on the DD and Rainbow Zones with further drilling planned at Millison Lake in winter 2007.

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**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>.

The Company conducted an airborne magnetic/electromagnetic survey in 2006. 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. A 1,500 m drill campaign is planned for winter 2007.

**MAURICE POINT PROJECT**

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.

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>. Further prospecting in the McKenzie Point area in 2005 discovered the Beach Zone with assays of 7.31 %, 2.2 %, 2.16 %, 2.06%, 1.55%, 0.935%, 0.871% and 0.388 % U<sub>3</sub>O<sub>8</sub>.

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

The 2006 summer exploration program in the McKenzie Point areas of Maurice Point were significant as there was a discovery of further uranium mineralization. New zones of uranium mineralization grading up to 6.3% has expanded the Beach Zone to an area of 400 m by 200 m along a northeast trending, regional structure that is controlling uranium mineralization in the area, including the Maurice Bay deposit. In addition, uranium mineralization grading up to 1.44% U<sub>3</sub>O<sub>8</sub> has been discovered over 6 kilometres along this major uranium mineralization structure that encompasses the Uranium Ridge and Beach Zones.

A new uranium occurrence associated with sheared graphite, the West Beach zone, was discovered 300 m northwest of the Beach Zone. Grab samples over a 50 m by 40 m area graded from 0.1% to 0.6% and averaged 0.4% and is open along strike under overburden cover. The graphitic shear has been traced for a minimum of 60 m by a limited electromagnetic survey. A helicopter borne magnetic/electromagnetic survey will be conducted this fall to delineate drill targets.

***COSTIGAN LAKE JOINT VENTURE***

Six holes by the Company in March 2006, totalling 824 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 two holes of the 6 hole program, grading from 0.025% to 0.108% U<sub>3</sub>O<sub>8</sub> in fractures within and in the footwall of a graphitic 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<sub>3</sub>O<sub>8</sub> 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. 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 100,000 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<sub>3</sub>O<sub>8</sub>, 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**

The Company announced the appointment of John Paterson to the Board of Directors. John Paterson, B.SC. (Honours Geology) is a founding principle and President of South-western Resources Corp. and President of Superior Diamonds Inc.

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.