

**WINFIELD RESOURCES LIMITED**  
**FORM 51-102F1**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**NINE MONTH PERIOD ENDED SEPTEMBER 30, 2006**

The following discussion and analysis, prepared as of October 26, 2006, should be read together with the unaudited consolidated financial statements for the nine month period ended September 30, 2006 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the annual audited financial statements for the years ended December 31, 2005 and 2004, and the Management Discussion and Analysis for those years.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

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

## **Description of Business**

The Company is a public corporation incorporated under the British Columbia Company Act on June 19, 1987. On August 2, 2000, the Corporation completed its initial public offering and its shares were listed on the TSX Venture Exchange. The Company's primary focus is the evaluation, acquisition, exploration and development of resource properties.

In May 2006, the Company incorporated a 100% wholly owned Canadian subsidiary, Endeco International Ltd ("Endeco"). Endeco has not undertaken any business activity to date.

On July 25, 2006, the Company became fully licensed and registered at (NOC) Libyan National Oil Corporation, and can, operating under Libyan law, engage in all phases of the Libyan Oil and Gas industry. The Company is now seeking participation, via successful tender, in the engineering, procurement, construction and management (EPC<sub>M</sub>) of energy related capital projects; such as Oil Refineries, Liquid Natural Gas (LNG) facilities and Co-Generation Facilities.

## **Performance Summary**

The following is a summary of significant events and transactions that occurred during the period:

1. On February 15, 2006, 2,527,800 warrants exercisable at \$0.18 per warrant expired unexercised.
2. On March 17, 2006, the Company issued 5,500,000 units at \$0.05 per unit for gross proceeds of \$275,000. Each unit is comprised of one common share and one non-transferable share purchase warrant. Each warrant enables the holder to acquire an additional common share at \$0.15 per share until March 17, 2008.
3. On March 20, 2006, the Company announced that it retained the services of Badshah Communications Group Ltd. ("Badshah"). Badshah will provide channels of communications between the Company and its retail investors with the objective for the Company's visibility to the market place.

As consideration, the Company will pay Badshah \$2,000 per month plus GST. The Company also granted Badshah 500,000 stock options exercisable at \$0.10 per share until March 20, 2011. These options are subject to a vesting schedule.

4. On April 7, 2006, the Company entered into a Letter of Intent with Loudon Exploration with respect to the acquisition of a 100% working interest – 75% net revenue interest in the Encinitas Field, Brooks County, Texas, USA. The property presently has 12 oil

and gas wells producing 800 BOPD and 5.3 MMCFGPD. The cost of the interests is US\$35,000,000. J.W. Dick & Associates, Reservoir Engineers, have conducted their due diligence and confirm the reserve estimates stated in the Garrett Report. The Company is negotiating debt financing with respect to the proposed purchase, which is subject to financing and shareholder and regulatory approval.

5. In May 2006, the Company incorporated a 100% wholly owned Canadian subsidiary, Endeco International Ltd (“Endeco”). Endeco has not undertaken any business activity to date.
6. On June 1, 2006, the Company completed a non-brokered private placement of 3,000,000 units at \$0.10 per unit for gross proceeds of \$300,000. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant will entitle the holder to acquire one additional common share at a price of \$0.15 per share until June 1, 2008.

Finder’s fees on the private placement are \$5,500 in cash and 400,000 warrants exercisable at \$0.15 per share until June 1, 2008.

Proceeds from private placement will be used for general working capital.

7. On June 7, 2006, the Company granted a total of 300,000 stock options to consultants exercisable at \$0.10 until June 7, 2011.
8. On July 25, 2006, the Company became fully licensed and registered at (NOC) Libyan National Oil Corporation, and can, operating under Libyan law, engage in all phases of the Libyan Oil and Gas industry.
9. On August 1, 2006, the Company received \$10,000 from the exercise of 100,000 stock options at \$0.10 per share.
10. On August 29, 2006, the Company received \$10,000 from the exercise of 100,000 stock options at \$0.10 per share.
11. On August 17, 2006, the Company announced a proposed 2,500,000 unit non-brokered private placement at \$0.10 per unit. Each unit will comprise one common share and one share purchase warrant. Each warrant will entitle the holder to acquire one additional common share at a price of \$0.15 per share for a period of two years after the closing of the financing.

Finder’s fees may be paid in connection with the financing in accordance with applicable securities laws and TSX Venture Exchange policies. Completion of the financing is subject to regulatory approval. The net proceeds of the financing will be used for general working capital.

As of September 30, 2006, the Company received \$47,000 in share subscriptions for this private placement.

## Selected Annual Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Financial Statements.

	Three Month Period Ended September 30, 2006	Three Month Period Ended September 30, 2005	Nine Month Period Ended September 30, 2006	Nine Month Period Ended September 30, 2005
Total income	\$ -	\$ -	\$ -	\$ -
Net loss before extraordinary items	(97,950)	(27,361)	(274,621)	(86,495)
Net loss	(97,950)	(27,361)	(274,621)	(86,495)
Basic and diluted loss per share	(0.003)	(0.002)	(0.011)	(0.005)
Total assets	839,419	414,559	839,419	414,559
Total long-term liabilities	-	-	-	-
Cash dividends	-	-	-	-

The Company's accounting policy is to record its mineral properties at cost. Exploration and development expenditures relating to mineral properties are deferred until either the properties are brought into production, at which time they are amortized on a unit of production basis, or until the properties are sold or abandoned, at which time the deferred costs are written off. Net loss in the current period is lower than the comparative period. The increased loss is primarily attributed to a significant increase in daily business activities and costs associated with the ongoing private placements. Management fees also were higher than the previous comparative period as a result of increased complexity of business activities and volume of financing arrangements. A new investor relations agreement during the current period added additional operating expenses to the Company's budget.

The Company has not paid any dividends on its common shares. The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds will be invested to finance the growth of its business.

## Results of Operations

The Company incurred a loss of \$274,621 (2005 - \$86,495) during the nine month period ended September 30, 2006. Some of the expenses are as follows:

\$2,011 (2005 - \$1,853) in bank charges and interest  
\$25,398 (2005 - \$5,500) in consulting fees  
\$45,230 (2005 - \$5,000) in investor relations  
\$11,918 (2005 - \$4,957) in legal, accounting and audit  
\$45,000 (2005 - \$18,000) in management fees  
\$26,667 (2005 - \$9,136) in office and general  
\$20,076 (2005 - \$16,120) in public company costs  
\$18,162 (2005 - \$19,815) in rent and occupancy costs  
\$69,159 (2005 - \$Nil) in stock-based compensation  
\$3,336 (2005 - \$Nil) in website costs

Consulting fees increased during the current period as a result of the private placements.

Investor relations costs during the current period were incurred as a result of the Company entering into an investor relations agreement with Badshah Communications. As consideration, the Company will pay Badshah \$2,000 per month. The Company also granted Badshah 500,000 stock options exercisable at \$0.10 per share until March 20, 2011. These options are subject to a vesting schedule.

Legal, accounting and audit fees are higher than the comparative period as a result of increased corporate activity and private placements.

Management fees are higher than the comparative period as a result of increased complexity of business activities and volume of financing arrangements.

Office and general expenses increased compared to the same period last year as a result of increased corporate activity and the implementation of insurance coverage for its officers and directors

Stock-based compensation was recognized during the current period on the granting of stock options. There were no stock options granted in the comparative period.

Website costs were incurred in the current period for the creation of a new website.

## **Property Summary**

### **Algeria and Libya**

The Company is currently conducting due diligence on various mineral, oil and natural gas projects in Algeria and Libya.

On July 25, 2006, the Company became fully licensed and registered at (NOC) Libyan National Oil Corporation, and can, operating under Libyan law, engage in all phases of the Libyan Oil and Gas industry. The Company is now seeking participation, via successful tender, in the engineering, procurement, construction and management (EPC<sub>M</sub>) of energy related capital projects; such as Oil Refineries, Liquid Natural Gas (LNG) facilities and Co-Generation Facilities.

### **Atlin Property**

On January 16, 2004, the Company paid \$15,000 to Jason Heywood for a 25% interest in the direct ownership of gold mineral claims located in the Atlin Mining District of British Columbia. The Company has an interest in four post claims of 20 units (each unit is 500m X 500m) and two post claims (each is 500m X 500m).

### **Encinitas Field**

On April 7, 2006, the Company entered into a Letter of Intent with Loudon Exploration with respect to the acquisition of a 100% working interest – 75% net revenue interest in the Encinitas Field, Brooks County, Texas, USA. The property presently has 12 oil and gas wells producing 800 BOPD and 5.3 MMCFGPD. The cost of the interests is US\$35,000,000. J.W. Dick & Associates, Reservoir Engineers, have conducted their due diligence and confirm the reserve estimates stated in the Garrett Report. The Company is negotiating debt financing with respect to the proposed purchase, which is subject to financing and shareholder and regulatory approval.

Loudon Exploration has subsequently withdrawn its asset, the Encinitas Field, from the market. Subsequent to September 30, 2006, the Company wrote-off \$16,064 to operations for capitalized costs related to the Encinitas Field.

### **Ringo Property**

The Ringo Property is located within the main camp of the Flin Flon Greenstone Belt, one of the most prolific copper-zinc-silver-gold volcanogenic massive sulphide mining districts in the world. Over 148 million tonnes of copper-zinc massive sulphide ore has been mined or is part of the inventory of thirty past producing or producing mines situated within the belt. The Ringo Property is located 5 km east of the Hudson Bay Mining and Smelting's past-producing Flin Flon Mine (62.4Mt @ 2.19% copper and 4.20% zinc), producing Callinan Mine (7 Mt @ 0.60% copper and 10.94% zinc), and 777 Mine Development Project (14.5 Mt @ 2.55% copper and 4.20% zinc). The property is also just 4 km south of the producing Trout Lake Mine (20 Mt @ 1.79% copper and 4.20% zinc). The host volcanic stratigraphy of Trout Lake Mine is believed to strike south onto the Ringo Property.

The Ringo Drill Program will test the down dip extension of a laterally extensive and exposed mineralized horizon located parallel to, and just west of the Ringo Property boundary. The mineralized horizon dips east onto the Ringo Property. Assays containing up to 125 zinc were obtained from samples of the horizon intersected by shallow drill holes collared just west of the Ringo Property. Some of the Company's drill holes are planned to intersect the potential extensions of these intersections at depth.

The Company is in the process of raising additional financing to proceed with a five hole – 2000 meter diamond drilling program on the Ringo property.

### Summary of Quarterly Results (unaudited except for periods ending December 31)

For the Quarters Ended				
	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005
Total assets	\$ 839,419	\$ 927,456	\$ 620,689	\$ 418,572
Mineral properties and deferred costs	577,584	471,290	410,926	401,577
Working capital (deficiency)	61,201	120,437	52,906	(150,288)
Shareholders' equity (deficiency)	638,785	695,736	470,532	258,247
Net Loss	(97,950)	(117,456)	(59,215)	(135,442)
Loss per share	(0.003)	(0.004)	(0.003)	(0.007)

For the Quarters Ended				
	September 30, 2005	June 30, 2005	March 31, 2005	December 31, 2004
Total assets	\$ 414,559	\$ 388,066	\$ 384,238	\$ 385,626
Mineral properties and deferred costs	374,933	360,971	362,290	353,290
Working capital (deficiency)	(237,942)	(197,187)	(157,001)	(378,623)
Shareholders' equity	144,375	171,736	205,289	(21,910)
Net (loss)	(27,361)	(33,553)	(25,581)	(113,690)
Loss per share	(0.002)	(0.002)	(0.002)	(0.009)

### Liquidity

The Company has financed its operations to date primarily through the issuance of common shares and exercise of stock options. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able 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.

	September 30, 2006	December 31, 2005
		(Audited)
Deficit	\$ (2,564,481)	\$ (2,289,860)
Working capital (deficiency)	61,201	(150,288)

Net cash used in operating activities for the nine month period ended September 30, 2006, was \$159,162 compared to \$90,666 during the previous year. The cash used in operating activities for the period consists primarily of the operating loss and a change in non-cash working capital.

Net cash used in investing activities for the nine month period ended September 30, 2006, was \$253,149 compared to \$39,912 during the previous year. Cash used during the current period consists primarily of \$173,785 spent on deferred exploration costs.

Financing activities provided net cash of \$561,750 during the nine month period ended September 30, 2006, compared to \$122,207 in the comparative period. The primary source of cash during the current period was the \$575,000 received from the issuance of 5,500,000 common shares pursuant to completion of private placements completed. The Company received an additional \$20,000 from

the exercise of 200,000 stock options. During the comparative period the Company received \$252,780 from a 2,527,800 unit private placement priced at \$0.10 per unit.

## **Capital Resources**

On March 17, 2006, the Company issued 5,500,000 units at \$0.05 per unit for gross proceeds of \$275,000. Each unit is comprised of one common share and one non-transferable share purchase warrant. Each warrant enables the holder to acquire an additional common share at \$0.15 per share until March 17, 2008.

On June 1, 2006, the Company completed a non-brokered private placement of 3,000,000 units at \$0.10 per unit. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant will entitle the holder to acquire one additional common share at a price of \$0.15 per share until June 1, 2008.

Finder's fees on the private placement are \$5,500 in cash and 400,000 warrants exercisable at \$0.15 per share until June 1, 2008.

Proceeds from private placement will be used for general working capital.

On August 1, 2006, the Company received \$10,000 from the exercise of 100,000 stock options exercisable at \$0.10 per share.

On August 29, 2006, the Company received \$10,000 from the exercise of 100,000 stock options exercisable at \$0.10 per share.

### *Share Subscriptions Received in Advance*

As of September 30, 2006, the Company received \$47,000 in share subscriptions as part of a 2,500,000 unit non-brokered private placement at \$0.10 per unit. Each unit will comprise of one common share and one share purchase warrant. Each warrant will entitle the holder to acquire one additional common share at a price of \$0.15 per share for a period of two years after the closing of the financing.

Finder's fees may be paid in connection with the financing in accordance with applicable securities laws and TSX Venture Exchange policies. Completion of the financing is subject to regulatory approval. The net proceeds of the financing will be used for general working capital.

## **Related Party Transactions**

The Company entered into the following transactions with related parties:

Paid or accrued management fees of \$45,000 (2005 - \$18,000) to a shareholder Company which is controlled by a director of the Company.

Paid or accrued consulting fees of \$Nil (2005 - \$5,500) to a Company which is controlled by a former director of the Company.

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

The \$25,648 (December 31, 2005 – \$898) due from a shareholder Company, which is controlled by a director of the Company, is non-interest bearing and has no formal terms of repayment.

## **Financial Instruments**

The Corporation's financial instruments consist of cash and cash equivalents, accounts receivable, prepaid expenses and deposits, deferred expenditures, amount due from a related party and accounts payable and accrued liabilities. The Company's management has utilized valuation methodologies available as at September 30, 2006 and has determined that the carrying amounts of such financial instruments approximate their fair value in all cases.

The Corporation is not exposed to significant credit risk or interest rate risk.

## **Subsequent Events**

The following event occurred subsequent to September 30, 2006:

- a) The Company received \$11,000 from the exercise of 110,000 stock options priced at \$0.10 per share.
- b) On October 18, 2006, the Company announced that Azzawiya Oil Refinery Company ("ARC"), a subsidiary of the Libyan National Oil Company is implementing its revamp and modernization program and has invited the Company to participate in the project budgeting.

The Company has engaged Mr. David Morrison McClement, P.Eng., of Calgary, to conduct a scoping study leading to project budget recommendations. Mr. McClement's budget recommendations will be incorporated into the tender offer for the ARC revamp and modernization program. Mr. McClement specializes in the area of refinery optimization and design.

The ARC is currently the second largest oil refinery in Libya, with a throughput of 100,000 barrels of crude oil per day. ARC is considering the installation of a new residual fluidized catalytic cracker unit; methyl tertiary butyl ether facilities and an additional sulfur treatment plant.

This planned undertaking is part of Libya's \$3,500,000,000 program aimed at modernizing its refinery infrastructure over the next 5 years.

- c) The Company wrote-off \$16,064 to operations for capitalized costs related to the Encinitas Field.