ARMISTICE RESOURCES CORP.

(FORMERLY ARMISTICE RESOURCES LTD.)

(A DEVELOPMENT STAGE ENTERPRISE)

FINANCIAL STATEMENTS

THREE MONTH PERIOD ENDED SEPTEMBER 30, 2006

The accompanying financial statements for Armistice Resources Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. These financial statements are unaudited and have not been reviewed by the auditors. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

ARMISTICE RESOURCES CORP.

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BALANCE SHEET

AS AT SEPTEMBER 30, 2006 AND JUNE 30, 2006

	SEPTEMBER 30 2006	JUNE 30 2006
ASSETS		
CURRENT ASSETS		
Cash	**$ 290,855**	$ 102,909
Short term investments (Note 4)	**5,136,000**	-
Sundry assets	**46,605**	29,301
	5,473,460	132,210
MINERAL PROPERTY (Note 5)	**9,337,670**	9,260,644
PLANT AND EQUIPMENT (Note 6)	**35,649**	36,984
	$ 14,846,779	$ 9,429,838
LIABILITIES		
CURRENT LIABILITIES		
Note Payable (Note 9)	**$ -**	$ 150,000
Accounts payable and accrued liabilities (Note 13)	**936,808**	1,476,132
	936,808	1,626,132
SHAREHOLDERS' EQUITY		
Capital stock (Note 7)	**43,065,613**	36,991,990
Contributed surplus	**810,750**	810,750
Warrants (Note 7b)	**452,019**	268,900
Deficit	**(30,418,411)**	(30,267,934)
	13,909,971	7,803,706
	$ 14,846,779	$ 9,429,838

ON BEHALF OF THE BOARD:

"Greg Smith"
DIRECTOR

"Todd J. Morgan"
DIRECTOR

See accompanying notes.

ARMISTICE RESOURCES CORP.

(FORMERLY ARMISTICE RESOURCES LTD.)

(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF OPERATIONS AND DEFICIT

THREE MONTH PERIODS ENDED SEPTEMBER 30, 2006 AND 2005

	2006	2005
EXPENSES		
Accounting and audit fees	**$ 9,765**	$ 2,450
Amortization	**1,334**	1,883
Consulting (Note 13)	**30,000**	34,620
Interest and bank charges	**6,749**	49
Legal fees	**46,600**	46,091
Office	**7,891**	4,051
Shareholder relations	**55,172**	3,370
Repairs and maintenance	**3,674**	222
Recovery of expenses	**(10,708)**	(9,589)
	150,477	83,147
NET LOSS FOR THE PERIOD	**(150,477)**	(83,147)
DEFICIT, BEGINNING OF PERIOD	**(30,267,934)**	(29,850,221)
DEFICIT, END OF PERIOD	**$(30,418,411)**	$(29,933,368)
Weighted average number of common shares outstanding	**40,678,846**	34,611,092
BASIC AND DILUTED LOSS PER SHARE (Note 8)	**$(0.01)**	$(0.01)

See accompanying notes.

ARMISTICE RESOURCES CORP.

(FORMERLY ARMISTICE RESOURCES LTD.)

(A DEVELOPMENT STAGE ENTERPRISE)

STATEMENT OF CASH FLOWS

THREE MONTH PERIODS ENDED SEPTEMBER 30, 2006 AND 2005

	2006	2005
OPERATING ACTIVITIES		
LOSS	**$ (150,477)**	$ (83,147)
ADD ITEMS NOT REQUIRING A CASH OUTLAY		
Amortization	**1,334**	1,883
DECREASE (INCREASE):		
Sundry assets	**(17,302)**	41,404
INCREASE (DECREASE):		
Accounts payable	**(539,324)**	67,636
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	**(705,769)**	27,776
INVESTING ACTIVITIES		
Investment in mineral property	**(77,026)**	(26,280)
CASH FLOWS USED IN INVESTING ACTIVITIES	**(77,026)**	(26,280)
FINANCING ACTIVITIES		
Repayment of note payable	**(150,000)**	-
Proceeds from issuance of capital stock	**6,679,131**	-
Share issue costs	**(605,509)**	-
Proceeds from issuance of warrants	**183,119**	-
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	**6,106,741**	-
CHANGE IN CASH DURING THE PERIOD	**5,323,946**	1,496
CASH, beginning of period	**102,909**	2,885
CASH, end of period	**$ 5,426,855**	$ 4,381
CASH CONSISTS OF:		
Cash	**$ 290,855**	$ 4,381
Short-term investments	**5,136,000**	-
	$ 5,426,855	$ 4,381
CASH FLOW SUPPLEMENTARY INFORMATION		
Interest paid	**$ 6,749**	**$ 49**

See accompanying notes.

1. DESCRIPTION OF BUSINESS

Armistice Resources Corp.'s (the "Company") activities are directed toward developing a mining property in Virginiatown, Ontario. To date, the Company has not earned significant revenue and is considered to be in the development stage.

2. CONTINUING OPERATIONS

The accompanying unaudited interim financial statements are prepared in accordance with generally accepted accounting principals ("GAAP") in Canada. They do not include all of the information and disclosures required by Canadian GAAP for annual audited financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim financial statements should be read in conjunction with the company's audited financial statements including the notes thereto for the year ended June 30, 2006.

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The company's existence is dependent upon its ability to secure financing necessary to meet its obligations, finance development expenditures and to obtain profitable operations. Should the Company be unable to secure such financing, it may have to, at any time, cease its operations.

Accordingly, readers are cautioned that these financial statements do not reflect adjustments that would be necessary if the "going concern" basis were not appropriate. Changes in future conditions could require material write downs of the carrying value of certain assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

The carrying values of the mineral property, plant and equipment and the valuation of stock options and warrants are estimated by management based on various assumptions.

Mineral Property and Deferred Expenditures

Mining property acquisition costs and expenditures for plant, equipment, exploration and development, less recoveries, are deferred until the property is placed into production. These net costs will be amortized when the property is developed to the stage of commercial production using the unit of production method based on the expected economic life of the property, or written off if the property is abandoned or the carrying value is determined to be in excess of possible recoverable amounts.

Where the Company's exploration agreements for a property are with a third party, the proceeds of any option payments under such agreements will be applied to the property to the extent of costs incurred. The excess, if any, will be credited to income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Mineral Property and Deferred Expenditures (Cont'd)

The amounts shown for the mineral property represent costs to date and do not necessarily reflect present or future values except when there is a permanent decline in value or an abandonment of a mining property. Future development of the mineral property, recovery of related costs and the ability to meet financial commitments on existing claims will depend upon the development of commercially viable reserves, capital financing arrangements, mineral market conditions, environmental considerations and general economic conditions.

Asset Retirement Obligations

The Company has adopted the CICA issued Section 3110, "Asset Retirement Obligations". Section 3110 addresses the recognition and re-measurement of obligations associated with the retirement of tangible long-lived assets (Note 5). This standard provides that obligations associated with the retirement of tangible long-lived assets be recorded as liabilities when those obligations are incurred, with the amount of the liability initially measured at fair value. These obligations are capitalized in the accounts of the related long-lived assets and are amortized over the useful lives of the related assets. It is possible that the Company's estimates of its ultimate asset retirement obligations could change as a result of changes in regulations, the extent of environmental remediation required and the means of reclamation or costs estimates. Changes in estimates are accounted for prospectively from the period these estimates are revised.

Plant and equipment

Property, plant and equipment are recorded at cost. Amortization is being provided for on the declining balance basis using the following rates:

Buildings	4%
Motor vehicles	30%

The Company regularly reviews its plant and equipment to eliminate obsolete items.

Flow-through Shares

The Company has financed part of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through agreements, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers. The Company recognizes the foregone tax benefit at the time of the renouncement, provided there is reasonable assurance that the expenditures will be incurred.

Stock-Based Compensation

The Company has a stock-based compensation plan, which is described in (Note 7)(c). The Company accounts for all stock-based payments using the fair value based method. Under the fair value based method, compensation cost attributable to options granted is measured at fair value at the grant date and amortized on a straight line basis over the vesting period. No compensation cost is recognized for options that employees forfeit if they fail to satisfy the service requirement for vesting.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Earnings Per Common Share

Basic earnings per common share are calculated using the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed using the treasury stock method. Stock options and warrants outstanding are not included in the computation of diluted earnings per share if their inclusion would be anti-dilutive.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method of tax allocation, future income and mining tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change is substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Government Assistance

Government assistance received or receivable in respect of mineral properties and deferred costs is reflected as a reduction of the cost of the property and the related deferred exploration costs when the related qualifying expenditures are incurred.

4. SHORT TERM INVESTMENTS

The short term investments represent bankers acceptances bearing interest at 4.1% per annum maturing monthly.

5. MINERAL PROPERTY

	September 30, 2006	June 30, 2006
Deferred expenditures, at cost	20,087,670	20,010,644
Plant and equipment	1,000,000	1,000,000
	21,087,670	21,010,644
Write-down of deferred expenditures	(11,750,000)	(11,750,000)
	$ 9,337,670	$ 9,260,644

The Company has an undivided 75% interest in 31 mining claims and 3 licenses of occupation in the McGarry Township within the Larder Lake Mining Division of Ontario . See (Note 10)(a).

6. PLANT AND EQUIPMENT

	COST	ACCUMULATED AMORTIZATION	Net **SEPTEMBER 30 2006**	Net JUNE 30 2006
Buildings	$ 35,000	$ 12,204	**$ 22,796**	$ 23,026
Motor vehicles	31,250	18,397	**12,853**	13,958
Totals	$ 75,112	$ 39,463	**$ 35,649**	$ 36,984

Depreciation expense for the period amounted to $1,334 (2005 - $1,883).

7. CAPITAL STOCK

a) i) Authorized
The Company is authorized to issue an unlimited number of common shares.

ii) Issued

	Number of Shares	Amount
Balance, June 30, 2006	34,626,092	$ 36,991,990
Private placement (Note 7(a)(iii))	11,777,306	6,812,250
Settlement of debt owing (Note 7(a)(iv))	100,000	50,000
	46,503,398	43,854,240
Stock proceeds allocated to warrants	-	(183,119)
Share issuance costs	-	(605,509)
Balance, September 30, 2006	46,503,398	$ 43,065,612

iii) On August 14, 2006 the Company closed a private placement raising gross proceeds of $6,862,250 through the sale of 5,720,000 common shares at $0.50 per share and 6,157,306 flow-through common shares at $0.65 per share. The financing costs consist of a 7% broker's commission plus 1,187,730 broker's warrants entitling the holder to acquire one common share at a price of $0.50 per share expiring in January 2008.

iv) On August 16, 2006 the Corporation received final approval for the listing of its common shares on the Toronto Stock Exchange (the “TSX”). The Corporation’s shares began trading on the TSX at market open on Friday, August 18, 2006 under the trading symbol “AZ”.

Also, on August 14, 2006 a payable to the Chief Executive Officer in the amount of $50,000 was settled by the issuance of 100,000 common shares which were a portion of the above mentioned financing.

v) On April 28, 2006 the Company consolidated its issued and outstanding share capital on the basis of one new common share for every four old common shares held. No fractional shares were issued.

7. CAPITAL STOCK (CONT'D)

b) Warrants

	Number of Warrants	Amount	Weighted Average Exercise Price
Balance, June 30, 2006	9,000,000	$ 268,900	$ 0.20
Private placement (Note 7(a)(iii))	1,187,730	183,119	0.50
Balance September 30, 2006	10,187,730	$ 452,019	$ -

i) Each of the original 9,000,000 warrants is exercisable for one common share at an exercise price of $0.80 per share until August 18, 2007 and thereafter at $1.00 per share until August 18, 2008. The new 1,187,730 brokers warrants are exercisable for one common share at a price of $0.50 per share expiring in January 2008.

The fair value the warrants at the dates of issue were estimated using the Black-Scholes option-pricing model with the following assumptions:

Expected life of warrants	1-1.5 year
Risk-free interest rate	3.22% - 4.04%
Expected stock price volatility	60% -70%
Expected dividend yield	0%
Weighted-average fair value of warrants	$0.008 - $0.15

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the company's warrants.

c) Stock Options

During 2005, the Company adopted a new stock option plan. The purpose of the plan is to provide incentives to directors, officers, employees and consultants of the Company. The maximum number of common shares reserved for issuance upon exercise of the options is 10%. The Board of Directors may designate the recipients of options and determine the number of common shares covered by each option, its exercise price (which may not be less than closing market price of the common shares on the trading day prior to the grant) and its expiry date. The stock option will vest immediately on the date of the grant. The term of the options shall not exceed five years from the date of grant.

As of September 30, 2006 no stock options have been issued.

8. BASIC AND DILUTED LOSS PER SHARE

	September 30, 2006	September 30, 2005
Numerator:		
Net loss for the period/year	$ (150,477)	$ (83,147)
Denominator		
Weighted average number of common shares outstanding	$ 40,678,846	$ 34,611,092
Basic and diluted loss per share	$ (0.01)	$ (0.01)

The determination of the weighted average number of shares outstanding for the calculation of diluted loss per share does not include the effect of outstanding warrants since they are anti-dilutive.

This calculation and the comparative figures have been recalculated to give effect to the consolidation of share capital (Note 7(a)(iii)).

9. NOTE PAYABLE

The note payable is due on demand, bears interest at 7.5% per annum with security provided by a general security agreement and an assignment of insurance. The note was repaid subsequent to year June 30, 2006 out of the proceeds from the private placement mentioned in (Note 7).

10. COMMITMENTS AND CONTINGENCIES

(a) Sheldon-Larder, the owner of the remaining undivided 25% ownership interest in the mining claims is entitled to the greater of: (i) a Net Smelter Return Royalty of 2% for periods when the price of gold is less than U.S. $500 per troy ounce; 3% when such price is U.S. $500 or more and less than U.S. $800 per troy ounce and 4% when such price is U.S. $800 per troy ounce or more; (ii) $1.00 per short ton of ore derived from the properties; (iii) an advance royalty payment of $21,573.61 per quarter year.

(b) The Company has agreed to pay $1 with respect to each ton of ore removed from the Company's property and subsequently treated up to a maximum of $500,000. To date, the Company has paid $8,283 under this agreement.

Royalty expense capitalized during the period related to this agreement amounted to $21,574.

11. FINANCIAL INSTRUMENTS

The carrying amounts of cash, short term investments, sundry assets, note payable and accounts payable and accrued liabilities approximate fair value due to the short-term maturities of these financial instruments. The short term investments are subject to normal interest rate risk.

12. SEGMENTED INFORMATION

The Company is engaged exclusively in mining exploration activities in Canada.

13. RELATED PARTY TRANSACTIONS

During the quarter, the Company paid directors of the company for consulting services in the amount of $30,000 (September 30, 2005 - $30,000). At September 30, 2006 $195,130 was owing to directors and related parties (September 2005 - $259,966).

These 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.

14. NAME CHANGE

On April 28, 2006 in conjunction with the share consolidation mentioned in Note 7, the corporation changed its name from Armistice Resources Ltd. to Armistice Resources Corp.