

**Starfield Resources Inc.**  
**Management's Discussion & Analysis**  
**For the three months ended May 31, 2006**  
**Form 51-102F1 as at July 26, 2006**

## **GENERAL**

The following discussion and analysis of the operations, results, and financial position of Starfield Resources Inc. ("Starfield" or "the Company") for the three months ended May 31, 2006, should be read in conjunction with the Company's unaudited Financial Statements for the three months ended May 31, 2006 and the Company's audited Financial Statements for the year ended February 28, 2006.

Unless otherwise noted, all numbers are in thousands and all dollar amounts are in Canadian dollars.

## **FORWARD LOOKING STATEMENTS**

This Management Discussion and Analysis ("MD&A") contains certain forward looking statements, except for historical information. These statements involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results, levels of activity, performance, and/or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward looking statements.

## **DATE**

This MD&A covers the three months ended May 31, 2006 and was prepared July 26, 2006.

## **OVERALL PERFORMANCE**

The Company is a junior resource company conducting advanced exploration on its 100% owned 1,323 acre Ferguson Lake Copper-Nickel-Cobalt-Palladium-Platinum property (the "Property") located in Nunavut Territory, Canada. The Company's sole focus in fiscal 2007 remains on the Ferguson Lake Project. After producing very encouraging results during multi-phase exploration programs conducted over the past several years, the Company continues its drilling program in 2006-2007 in order to expand and further delineate its existing resource base and to move the West Zone resource towards development. Using state of the art geophysical survey techniques, the Company is pursuing regional exploration on much of its prospective surrounding mineral claims.

At the close of the year ended February 28, 2006 the Company had a number of targets (as outlined by its regional program) for follow up work in 2006-2007, and has plans in place to advance the "Pit Area" of the West Zone towards feasibility.

As of May 31, 2006, Starfield had \$13,874 (2005: \$1,226) in cash and cash equivalents.

The Company had working capital of \$12,429 (2005: \$457) as of May 31, 2006. This was mainly a result of the private placement financing which was completed during the quarter in which 24,425 units and 5,572 flow-through common shares were issued for total proceeds of \$16,567.

The Company continues to have no debt, and its credit and interest rate risk are limited to interest bearing assets of cash and cash equivalents, and short-term investments. Accounts payable and accrued liabilities are short-term and non-interest bearing.

There are 6 full and part time management and administrative staff and a number of consultants based in the Vancouver head office.

There were no acquisitions, dispositions, write-offs, abandonments or other similar transactions during the three month period ended May 31, 2006.

## RESULTS OF OPERATIONS

### Exploration

During the three months ended May 31, 2006, the Company expended \$3,790 on exploration at its 100% owned Ferguson Lake nickel-copper-cobalt-platinum-palladium project.

Deferred exploration breakdown for the three months ended May 31, 2006:

Personnel	\$ 490
Aircraft support including helicopter moves	1,178
Diamond drilling	257
Camp support and fuel	1,655
Analytical and geophysical services	<u>210</u>
	\$ 3,790

During the quarter ended May 31, 2006 supplies and fuel were mobilized into Ferguson Lake for the 2006-2007 program from Churchill, Arviat and Rankin Inlet. Major Drilling Group International Inc., of Moncton, New Brunswick was again awarded the diamond drilling contract and actual drilling commenced in May. Approval was received from Nunavut regulators for the Company's camp to be relocated from the temporary leased area on the island to a permanent site on the West side near the West Zone. Five arctic-style Atco trailers and two large wood frame buildings have been erected and are now operational suitable for accommodating 35 personnel. Crone Geophysics and Exploration Ltd., of Mississauga, Ontario were also contracted for the season and their survey crews have been on site providing SQUID ground EM geophysical surveying. Rescan Environmental Services Ltd. are continuing with environmental and engineering site development evaluations.

In a 43-101 compliant report dated May 15, 2006, the Company was advised by Dr. N.C. Carter, P. Eng., independent geological consultant for the Ferguson Lake Project, that inferred resources increased to 66.1 million tonnes and indicated resources increased to 8.7 million tonnes from the previous 54.8 million tonnes inferred and 6.7 million tonnes indicated.

In discussing only the inferred resource category Dr. Carter states: "The property-wide inferred mineral resource, at a 1.0% combined copper and nickel cut-off grade, is estimated to contain 1.5 billion pounds of copper, 875 million pounds of nickel, 101 million pounds of cobalt, 3 million ounces of palladium and 0.5 million ounces of platinum." Dr. Carter further writes: "Overall average grades show a slight increase in all cut-off categories while the most significant increase in tonnage (+34%) is seen for the 2.0% Cu+Ni cut-off, reflecting additional higher grade material identified in both West Zone and 119 Zone."

The grades and resources estimates are summarized in the following table:

Total Inferred Mineral Resources - Ferguson Lake Property						
Cu+Ni Cutoff grade	Tonnes (millions)	Copper(%)	Nickel(%)	Cobalt(%)	Palladium(g/t)	Platinum(g/t)
1.0%	66.1	1.02	0.60	0.069	1.43	0.25
1.5%	39.9	1.25	0.73	0.084	1.78	0.31
2.0%	21.5	1.47	0.81	0.092	2.00	0.37
Indicated Mineral Resources - Ferguson Lake Pit Area West Zone						
Cutoff grade	Tonnes (millions)	Copper(%)	Nickel(%)	Cobalt(%)	Palladium(g/t)	Platinum(g/t)
1.0%	8.7	0.93	0.67	0.080	1.47	0.21
1.5%	5.8	1.02	0.75	0.086	1.57	0.23
2.0%	2.3	1.31	0.98	0.118	2.22	0.28

The Company's main objective for 2006-2007 is to accelerate the potential development of the West Zone. It is here where the bulk of the diamond drilling will occur in the effort to move inferred resources into the indicated and measured categories. Initial drilling has collected massive sulphide samples from the West Zone "Pit Area" for metallurgical testing. Hydrometallurgical leach testing and process development of 450 kilograms of massive sulphides is ongoing at laboratories in Kingston, Ontario and in Quebec City.

Concurrent with the development strategy, ongoing regional exploration is focused on project generation that will be of interest to potential industry partners.

## Subsequent Events in Exploration

In June, Dr. Isobel Clark of Geostokos Ltd., Scotland, provided Starfield with a summary of a detailed technical report "Statistical and Geostatistical Analysis of Ferguson Lake Project." In the most densely drilled portion of the potential "Pit Area" of the West Zone between grid lines L40+00W and L51+00W and to a depth of roughly 120 meters, Geostokos reports that at a 1% Cu+ Ni cutoff grade, a total of 7.79 million tonnes could be estimated in the Detailed Study Area as being in the "measured and indicated" categories (measured = 3.75 million tonnes; indicated = 4.04 million tonnes).

Dr. Clark visited the Property in 2005 and her 2006 geostatistical investigation examined the complete property-wide data set containing 18,561 core sections totaling 21,102 meters of core drilled and assayed. The final report when received, will include general analyses of the property-wide data set and various sub-regions including a "Detailed Study Area" where 9 more closely spaced geostatistical holes were drilled at the end of the 2005 season.

The Geostokos Detailed Study was commissioned to:

- a) Determine what criteria should be set for classifying volumes of rock as "measured" and what proportion of the area could be then estimated as a "measured resource category".
- b) Determine what density of sampling (drilling) would be needed to ensure adequate grade control to design a mining operation.

Dr. Clark studied data from 3,548 core sections in the Detailed Study Area down to a depth of more than 300 meters. The breakpoint between background values in the rock and mineralization was established as 0.1% copper. The sections averaged just short of a meter in length having grades higher than 0.1% copper plus nickel.

In the Detailed Study Area a mining unit of 10x10x10 meters was used as a block size and approximately 20,000 blocks were estimated. Block estimate classification of “measured” occurred if the kriging variance fell below the total sill of the semi-variogram (ygiagam) and at least 4 boreholes fell within the search ellipse. Blocks not classed as “measured” but within the range of influence of the boreholes were classified as an “indicated” category. Any blocks not meeting these criteria were not within the scope of the Detailed Study as they are classed in the “inferred” category. Due to the wide spacing of drill holes along the one kilometer drilled strike length in the pit area of the Low Sulphide PGE-rich horizon, sections do not yet have the criteria necessary to fit “measured or indicated” categories.

Relevant tonnages calculated during the Detailed Study used a 4.1 specific gravity for the sulphide mineralization based upon copper and nickel values at cutoff grades of 1.0%, 1.5% and 2.0% Cu+Ni. Detailed figures were calculated for the volume of mineralization down to sea level (a depth from surface of roughly 120 meters).

Of the 9,657 blocks examined 1,902 were classified as “measured and indicated” at a Cu+ Ni cutoff grade of 1.0%. These blocks were estimated to contain 7.7 million tonnes grading 0.96% Cu, 0.57% Ni, (Cu+Ni = 1.53%), 0.04% Co, 0.87 g/t Pd and 0.13 g/t Pt. Included in the total tonnage is 1.35 million tonnes and 0.42 million tonnes of “measured” resources at 1.5% and 2.0% , respectively, Cu+Ni cutoff grades and 1.62 million tonnes and 0.46g million tonnes of “indicated “ resources at 1.5% and 2.0%, respectively, Cu+Ni cutoff grades. The Company has reported NI 43-101 compliant property-wide “indicated” resources of 8.7 million tonnes and “inferred” resources of 66.1 million tonnes at a 1.0% Cu+Ni cutoff grade (Dr. N.C. Carter Ph.D., P.Eng., May 15, 2006). It should be noted that the property-wide resource calculations made by Dr. N.C. Carter were not constrained by area, depth or block model size as determined in the Geostokos Detailed Study parameters.

Dr. Clark’s summary report also found that “the layout of samples for “measured” blocks determined that a regular intersection of the mineralization by boreholes on a 22-25 meter grid would provide adequate sampling for mine planning and grade control purposes.”

With the results of this encouraging investigation, the company now has three drills operating in the potential “Pit Area” (Line 39+00W to L 60+00W). Now guided by these results and the recommended drill pattern spacing for quantifying “measured” resources, Starfield has a confirmed strategy to delineate “starter pit” resources within the “Pit Area” as the fiscal 2007 priority plan.

## Risks and Uncertainties

Exploration and mining companies face many and varied kinds of risks. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical.

The principal activity of the Company is mineral exploration and it is inherently risky. Exploration is also capital intensive and the Company currently has no source of income other than those described above. Only the skills of its management and staff in mineral exploration and exploration financing serve to mitigate these risks and therefore are one of the main assets of the Company.

Following are the risk factors which the Company’s management believes are most important in the context of the Company’s business. It should be noted that this list is not exhaustive and that other risk factors may apply. An investment in the Company may not be suitable for all investors

## *Exploration and Mining Risks*

The business of exploring for minerals and mining involves a high degree of risk. Due in some cases to factors that cannot be foreseen, only a small proportion of the properties that are explored worldwide are ultimately developed into producing mines. At the present, none of the Company's properties have proven or probable reserves and the proposed programs are an exploratory search for proven or probable reserves. The areas presently being assessed by the Company may not contain economically recoverable volumes of minerals or metals. The operations of the Company may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including labour disruptions, the inability to obtain suitable or adequate machinery, equipment or labour and other risks involved in the conduct of exploration programs. Once economically recoverable volumes of minerals are found, substantial expenditures are required to establish reserves through drilling to develop metallurgical processes, to develop the infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities or having sufficient grade to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing gold, copper and other mineral properties is affected by many factors including the cost of operations, variations of the grade of ore mined, fluctuations in the price of minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to environmental protection. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material.

## *Financing Risks*

The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of one or more of the Company's properties will be dependent upon the Company's ability to obtain financing through joint venturing, equity or debt financing or other means, and although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects.

## *Estimates of Mineral Resources and Production Risks*

The mineral resource estimates included in this document are estimates only, and no assurance can be given that any proven or probable reserves will be discovered or that any particular level of recovery of minerals will in fact be realized or that an identified reserve or resource will ever qualify as a commercially mineable (or viable) deposit which may ultimately be mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. The estimated mineral resources described in this document should not be interpreted as assurances of commercial viability or potential or of the profitability of any future operations.

## *Mineral Prices*

The principal activity of the Company is the exploration and ultimate development of mineral resource properties. The mineral exploration and development industry in general is intensely competitive and there is no assurance that, even if commercial quantities of proven and probable reserves are discovered, a profitable market may exist for the sale of the same. Factors beyond the control of the Company may affect the marketability of any substances discovered. Mineral prices have fluctuated widely, particularly in recent years. The feasible development of such properties is highly dependent upon the price of metals. A sustained and substantial decline in these commodity prices could result in the write-down, termination of exploration work or loss of its interests in identified resource properties.

## *Competition*

The Company competes with many companies that have substantially greater financial and technical resources than the Company for the acquisition of mineral properties as well as for the recruitment and retention of qualified employees.

## *Environment and other Regulatory Requirements*

The activities of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations, and permits. There can be no assurance that all permits which the Company may require for exploration and development of its properties will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities. However, there may be unforeseen environmental liabilities resulting from exploration and/or mining activities and these may be costly to remedy.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in exploration operations may be required to compensate those suffering loss or damage by reason of the exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenditures and costs or require abandonment or delays in developing new mining properties.

### *Title matters*

Title to and the area of mining concessions may be disputed. Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current state of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

### *Dependence on Key Personnel*

The Company's development to date has largely depended, and in the future will continue to depend, on the efforts of key management. Loss of any of these people could have a material adverse effect on the Company and its business. The Company has not obtained and does not intend to obtain key-person insurance in respect of any directors and other employees.

### *Share Price Fluctuations*

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development-stage companies such as the Company, have experienced wide fluctuations in price which have not necessarily been related to the underlying asset values or prospects of such companies. Price fluctuations will continue to occur in the future.

### *No Dividends*

Investors cannot expect to receive a dividend on their investment in the Company in the foreseeable future, if ever. Investors should not expect to receive any return on their investment in the Company's securities other than possible capital gains.

## **Competitive Conditions**

The mineral exploration and mining business is competitive in all phases of exploration, development and production. The Company competes with a number of other entities in the search for and the acquisition of productive mineral properties. As a result of this competition, the majority of which is with companies with greater financial resources than the Company, the Company may be unable to acquire attractive properties in the future on terms it considers acceptable. Finally, the Company competes with other resource companies, many of whom have greater financial resources and/or more advanced properties that are better able to attract equity investments and other capital.

The ability of the Company to acquire properties depends on its success in exploring and developing its present properties and on its ability to select, acquire, and bring to production suitable properties or prospects for mineral exploration and development. Factors beyond the control of the Company may affect the marketability of minerals mined or discovered by the Company. Mineral prices have historically been subject to fluctuations and are affected by numerous factors beyond the control of the Company.

## SUMMARY OF QUARTERLY RESULTS

The following is a summary of selected financial data for the Company for its last eight completed quarters ending May 31, 2006.

Period ended	2006 May. 31 Q1	2006 Feb. 28 Q4	2005 Nov. 30 Q3	2005 Aug. 31 Q2	2005 May.31 Q1	2005 Feb.28 Q4	2004 Nov.30 Q3	2004 Aug.31 Q2
Total Revenue	-	-	-	-	-	-	-	-
Income (Loss) before other items	(1,829)	(915)	(472)	(538)	(511)	(616)	(420)	(624)
Net Income (Loss) CDN GAAP	(1,829)	(1,174)	(472)	(538)	(511)	(377)	(420)	(625)
Deferred mineral property costs	3,790	3,885	4,208	3,150	980	3,285	3,611	1,772
Basic and Diluted Loss per Share, CDN GAAP	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Weighted average number of Shares (000)	170,886	156,441	138,362	133,420	129,682	108,333	104,143	101,085

*Note: the above table is in \$'000 except for loss per share items which are in dollars and weighted average number of shares which is in thousands.*

## Corporate Structure

The Company was incorporated under the Business Corporations Act (Alberta, Canada) on April 22, 1994, registered in the province of British Columbia as an extra-provincial company on April 22, 1998 and in the Nunavut Territory, Canada as an extra-territorial corporation on March 18, 2003. Its major business activity is the exploration and development of mineral properties, particularly its Ferguson Lake nickel-copper-cobalt-platinum-palladium project in Nunavut, Canada.

Our head office is located at 625 Howe Street, Suite 420, Vancouver, British Columbia V6C 2T6 and our registered office is located in the offices of Fasken Martineau DuMoulin LLP, 3400 First Canadian Centre, 350 - 7th Avenue SW, Calgary, Alberta T2P 3N9.

The results of operations reflect the costs of property acquisitions, exploration expenses, plus costs incurred by the Company to maintain its properties in good standing with the various regulatory authorities, and for administrative infrastructure to manage the acquisition, exploration, and financing activities of the Company. General and administrative costs can be expected to increase or decrease in relation to the changes in activity required as property acquisitions and exploration continue. General and administrative costs are reduced by interest earned on bank accounts and short term investments. As at May 31, 2006, the Company has not recorded any revenues from its exploration projects.

*Three Months Ended May 31, 2006 versus May 31, 2005*

Mineral property deferred exploration expenditures incurred in the three months ended May 31, 2006 were \$3,790 (2005: \$2,938) as per the following table:

	<b>2006 Expenses \$</b>	<b>2005 Expenses \$</b>
Personnel	490	682
Aircraft support including helicopter moves	1,178	380
Diamond Drilling	257	431
Camp support costs including fuel requirements	1,655	1,042
Analytical and geophysical services	210	379
Mobilization and demobilization	-	24
	<b>3,790</b>	<b>2,938</b>

The deferred exploration expenditures incurred during the three months ended May 31, 2006 was \$852 more than the corresponding period in 2005. This increase was accounted for by the increased expenses connected with the relocation of the camp from a temporary leased area to a permanent site. Thus, aircraft support and camp support increased by \$798 and \$613, respectively, offsetting smaller decreases in the other areas.

<b>General and Corporate</b>	<b>3 Months ended <u>May 31, 2006</u></b>	<b>3 Months ended <u>May 31, 2005</u></b>
Accounting and legal	\$ 32	\$ 27
Advertising and promotion	45	31
Computer	5	4
Consulting fees	159	45
Investor relations	13	13
Management fees	24	27
Office	15	13
Office equipment rent	11	9
Rent and office services	113	61
Telephone	6	2
Transfer and regulatory fees	38	12
Travel and conferences	166	271
	<u>627</u>	<u>515</u>

The first quarter General and Administrative costs increased \$112 over the 2005 total. This increase was due to the following:

- Consulting fees increased by \$114 for the quarter due to the increased level of corporate activity, especially in the procurement of financing.
- Although rent did not increase, office services increased by \$52, reflecting the increased associated costs resulting from the increased level of general corporate activity.

- Transfer and regulatory fees had a small increase of \$26 as a result of increased corporate activity related to the financings.
- Travel and conferences had a decrease of \$105 as a result of the higher activity in trade shows and related corporate activities during the fourth quarter of the last fiscal year leading up to the major financing which closed during this quarter.

During the first quarter ended May 31, 2006, the Company granted 4,790 stock options (2005 - nil) to directors, employees and consultants. The Company recognized \$1,202 (2005 - \$nil) in stock-based compensation expense, with a corresponding credit to contributed surplus on the balance sheet. The compensation recognized was calculated using the Black-Scholes option pricing model.

## LIQUIDITY

### General

The activities of the Company, principally the acquisition and exploration of mineral properties, are financed through the completion of equity offerings involving the sale of equity securities. These equity offerings generally include private placements and the exercise of warrants and options. Since Starfield is a junior resource exploration company, the Company does not have the usual ability to generate sufficient amounts of cash and cash equivalents in the short term. To maintain the Company's capacity, to meet planned growth, or to fund further development activities, the Company must utilize its current cash reserves, income from investments, and cash from the sale of securities.

As of May 31, 2006, Starfield had \$13,874 in cash and cash equivalents (2005: \$1,226) and working capital of \$12,429 (2005: \$457). The increase in cash and cash equivalents and working capital is a result of the completion of a major private placement financing in this quarter.

There are 21,200 shares issuable from outstanding warrants (2005: 33,665) at a weighted average exercise price of \$0.67, which if fully exercised, would raise \$14,204 (2005: \$17,451).

There are also 16,617 share purchase options outstanding (2005: 11,692) with a weighted average exercise price of \$0.46 which would contribute \$7,644 (2005: \$4,545) if exercised in full.

The Company continues to have no debt and its credit and interest rate risk are limited to interest bearing assets of cash and cash equivalents, and short-term investments. Accounts payable and accrued liabilities are short-term and non-interest bearing.

## Other

We do not have commitments, events, risks or uncertainties that we reasonably believe will materially affect our company's future performance including losses before discontinued operations and extraordinary items.

We have no defaults or arrears or anticipated defaults or arrears on dividend payments, lease payments, interest or principal payment on debt, debt covenants, and redemption or retraction or sinking fund payments.

As a Venture Issuer, Starfield's only current contractual obligations are operating leases of its office in Vancouver, British Columbia at \$42 per year, the Ferguson Lake Lodge at \$43 per year and an operating lease for office equipment at \$8 per year.

Based on our operating history and our knowledge of our expected events, we expect minor fluctuations in and no major change in our liquidity requirements.

Our liquidity risk with our financial instruments is minimal as our excess cash is invested in highly liquid securities. In addition, our receivables are mainly comprised of GST recoveries.

In terms of our ability to generate sufficient amounts of cash and cash equivalents, our sources of funding are limited to private and/or public placements since we are a junior exploration company without revenues. The main circumstances that could affect those sources that are reasonably likely to occur are the commodity market price changes and results of exploration.

We have had no unusual or infrequent events or transactions over the past year.

## CAPITAL RESOURCES

Starfield has no commitments for capital expenditures as of the date of these financial statements.

The discovery, development and acquisition of mineral properties are in many instances unpredictable events. Future metal prices, the success of exploration programs and other property transactions can have a significant impact on capital requirements. The Company does not expect to receive significant income from any of its properties within the foreseeable future. Should the Company decide to further develop any of its properties, the Company may fund its capital requirements by arranging further equity financing, issuing long term debt, arranging joint ventures with other companies, or through a combination of the above.

The principal activity of the Company is mineral exploration and it is inherently risky. Exploration is also capital intensive and the Company currently has no source of income other than those described above. Only the skills of its management and staff in mineral exploration and exploration financing serve to mitigate these risks and therefore are one of the main assets of the Company.

The Company does not have sources of financing that have been arranged but not yet used nor are there expenditures not yet committed but required to maintain the Company's exploration activities or to meet and to fund mineral development activities.

## TRANSACTIONS WITH RELATED PARTIES

During the three months ended May 31, 2006, the Company had the following transactions with officers and directors and other Companies with which officers or directors are related:

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	2006	2005
Management and consulting fees:	\$ 37	\$ 24
Director fees:	15	12

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## OFF-BALANCE SHEET TRANSACTIONS

The Company has not entered into any off-balance sheet transactions

## PENDING TRANSACTIONS

To the best of Management's knowledge, there are no other pending transactions that will materially affect the performance or operation of the Company.

## SIGNIFICANT ACCOUNTING POLICIES

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. To date, the Company has not incurred any asset retirement obligations.

During the course of acquiring, exploring and developing potential mining properties, the Company must comply with government regulated environmental evaluation, updating and reclamation requirements. To date, no significant disturbances have occurred nor have any physical structures been constructed. The costs of complying with these requirements are capitalized as incurred, as deferred costs until such time as the properties are put into commercial production, at which time the costs incurred will be charged to operations on a unit-of-production basis over the estimated mine life. Upon abandonment or sale of a property, all deferred costs relating to the property will be expensed in the year of such abandonment or sale.

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and short-term deposits, restricted cash, GST receivable, accounts payable and marketable securities. Unless otherwise noted, it is Management's opinion that Starfield is not exposed to significant interest, currency or credit risks arising from the financial instruments.

## **OTHER**

### **Shares issued and outstanding**

As at July 26, 2006, the Company had 194,465 shares issued and outstanding and 232,282 fully diluted shares outstanding.

### **Disclosure for Venture Issuers without Significant Revenue**

Additional disclosure concerning Starfield's general and administrative expenses and resource property costs is provided in the Company's Statement of Operations and the accompanying notes contained in its unaudited Financial Statements for May 31, 2006 that is available on its SEDAR Page Site accessed through [www.sedar.com](http://www.sedar.com).

### **Disclosure Controls and Procedures**

Pursuant to Multilateral Instrument 52-109 Certification of Disclosures in Issuers' Annual and Interim Filings, management has evaluated the effectiveness of the Company's disclosure controls and procedures as at May 31, 2006 and found them to meet required standards.

### **Approval**

The Audit Committee members of Starfield have approved the disclosure contained in this INTERIM MD&A.

This MD&A is available on Starfield's SEDAR Page Site accessed through [www.sedar.com](http://www.sedar.com).

### **Other Requirements**

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