

# LA QUINTA RESOURCES CORPORATION

FORM 51-901F – FOR THE YEAR ENDED DECEMBER 31, 2005

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## MANAGEMENT DISCUSSION AND ANALYSIS

### 1.1 DESCRIPTION OF BUSINESS

The Board of Directors of LA QUINTA RESOURCES CORPORATION (the “Company”, or “La Quinta”) is pleased to present to its shareholders a summary of the Company’s activities for the year ended December 31, 2005, and any other pertinent events subsequent to that date up to and including April 5, 2006.

The following information should be read in conjunction with the audited consolidated financial statements and related notes, which are prepared in accordance with Canadian generally accepted accounting principles.

The Company is a “reporting” company in the provinces of British Columbia, Alberta and Ontario. Its common shares are listed on the TSX Venture Exchange under the trading symbol “LAQ”. The Company is in the business of exploring for precious metals. Currently, both the Company’s properties are in British Columbia, although management also has a mandate to review international projects as well.

### OVERALL PERFORMANCE

Since incorporation in August of 2004, the Company has optioned a 60% interest in two gold properties in the Southeastern part of British Columbia, namely the Howell and the Crowsnest properties. Both properties have had extensive previous exploration work by major mining companies and management feel they continue to hold significant uncapped potential.

During the last fiscal year the Company completed its initial public offering and was listed for trading on the Toronto Venture Exchange.

Beyond the exploration and development success at the Howell or Crowsnest properties, there are several factors that could impact the Company going forward, either positively, or negatively. These include the state of the world economy and the demand for metals. Any economic declines would cause metal prices to decline that may negatively impact the value of the Company’s exploration properties. These factors are beyond the control of the Company.

### SELECTED ANNUAL INFORMATION

	December 31, 2005	December 31, 2004
Net Loss	\$(229,513)	\$(42,599)
Net Loss per share basic and diluted	\$(0.05)	\$(0.01)
Total Assets	\$974,198	\$302,458
Total Long-term Debt	\$nil	\$nil
Cash dividends per share	\$nil	\$nil

The accounts of the Company for all of the periods were prepared in accordance with Canadian Generally Accepted Accounting Principles. The increase in total assets reflects the closing of the Company's Initial Public Offering in December of 2005, that increased the Company's cash resources by \$889,711. The net loss was larger in 2005 as:

- the 2004 period represents the results from the date of incorporation (August 17, 2004) to December 31, 2004 versus the full 12 months represented by the 2005 period.
- the increased legal, regulatory filing and reporting costs associated with becoming a public company that were incurred in 2005.

## RESULTS OF OPERATIONS

The focus on the listing meant little exploration was conducted in 2005. The Company completed a \$8,700 reconnaissance program on the Crowsnest during the year. The program included re-evaluation of a previous trench, where a chip sample along the full length of a trench intercepted 8.23 g/t over 16.5 meters, and select grab sampling. Results of the 39 samples included a high of 75,724.1 ppb gold with 7245 ppm copper and 86.6 ppm tellurium. The arithmetic averages of the samples were 4,194 ppb gold, 366 ppm copper and 4.5 ppm tellurium.

The purpose of the 2005 program was to better understand the orientation of the mineralisation in the discovery trench and has allowed for the planning of a \$100,000 exploration program for 2006 consisting of further trenching in the area of interest.

On the Howell property, some additional claims were added to the property in 2006. The 2006 exploration program will highlight drilling in areas of interest as determined by the Company's airborne geophysical survey that was completed in 2004.

## 1.4 SUMMARY OF QUARTERLY RESULTS

Quarter-Ended	12/31/05 \$	09/30/05 \$	06/30/05 \$	03/31/05 \$	12/31/04 \$
Total Income	Nil	Nil	Nil	Nil	Nil
Loss for the period	(73,778)	(33,332)	(29,009)	(93,394)	(42,599)
Basic and diluted Loss per share.	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)

Variations in Loss from quarter to quarter is caused by:

- The adoption of an accounting policy to expense stock options compensation added \$44,300 to expenses in the March 31, 2005 quarter.
- The adoption of an accounting policy to reflect the effect of tax deductions lost due to the issuance of flow-through shares lead to the recognition of a future tax recovery in the March 31, 2005 quarter.
- Legal expenses increased in the June, September and December 2005 quarters as the public listing process was initiated and completed.
- Transfer agent and filing fees were higher in the March and December 2005 quarters as the underwriters agreement was entered into in March and the Company completed its listing in December 2005.

## LIQUIDITY AND CAPITAL RESOURCES

The Company is in the mineral exploration and development business and is exposed to a number of risks and uncertainties inherent in the resource exploration and extraction industry. This activity is capital intensive at all stages and subject to the fluctuations in commodity prices, market sentiment, currencies, inflation and other risks. The Company currently has no sources of revenue, and relies primarily on equity financings to fund its exploration, development and administrative activities. Material increases or decreases in liquidity will be substantially determined by the success or failure of its exploration and development activities, as well as its continued ability to raise capital. The Company is not aware of any trends, demands, commitments, events or uncertainties that may result in its liquidity either materially increasing or decreasing at present or in the foreseeable future, other than normal expected operating and administrative costs.

As of the date of this management discussion and analysis, the Company has a working capital surplus of approximately \$700,000.

Our current working capital commitments include \$7,000 per month for management and consulting fees. Additional general and administrative costs are budgeted at approximately

\$12,600 per month. Total general and administrative costs for the balance of 2006 are budgeted to be \$176,400.

The Company's current property payments and budgeted work commitments for the remainder of fiscal 2006 are summarized as follows:

	Howell	Crowsnest
Property payment	\$12,500	\$17,500

Budgeted exploration costs	\$364,500	\$100,000
Total net cash requirements	\$377,000	\$117,500

Given the current working capital of \$700,000, the Company will require additional funding prior to December 31, 2006 in order to maintain and expand its property interests and continue with a sensible and measured program of exploration on the current properties and new properties considered by management to be worthy.

#### 1.6 FOURTH QUARTER RESULTS

During the fourth quarter the Company successfully completed its initial public offering raising \$889,711 net of expenses for the Company's treasury. These funds will be sufficient for the phase 1 programs planned for 2006 on both the Howell and Crowsnest properties although additional funding will be sought to cover any new acquisitions and increases in general and administration expenses.

#### 1.7 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements at the time of this management discussion and analysis.

#### 1.8 RELATED PARTY TRANSACTIONS

The Company has an ongoing contract with the President that he be paid \$5,000 per month for management services. Three months of management fees were forgiven by the President in 2005.

There are no other related party contracts.

#### 1.9 FINANCIAL INSTRUMENTS

At this time all the Company's financial instruments have short (less than 3 months) periods to

maturity. The Company does not at this time have any hedging or other commodity risk control strategies in place.

#### 1.10 CRITICAL ESTIMATES

In expensing incentive stock options we have estimated a risk free interest rate of 2.75%, a dividend yield of 0%, an expected option life of 5 years with a stock price volatility of 119 %.

In calculating the future tax benefit realized on the sale of flow through shares a tax rate of 34% was used.

The Company annually reviews the carrying value of its properties, which are currently unproven, by reference to the timing of exploration and development work, the work programs and the results achieved on the project. Where impairment occurs a charge to earnings would be made.

It should be noted that the recoverability of the amounts shown for mineral properties are dependent upon the existence of economically recoverable reserves, maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to bring the reserves into production, and upon future profitable production or proceeds from the disposition of properties. The amount shown represents net costs to date, less amounts depleted or written off and amounts realized from option payments received, and does not necessarily represent present or future values.

#### 1.11 ACCOUNTING POLICIES

The Company adopted Accounting Guideline 15 (ACG 15) (Consolidation of Variable Interest Entities) effective November 1, 2004. The adoption of ACG 15 has not had a material impact on the Company.

The Company has adopted a disclosure control policy, which has been evaluated by management and found to be satisfactory in ensuring that this MD&A contains all material information about the Company.

The Company records stock option compensation expense using the Black–Scholes option pricing method.

The Company has adopted the recommendation of the Emerging Issues Committee of the CICA on flow-through shares, which requires recognition of the foregone tax benefits at the time of renouncement, provided there is reasonable assurance the expenditure will be incurred.

Additional information is available on SEDAR at [www.sedar.com](http://www.sedar.com). And at the Company's web site at [www.LaQuintaoilandgas.com](http://www.LaQuintaoilandgas.com)



1.13 ADDITIONAL INFORMATION FOR VENTURE ISSUER'S WITHOUT SIGNIFICANT REVENUE

EXPENDITURES MADE IN THE YEAR ON MINERAL PROPERTIES

**Howell Property, British Columbia**

	2005	2004
	\$	\$
Acquisition Costs		
Opening balance	4,500	-
Option payments	10,098	4,500
Closing balance	14,598	4,500
Exploration Costs		
Opening balance	102,292	-
Geophysical costs	-	76,216
Reports, maps, fees and licenses	5,796	22,879
Travel	-	3,197
Closing balance	108,088	102,292

**Crowsnest Property, British Columbia**

	2005	2004
	\$	\$
Acquisition Costs		
Opening balance	12,000	-
Option payments	17,540	12,000
Closing balance	29,540	12,000
Exploration Costs		
Opening balance	8,341	-
Assay costs	909	-
Field and camp costs	6,957	-
Claim maintenance fees	160	941
Reports, maps, fees and licenses	1,222	7,400
Closing balance	17,589	8,341

1.13 ADDITIONAL INFORMATION FOR VENTURE ISSUER'S WITHOUT SIGNIFICANT REVENUE (con't)

	YEAR ENDED DECEMBER 31 2005 \$	PERIOD FROM INCEPTION AUGUST 17 2004 TO DECEMBER 31 2004 \$
<b>Expenses</b>		
Amortization	365	-
Bank charges and interest	335	144
Management fees	45,000	20,000
Office and miscellaneous	3,970	4,178
Professional fees	119,708	16,064
Rent	9,182	2,213
Shareholder communications	13,682	-
Stock based compensation	44,300	-
Transfer, regulatory and sponsorship fees	54,798	-
Travel	2,155	-
<b>Loss Before Income Taxes</b>	(293,495)	(42,599)
<b>Future Income Tax Recovery</b>	63,982	-
<b>Loss For The Period</b>	(229,513)	(42,599)

Schedule of Share Capital

	As of the date of this Management Discussion and Analysis
Common Shares outstanding	9,238,000
Options outstanding	1,169,340
Warrants outstanding	2,564,000
Fully diluted share capital	12,971,340