



**INTERIM REPORT
SEPTEMBER 30, 2006**



Letter to Shareholders

It is a pleasure to submit to you, on behalf of the Board of Directors of Mart Resources, Inc., the Company's Interim Report for the quarter ended September 30, 2006. During the quarter, Mart has continued to make progress in preparing its fields onshore Nigeria for initial drilling operations.

At the Umusadege Oil Field, the first drill site, access roads and camp are complete. Mart's NRG-101 drilling rig will commence its move to the DA1 location on this field by early December 2006. Drilling of the first of three wells will commence shortly thereafter. Ultimately these wells will be tied into a central separation facility with crude oil and gas being piped into a nearby processing and export facility.

Construction of the drill site, access road and campsite at the Qua Ibo Oil Field are near completion. Mart and its partners expect to commence drilling on this field using Mart's new NRG-201 drilling rig, which is anticipated to reach Nigeria in early 2007. Three wells will be directionally drilled from a central location and tied into a separation facility with crude oil and gas piped to a nearby export terminal.

At the Ke Oil Field, Mart and its partners have completed a detailed site survey and engineering study to assess the feasibility of drilling wells from a land or swamp location. As previously mentioned, the Ke South location could contain huge oil resource potential.

On November 21, 2006 Mart closed a private placement of \$9,500,000 in unsecured convertible promissory notes and \$8,875,000 in secured convertible promissory notes to a European-based investment fund. Details of this financing have been presented in a corporate press release. Mart intends to use the proceeds to drill and test wells on the Umusadege and Qua Ibo Oil Fields, for general working capital and to repay its existing convertible notes valued at approximately \$9,500,000.

With the drilling and development activities of our high potential proven oil fields commencing within weeks, Mart and its shareholders will soon realize the significance of our long awaited objectives and goals. We would like to thank our shareholders for their patience and are confident that rewards are just around the corner as we commence drilling operations.

On behalf of the Board of Directors,

David Parker

President
November 27, 2006

MART RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS
AS AT SEPTEMBER 30, 2006 AND DECEMBER 31, 2005
(Unaudited - Prepared by Management)

	SEPT 30 2006	DEC 31 2005
ASSETS		
Current		
Cash	\$ 10,051,057	\$ 31,274,939
Accounts receivable	115,867	123,218
Prepaid expenses and deposits	2,141,960	568,576
	12,308,884	31,966,733
Property and equipment	31,372,996	6,962,866
Petroleum property interests	26,296,215	15,608,631
TOTAL ASSETS	\$ 69,978,095	\$ 54,538,230
LIABILITIES		
Current		
Accounts payable and accruals	1,402,640	1,088,458
Interest payable on convertible note	308,916	617,833
	1,711,556	1,706,291
Convertible Note	7,022,834	5,846,000
	\$ 8,734,390	\$ 7,552,291
SHAREHOLDERS' EQUITY		
Share capital	75,140,264	55,158,276
Equity component of convertible promissory notes	3,243,974	4,489,000
Contributed surplus	3,289,210	3,289,210
Deficit	(20,429,743)	(15,950,547)
	\$ 61,243,705	\$ 46,985,939
	\$ 69,978,095	\$ 54,538,230

MART RESOURCES, INC.
CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
FOR THE NINE MONTH PERIODS ENDED
SEPTEMBER 30, 2006 AND 2005
(Unaudited - Prepared by Management)

	SEPT 30 2006	SEPT 30 2005
REVENUE		
Interest	\$ 335,967	\$ 78,719
EXPENSES		
General and administrative	2,186,765	573,913
Interest expense	855,000	-
Foreign exchange loss	806,508	-
Accretion of promissory notes	626,250	-
Consulting	193,985	140,475
Professional fees	112,822	55,792
Stock exchange and transfer agent fees	27,902	35,479
Amortization	5,931	4,221
	4,815,163	809,880
Net Loss for the period	(4,479,196)	(731,161)
Deficit - Beginning of Period	(15,950,547)	(11,175,628)
Deficit - End of Period	\$ (20,429,743)	\$ (11,906,789)
Loss per share – basic and diluted	\$ (0.029)	\$ (0.008)
Weighted average number of common shares	155,973,536	94,761,121

MART RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTH PERIODS ENDED
SEPTEMBER 30, 2006 AND 2005
(Unaudited - Prepared by Management)

	SEPT 30 2006	SEPT 30 2005
CASH PROVIDED BY (USED FOR) THE FOLLOWING ACTIVITIES		
Operating activities		
Net loss	(4,479,196)	(731,161)
Amortization	5,931	4,221
Accretion of promissory notes	626,250	-
	(3,847,015)	(726,940)
Changes in working capital accounts	(2,256,591)	(445,179)
	(6,103,606)	(1,172,119)
Financing activities		
Issue of common shares	25,472,879	1,793,425
Issue of convertible notes	-	9,500,000
Share issue costs	(5,490,891)	(519,128)
Repayments of advances payable	-	(13,187)
Due/repayments to related parties	1,381	(118)
	19,983,369	10,760,992
Investing activities		
Additions to property and equipment	(24,416,061)	(5,145,367)
Increase in petroleum property interests	(10,687,584)	(10,285,473)
	(35,103,645)	(15,430,840)
Decrease in cash resources	(21,223,882)	(5,841,967)
Cash resources, beginning of year	31,274,939	7,902,830
Cash resources, end of period	\$ 10,051,057	\$ 2,060,863

MART RESOURCES, INC.

Notes to the Financial Statements Nine Months Ended September 30, 2006 (Unaudited – Prepared by Management)

1. BASIS OF PRESENTATION

The unaudited consolidated financial statements of Mart Resources, Inc. (“Mart” or “the Company”) have been prepared by management in accordance with accounting principles generally accepted in Canada. The interim consolidated statements have been prepared following the same accounting policies and methods of computation as the audited consolidated financial statements for the fiscal year ended December 31, 2005. The disclosures provided below are incremental to those included in the annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto contained in the Company’s annual report for the year ended December 31, 2005 and with other interim reports previously filed and distributed.

2. SHARE CAPITAL

Common Shares Issued and Outstanding:

September 30, 2006	179,106,481
September 30, 2005	97,366,208

During the second quarter of 2006, Mart completed a private placement of 23,494,252 common shares at a price equivalent of CDN \$1 per common share for gross proceeds of \$23,494,252 (USD \$20,440,000). The net proceeds of the closing of the private placement after fees and commissions totaled CDN \$21,955,600 (USD \$19,101,400).

Stock Options issued and outstanding as at September 30, 2006:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,750,000	\$0.21	February 2, 2009
1,750,000	\$0.25	February 2, 2009
3,080,000	\$0.74	February 15, 2010

Warrants issued and outstanding as at September 30, 2006:

<u>Type</u>	<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
Broker	2,600,000	\$0.73	October 6, 2006
Broker	1,663,291	\$0.45	December 4, 2006

3. RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2006, the Company's related party transactions included \$612,085 incurred with respect to the consulting fees paid to officers and shareholders of the Company and \$250,723 with respect to expenditures paid on behalf of the Company by its officers, directors and shareholders. These transactions took place in the normal course of business and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties.

CORPORATE INFORMATION

Officers & Directors

David Parker	– President & Director
David Urquhart	– Chief Operating Officer & Director
Wade G. Cherwayko	– Chairman & Director
David J. Halpin	– Chief Financial Officer & Secretary
Philip Nelson, PhD	– VP Exploration & Director
Robert J. Leslie, PhD	– Director
William Cherwayko	– Director
Leroy Wolbaum	– Director

Corporate Office

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email: info@martresources.com
website: www.martresources.com

Registrar & Transfer Agent

Computershare Trust Company of Canada

Stock Exchange Listing

TSX Venture Exchange – Symbol: MMT

Nigeria Office

#7 Anifowoshe Street
Victoria Island
Lagos, Nigeria
Phone: +234 (01) 271 1752
Fax: +234 (01) 271 1751

London Correspondence Office

3rd Floor, 2 Basil Street
London, United Kingdom SW3 1AA
Phone: 011-44-207-808-8820
FAX: 011-44-207-581-4559

Bankers

Royal Bank of Canada

Solicitors

Borden Ladner Gervais LLP

Auditors

Meyers Norris Penny LLP Chartered
Accountants

MART RESOURCES, INC.
Management Discussion and Analysis
For the Nine Month Period ended September 30, 2006

This discussion and analysis contains forward-looking statements relating to future events or future performance. In some cases, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expects”, “projects”, “plans”, “anticipates” and similar expressions. These statements represent management’s expectations or beliefs concerning, among other things, future operating results and various components thereof or the economic performance of Mart Resources, Inc. The projections, estimates, and beliefs contained in such forward-looking statements necessarily involve known and unknown risks and uncertainties, including the business risks discussed in the MD&A as at and for the years ended December 31, 2005 and 2004, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

The following discussion should be read in conjunction with the December 31, 2005 audited Consolidated Financial Statements and related documents contained in Mart’s 2005 Annual Report, and the March 31, 2006, June 30, 2006 and September 30, 2006 unaudited Consolidated Financial Statements and the notes thereto. The September 30, 2006 unaudited Consolidated Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles and all amounts shown in the statements and other supplementary reports are stated in Canadian dollars unless otherwise specified.

Outlook

Mart Resources, Inc. is focused on maximizing the value of its petroleum properties by evaluating, negotiating and participating in the development of proven but undeveloped oil and gas fields in Nigeria under the Nigerian Marginal Field Allocation Program.

Third Quarter 2006 Results

The net loss for the period ended September 30, 2006 was \$4,479,196 compared to a net loss of \$731,161 in the same period of 2005. The Company has had no commercial revenues through Q3 2006, and has realized interest revenue of \$335,967 on GICs and term deposits held through the third quarter of 2006. Expenses through the third quarter of 2006 totalled \$4,815,163 (2005: \$809,880). The largest changes that contributed to the increase in expenses through Q3 2006 as compared to Q3 2005 were an increase in General and administrative costs to \$2,186,765 (45% of total costs) that resulted from increased activity in preparation for operations in Nigeria and a general increase in corporate activity. Foreign exchange loss of \$806,508 (17% of total expenses) was recorded through Q3 2006, and represents the loss in value of funds held in US dollars and created by ongoing transactions recorded in US dollars. The majority of the Company’s funds are held in US dollar accounts and investments because most of the large transactions completed by the Company are conducted and recorded in US dollars. Interest expense accrued in the third quarter of 2006 was \$855,000 (18% of total expenses) and represents the amount owing for interest due on the Convertible unsecured promissory notes. A charge for the calculated amount of Accretion of promissory notes of \$626,250 (\$0 in 2005) was recorded to estimate the fair value of the liability component of the promissory notes and represented 13% of expenses through the quarter. This amount was determined by calculating the present value of the associated cash flows, using a discount rate that reflects the Company’s underlying rate of borrowing. The Company determined the fair value of the conversion feature at the issue date of the Notes using the Black-Scholes pricing model. The resulting pro rata fair values of the liability component of the notes will be accreted

to \$9,500,000 over the term of the Notes through the recording of an interest expense until such date when the underlying notes are converted into common shares. Consulting fees of \$193,985 (4%), Professional fees of \$112,822 (2%), and Stock exchange and transfer agent fees of \$27,902 made up the majority of other costs for the quarter. Amortization expense through Q3 2006 was \$5,931, which was comparable to that in 2005.

The Company's recent quarterly results are summarized below:

	Q3/06	Q2/06	Q1/06	Q4/05	Q3/05	Q2/05	Q1/05	Q4/04
Gross Revenue	\$108,050	\$138,306	\$89,611	\$202,264	\$23,656	\$29,628	\$25,435	\$23,054
Net Earnings/(Loss)	(1,293,974)	(1,237,854)	(1,947,368)	(4,043,758)	(268,564)	(222,396)	(240,201)	(3,466,655)
Basic Per Share	(0.008)	(0.008)	(0.013)	(0.035)	(0.003)	(0.005)	(0.003)	(0.055)

Current Assets and Liabilities

As at September 30, 2006, Mart's Cash and cash equivalents totaled \$10,051,057, as compared to \$31,274,939 on December 31, 2005. During the first three quarters of 2006 the Company spent and capitalized \$10,687,584 on Petroleum property interests and \$24,416,061 on Property and equipment. The majority of expenditures on Petroleum properties during the period were for costs directly associated with appraisal and development of Mart's interests in proven undeveloped oil fields in Nigeria. Expenditures on Property and equipment through Q3 2006 were made for additional equipment and preparation of the NRG101 drilling/service rig (\$1.3 million) and for construction and related costs of the NRG201 and NRG202 drilling rigs (\$16.2 million).

During the second quarter of 2006, Mart completed a private placement of 23,494,252 common shares at a price equivalent of CDN \$1 per common share for gross proceeds of \$23,494,252 (USD \$20,440,000). The net proceeds of the closing of the private placement after fees and commissions totaled CDN \$21,955,600 (USD 19,101,400). The Company also received gross proceeds of \$1,531,752 for share purchase warrants exercised during the first quarter of 2006, and also received \$340,875 as a result of the exercise of broker warrants and \$100,000 from the exercise of stock options. Term deposits consist of Guaranteed Investment Certificates and Treasury Bills with the Royal Bank of Canada that are redeemable on demand. Funds not required for current operations are held in these deposits.

Accounts receivable at the end of the third quarter were \$115,867 and consist of outstanding GST refunds claimed but not yet received, accrued interest receivable on GICs and Term Deposits held, and other small receivables. Prepaid expenses and deposits were \$2,141,960 at the end of the third quarter of 2006. The majority of this total consists of prepaid leases for office and housing properties in Nigeria.

Accounts payable increased by just over \$300,000 to \$1,402,640 through Q3 2006 due to increases in short-term amounts owing for work being done to prepare for operations on Nigerian marginal fields, for costs to build and prepare the Company's drilling rigs, for work being performed by various consultants and for general operating costs.

Petroleum Properties Interests

Nigeria - Marginal Field Projects

The Company capitalized \$10,687,584 of costs related to these properties through the third quarter of 2006 (\$10,285,473 capitalized in same period of 2005). The amounts capitalized in 2005 included the production test of the Eremor #1 well, continued evaluation and preparation of the Qua Ibo and Umusadege oil fields, and analysis of and negotiation for other properties under the Nigerian Marginal Field Allocation Program. Testing and development of the Umusadage, Qua Ibo and Ke oil fields will remain the focus and primary investment of Mart's available resources over the next year.

Umusadege Oil Field

Mart has Agreements with Midwestern Oil and Gas Ltd. ("Midwestern") and Suntrust Oil Company Nigeria Limited ("Suntrust") that outline and specify the commercial terms under which Mart will be granted the right to participate in the development of the Umusadage Field, Nigeria. The Umusadage Field is an on-shore oil and gas field located in Nigeria's Niger Delta region that was recently awarded to Midwestern under the Nigerian Government's marginal field allocation round.

Under the terms of the agreements between Mart and Midwestern and between Mart and Suntrust, Mart will contribute to the development of the Umusadege oil field by providing funding, operational and technical assistance in exchange for an allocation of hydrocarbons discovered and produced from the field. Mart will receive its share of production on a sliding scale, beginning with an accelerated repayment of costs contributed to the project and moving to a stepped-down schedule based upon aggregate production volume.

Under the terms of the agreement with Midwestern, Mart shall be responsible for paying 100% of the costs required for joint operations on the Umusadage Field. In return, Mart shall be entitled to receive an allocation of crude oil and natural gas produced from the field under a production sharing arrangement with Midwestern.

The first drill site, access roads and camp are now complete at Umusadege. Mart's NRG-101 drilling rig will commence its move to the DA1 location on this field by early December 2006. Drilling of the first of three wells will commence shortly thereafter. Ultimately these wells will be tied into a central separation facility with crude oil and gas being piped into a nearby processing and export facility.

Qua Ibo Oil Field

Mart has signed a formal agreement with Network Exploration & Production Nigeria Limited ("Network") that grants Mart the right to participate with Network in the development of the Qua Ibo Oil Field in Nigeria. The Qua Ibo Oil Field is located onshore in Nigeria's Niger Delta region and was awarded to Network under the Nigerian Government's marginal field allocation program.

Under the terms of the formal agreement between Mart and Network, Mart will contribute to the development of the Qua Ibo oil field by providing funding, operational and technical assistance in exchange for an allocation of hydrocarbons discovered and produced from the field. Mart will receive its share of production on a sliding scale, beginning with an accelerated repayment of

costs contributed to the project and moving to a stepped-down schedule based upon aggregate production volume

The Qua Ibo Field was established in 1960 by the Qua Ibo #1 well, which encountered oil pay in sandstone reservoirs at depths of 3,600 and 7,000 feet. The field was successfully appraised by a confirmation well in 1971, which penetrated the same oil-bearing sandstone reservoirs. All necessary permits and consents for drilling at Qua Ibo have been received. Construction of the drill site, access road and campsite at the Qua Ibo Oil Field are near completion. Mart and its partners expect to commence drilling on this field using Mart's new NRG-201 drilling rig, which is anticipated to reach Nigeria in early 2007. Three wells will be directionally drilled from a central location and tied into a separation facility with crude oil and gas piped to a nearby export terminal.

Ke Oil Field

On January 16, 2006, Mart announced that it had signed a legally binding Memorandum of Understanding with Del-Sigma Petroleum Limited that grants Mart the right to participate with Del-Sigma in the evaluation and development of the Ke Oil Field in Nigeria.

The Ke Field is one of 24 oil fields located in Nigeria's Niger Delta region that were granted to indigenous companies under Nigeria's marginal field allocation program. Fields allocated under this program have been delineated by prior drilling activity and supported by seismic analysis, but remain undeveloped.

Del-Sigma and Mart are in the final stages of selecting a drill location for the first of several wells that will test and then delineate the southern segment of this field, an area with huge reserves potential.

Eremor Oil Field

Mart has a formal agreement with Excel Exploration & Production Company Limited ("Excel") a company organized and existing under the laws of Nigeria that grants Mart the right to participate with Excel in the development of the Eremor Oil Field in Nigeria. The Eremor Oil Field is located in Nigeria's Niger Delta region and was awarded to Excel under the Nigerian Government's marginal field allocation program. Fields allocated under this program have been delineated by prior drilling activity and supported by seismic analysis, but remain undeveloped.

Mart and its partner Excel reported on June 8, 2005 that a production test of the Eremor #1 well located in Nigeria's Niger Delta flowed oil at a rate of 940 barrels of oil per day with no water. The test indicated a low gas/oil ratio with medium gravity oil. Production testing flow rates were restricted at surface due to traces of sand production during the well test. Mart and its partner Excel are reviewing their options.

Selected Annual Information

Selected data from Mart's financial statements for the three most recently completed financial years are as follows:

For the Year Ended:	December 31, 2005	December 31, 2004	December 31, 2003
Total Revenues	\$280,983	\$31,497	\$ -
Loss from Operations	(4,774,919)	(1,400,996)	(391,272)
Operations Loss / share	(0.046)	(0.022)	(0.013)
Net Loss	(4,774,919)	(3,803,474)	(656,784)
Net Loss / share	(0.046)	(0.061)	(0.022)
Total Assets	54,538,230	11,679,849	2,412,373
Long-Term Liabilities	(5,846,000)	(13,187)	(48,976)

The Net Loss in 2004 includes a \$2,402,478 Property impairment write down relating to the impairment of capitalized costs incurred for an offshore Nigeria property and a Democratic Republic of Congo property. At the end of 2005, Long-term liabilities consisted of the carrying value of the liability component of convertible unsecured promissory notes with a face value of \$9.5 million CDN (please see Note 7 to the December 31, 2005 Consolidated Financial Statements).

Liquidity

Until Mart's projects are developed to the point at which the Company has cash flow, Mart's ability to generate sufficient cash in the short term is dependent upon the Company's ability to raise funds through equity issues and/ or debt financing. Mart's ability to raise funds in public capital markets could potentially be affected by changes in the prices of resource commodities and/or general market conditions.

Subsequent Events

On November 21, 2006 Mart announced that it had closed a private placement of \$9,500,000 unsecured convertible promissory notes (the "Unsecured Notes") and \$8,875,000 secured convertible promissory notes (the "Secured Notes") (collectively, the "Notes") to a European based investment fund for aggregate consideration of \$18,375,000 (approximately US\$16.2 million). The Notes mature on November 20, 2008 and bear interest at an annual rate of 8%.

The \$9,500,000 Unsecured Notes are convertible at the option of the holder into units (the "unsecured units") of Mart at a conversion price of \$0.66 per unsecured unit until November 20, 2007 and at a conversion price of \$0.75 per unsecured unit thereafter until maturity. Each unsecured unit shall consist of one common share and one common share purchase warrant (an "unsecured warrant"). Each unsecured warrant shall entitle the holder to acquire one additional common share of Mart at an exercise price of \$0.66 per share if the unsecured warrant is exercised within one year of the date of issuance of the unsecured warrant and at an exercise price of \$0.75 per share if the unsecured warrant exercised after one year from the date of its issuance.

The \$8,875,000 Secured Notes are convertible at the option of the holder into units (the "secured units") of Mart at a conversion price of \$0.66 per secured unit until November 20, 2007 and at a conversion price of \$0.75 per secured unit thereafter until maturity. Each secured unit shall consist of one common share and one-half common share purchase warrant (a "secured warrant"). Each secured warrant shall entitle the holder to acquire one additional common share

of Mart at an exercise price of \$0.79 per share if the secured warrant is exercised within one year of the date of issuance of the unsecured warrant and at an exercise price of \$0.90 per share if the secured warrant exercised after one year from the date of its issuance. The Secured Notes are secured by a pledge of the shares of a wholly-owned Barbados subsidiary of Mart which is currently the owner of Mart's 1500 horsepower drilling rig.

Other Documents Available on SEDAR

Additional information relating to Mart Resources, Inc., including the Company's Annual Information Form, Annual Reports, previous Quarterly Reports, Press Releases, etc. is available on SEDAR at www.sedar.com.