

MATERIAL CHANGE REPORT

FORM 51-102F3

1. Name and Address of Company

State the full name of your company and the address of its principal office in Canada.

Morgain Minerals Inc. ("Morgain")
14th Floor, 400 Burrard Howe Street
Vancouver, BC V6C 3G2

2. Date of Material Changes

State the date of the material change. October 27, 2006

3. News Release

The news release dated October 27, 2006 was filed with the TSX Venture Exchange and the British Columbia, Alberta and Ontario Securities Commissions via SEDAR and disseminated through CCN Matthews, Canada Stockwatch and Market News.

4. Summary of Material Change

Provide a brief but accurate summary of the nature and substance of the material change.

Morgain announced results of an independent preliminary feasibility study for its 100% owned Castillo Gold Project located in the State of Durango, Mexico. The results demonstrate that an open pit, heap-leach mining operation at Castillo is economically viable and fairly robust under present economic conditions. The study was managed by A.C.A. Howe International Limited.

5. Full Description of Material Change

Reference Morgain's news release dated October 27, 2006 herein.

6. Reliance on Section 7.1(2) or (3) of National Instrument 51-102

Not applicable.

7. Omitted Information

Not applicable.

8. Executive Officer

Give the name and business telephone number of an executive officer of your company who is knowledgeable about the material change and the Report, or the name of an officer through whom such executive officer may be contacted.

Cristopher E. Babcock
President
Tel: 604-643-1727

9. Date of Report

DATED at Vancouver, B.C., this 27th day of October, 2006.

MORGAIN MINERALS INC.

/s/ Sharon L. Fleming

Sharon L. Fleming
Corporate Secretary

Morgain Minerals Inc.

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NEWS RELEASE

Morgain Announces Positive Pre-Feasibility Study for El Castillo Gold Project

Vancouver, BC, October 27, 2006 – **Morgain Minerals Inc. (TSX-V: MGM)** announced results of an independent Pre-Feasibility Study (“PFS”) for its 100% owned El Castillo Gold Project (“the Project”) located in the State of Durango, Mexico. The results demonstrate that an open pit, heap-leach mining operation at the Project is economically viable and robust.

Highlights of the study are as follows (all dollar figures in US dollars):

- Robust project economics driven by low pre-production capital expenditures and simple mining and processing technology.
- Base Case after-tax Internal Rate of Return (“IRR”) of 34% and Net Present Value (“NPV”) of \$13.7 million (using \$450 per ounce gold and 8% discount rate).
 - IRR and NPV increase to 93% and \$36.0 million at \$600 per ounce gold.
- Capital payback in 2.8 years under conservative operating scenarios.
- Average gold sales of 29,000 ounces per year for 12 years.
- Life of mine cash costs are estimated to average \$337 per ounce.

The salient details of the PFS are summarized in the table below on an after-tax basis (all dollar figures are in US dollars unless otherwise stated):

IRR	34%
NPV (\$450 per ounce gold, 8% discount rate)	\$13.7 million
Initial Capital Expenditure	\$5.0 million
LOM Cash Costs	\$337/ounce
Annual Throughput	1.4 million tonnes ore
Mine Life	12 years
Strip Ratio	1.52:1
LOM Average Annual Gold Sales	29,000 ounces

The PFS was prepared by A.C.A. Howe International Limited (“Howe”). Three independent Qualified Persons from Howe participated in the completion of the PFS. Howe previously prepared two Pre-Feasibility Reports (the 2002 Howe Report and the 2003 Howe Report) for the Project then known as the El Cairo Project. The updated 2006 Howe Report incorporates results of additional work that was completed at the Project subsequent to the 2003 Howe Report. Howe has reviewed and approved the content of this news release. The PFS will be available on Morgain’s website (www.morgainminerals.com) and SEDAR (www.sedar.com) within 30 days.

Project Economics

Howe developed a cash flow valuation model for the Project based upon the geological and engineering work completed to date. The Base Case was developed using a long term forecast gold price of \$450 per ounce. This price forecast is considerably lower than current price of gold which was \$592 per ounce as at October 25, 2006.

The following table shows the NPV of the Base Case at various discount rates:

Discount Rate	NPV (millions)
8%	\$13.7
10%	\$12.3
12%	\$11.2

The following table shows the sensitivity of the Project to changes in the gold price:

Gold Price	IRR	NPV (millions, 8% discount rate)
\$450	34%	\$13.7
\$500	54%	\$21.1
\$550	74%	\$28.5
\$600	93%	\$36.0

Resources and Reserves

The following table shows the current NI 43-101 resource estimate developed by Howe that forms the basis for the PFS.

Gold cut-off (g/t)	MEASURED			INDICATED			Measured + Indicated		
	Tonnes (000)	Gold Grade Cut (g/t)	Ounces Gold	Tonnes (000)	Gold Grade Cut (g/t)	Ounces Gold	Tonnes (000)	Gold Grade Cut (g/t)	Ounces Gold
5.000	76	3.31	8,090	31	3.17	3,157	107	3.27	11,248
4.000	140	3.08	13,877	76	2.96	7,220	216	3.04	21,097
3.000	286	2.79	25,673	166	2.67	14,245	452	2.75	39,917
2.500	468	2.61	39,211	270	2.61	22,691	738	2.61	61,903
2.000	844	2.33	63,252	413	2.47	32,744	1257	2.38	95,996
1.750	1,158	2.17	80,827	532	2.33	39,836	1,690	2.22	120,663
1.500	1,649	1.98	104,867	671	2.18	47,073	2,320	2.04	151,939
1.250	2,474	1.77	140,390	827	2.03	53,842	3,301	1.83	194,232
1.000	3,999	1.51	194,142	1,131	1.78	64,689	5,130	1.57	258,831
0.900	4,982	1.40	223,925	1,464	1.59	74,839	6,446	1.44	298,764
0.800	6,307	1.28	259,957	1,933	1.41	87,566	8,240	1.31	347,523
0.700	8,209	1.16	305,625	2,620	1.24	104,199	10,829	1.18	409,824
0.600	11,075	1.03	364,971	3,737	1.06	127,236	14,812	1.03	492,207
0.500	15,156	0.90	436,600	5,727	0.88	162,216	20,883	0.89	598,816
0.400	21,250	0.77	524,017	9,207	0.72	211,944	30,457	0.75	735,961
0.375	23,160	0.74	548,034	10,499	0.68	227,847	33,659	0.72	775,880
0.350	25,324	0.70	573,186	12,049	0.64	245,989	37,373	0.68	819,175
0.320	28,278	0.67	604,590	14,042	0.59	267,716	42,320	0.64	872,306
0.250	36,765	0.58	682,026	21,278	0.49	333,158	58,043	0.54	1,015,184
0.001	77,278	0.35	857,168	155,649	0.14	710,600	232,927	0.21	1,567,768

Howe used the Gemcom®-developed measured and indicated resource blocks as the basis for the reserve calculations. The block model was used to develop a mine plan and production schedule for the Project using Whittle optimizations of potential economic pit limits on the Measured and Indicated Resource. The reserve estimate was developed on an open pit design that incorporated an overall pit slope of 45°, a main ramp with an 8% grade and a road allowance of 24 m, and bench height of 6 m. Several optimum pit shells and production schedules were generated for several different gold prices (\$325, \$350, and \$375/oz Au) and cost scenarios. Tonnages of ore and waste were then calculated from the optimized pit shells.

Howe’s base-case ROM scenario at \$325/oz Au contained 17.7 million tonnes of proven and probable ore grading 0.88 g/t Au and 26.8 million tonnes of waste rock (6.1 million tonnes of rhyolite waste and 20.7 million tonnes of oxide waste) resulting in an average stripping ratio of 1.52 tonnes of waste per tonne of ore.

Mining and Milling

The Project will utilize open-pit mining and heap-leach processing. Contract mining is planned to minimize pre-production capital costs. Production is expected to deliver 1.4 million tonnes per year of oxide ore to the heap-leach pads for 12 years. The processing plant is forecast to produce, on average, 29,000 ounces of gold per year, beginning in 2007. Average LOM gold recovery is estimated at 70%.

Capital Costs

The following table summarizes capital cost estimates in the PFS for the Project:

ITEM	COST (US\$)
Mine	\$ 1,879,000
Process Facilities	1,550,000
Admin and Infrastructure	500,000
Indirects (including construction management, engineering and owner’s costs)	687,575
Contingency	461,658
TOTAL	\$ 5,078,233

Operating Costs

The PFS estimates that the cash costs over the life of the mine will average \$337 per ounce of gold sold. Cash costs include mining, processing, G&A and all treatment and refining charges.

Howe recommends that Morgain consider “*purchasing capital equipment for mining and the impact this would have on reducing the mine operating costs.*”

Infrastructure

The Project is located 100 km, by highway, from the City of Durango. Electrical power for the Project will be provided by on-site generators. Water will be sourced locally from bored wells.

Environmental

The Project is fully permitted for the extraction of 100,000 tonnes of ore. Morgain has applied for a new permit to extract additional tonnage beyond the 100,000 tonnes noted above.

Next Steps

Morgain is currently preparing a detailed internal start-up plan, and expects to produce gold in the second quarter of 2007. To minimize capital expenditures and to accelerate start-up, an independent Feasibility Study is being deferred.

About Morgain Minerals Inc.

Morgain Minerals Inc. is a resource exploration company with a number of precious and base metal properties in Mexico. Its corporate strategy is to acquire properties with known resources that can be further developed to production status. Visit Morgain's website www.morgainminerals.com for the latest corporate information.

For further information, please contact:

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CAUTION REGARDING FORWARD LOOKING STATEMENTS:

This news release contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995 and applicable Canadian securities legislation. Forward-looking statements include, but are not limited to, statements with respect to the future price of gold, the timing of exploration activities, the mine life of the El Castillo Project, the economic viability and estimated internal rate of return of the El Castillo Project, the estimation of mineral resources, the results of drilling, estimated future capital and operating costs, future stripping ratios, projected mineral recovery rates and Morgain's commitment to, and plans for developing, the El Castillo Project. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "can", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Morgain to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to the exploration and potential development of the El Castillo Project, risks related to international operations, the actual results of current exploration activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, future prices of copper, silver and molybdenum. Although Morgain has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. Morgain does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

The TSX Venture Exchange has neither approved nor disapproved of the information contained herein.