
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the period ended September 30, 2006

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____________to ____________.

Commission file number 001-07894

MATRIXX RESOURCE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	95-2312900 (I.R.S. Employer Identification No.)
11601 Wilshire Blvd., Ste. 500, Los Angeles, CA (Address of principal executive offices)	90025 (Zip Code)

(310) 235-1479
(Registrant's Telephone Number, Including Area Code)

Check whether the issuer: (1) filed all the reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No __

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes _X_ No __

The number of outstanding shares of the issuer's common stock, $0.001 par value, as of November 10, 2006 was 202,115,805.

Transitional Small Business Disclosure Format (Check one): Yes __ No _X_

MATRIXX RESOURCE HOLDINGS, INC.

INDEX

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Matrixx Resource Holdings, Inc.
(A Development Stage Company)
Balance Sheets

		September 30, 2006 (Unaudited)		June 30, 2006
ASSETS				
CURRENT ASSETS				
Cash	$	-	$	72
Prepaid expenses		12,500		12,500
Stock subscription receivable		-		146,190
Deferred acquisition cost		22,500		1,292,000
Other assets		967		450
Total Current Assets		35,967		1,451,212
Mineral properties		397,000		-
Oil and natural gas properties, full cost accounting method				
Unproved properties, not currently amortized		1,305,875		-
TOTAL ASSETS	$	1,738,842	$	1,451,212

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$	310,086	$	384,420
Accrued liabilities - related parties		71,477		75,384
Bank overdraft		9,560		-
Notes payable with accrued interest - IICG		172,800		172,800
Current portion of note payable with accrued interest - Overseas		32,354		56,842
Short-term loan with accrued interest - M. Avatar		14,704		14,200
Total Current Liabilities		610,981		703,646
LONG TERM LIABILITIES				
Note payable with accrued interest - Overseas		79,848		78,713
Loan payable with accrued interest - Kuma		265,691		-
Total Long Term Liabilities		345,539		78,713

Table continued on F-2

		September 30, 2006 (Unaudited)		June 30, 2006
TOTAL LIABILITIES		956,520		782,359
STOCKHOLDERS' EQUITY				
Preferred Stock, $.001 par value, 10,000,000 shares authorized				
Series A Preferred Stock, committed, nil and 100 shares issued and outstanding, respectively		-		-
Series B Preferred Stock, committed, nil and 100 shares issued and outstanding, respectively		-		-
Common stock, $.001 par value, 400,000,000 shares authorized; 170,801,426 and 128,278,678 shares, respectively, issued and outstanding		170,803		128,279
Additional paid-in capital		22,680,558		21,575,933
Prepaid expenses - expenses prepaid with common stock		(182,283)		(313,268)
Escrowed shares		(3,400,000)		(3,400,000)
Treasury stock, 1,620 shares		(810)		(810)
Accumulated deficit		(18,485,406)		(17,321,281)
Total Stockholders' Equity		782,322		668,853
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	1,738,842	$	1,451,212

The accompanying notes are an integral part of these financial statements.

Matrixx Resource Holdings, Inc.
(A Development Stage Company)
Statements of Operations

	Three Months Ended September 30, 2006 (Unaudited)	Three Months Ended September 30, 2005 (Unaudited)	From Inception (July 1, 2001) to September 30, 2006 (Unaudited)
General and administrative expenses	$ 1,158,653	$ 681,154	$ 17,784,082
Loss from operations	(1,158,653)	(681,154)	(17,784,082)
Other income and expenses			
Gain from extinguishments of debt	-	-	110,468
Gain from settlement of lawsuit	-	-	90,415
Impairment of asset in deferred cost of acquisition	-	-	(600,000)
Interest expense	(5,472)	-	(29,182)
Net Loss from continuing operations after other income and expenses	(1,164,125)	(681,154)	(18,212,381)
Discontinued operations			
Loss on disposal of Visual Interviews, Inc. less applicable taxes	-	-	(73,025)
	(1,164,125)	(681,154)	(18,285,406)
Provision for loss on related parties notes receivable	-	-	(200,000)
Net Loss	$ (1,164,125)	$ (681,154)	$ (18,485,406)
Basic weighted average number of common shares outstanding	146,207,066	32,145,325	
Net Loss per common share, basic	$ (0.01)	$ (0.02)	

The accompanying notes are an integral part of these financial statements.

F-3

Matrixx Resource Holdings, Inc.
(A Development Stage Company)
Statements of Cash Flows

	Three Months Ended September 30, 2006 (Unaudited)	2005 (Unaudited)	From Inception July 1, 2001 to September 30, 2006 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Loss	$ (1,164,125)	$ (681,154)	$ (18,485,406)
Adjustments to reconcile net loss to net provided by operating activities			
Non-cash adjustments:			
Effect of merger	-	-	(27,717)
Provision for loss on receivable received in merger	-	-	200,000
Issuance of stock for services	1,146,339	654,000	11,440,672
Gain from extinguishments of debt	-	-	(110,468)
Gain from settlement of lawsuit	-	-	(90,415)
Issuance of stock for accrued liabilities - related parties	-		175,034
Issuance of stock for notes payable with accrued interest	-	-	42,371
Issuance of stock for subscription receivable	810	-	13,994
Issuance of stock for cost of inducement	-	-	5,515,613
Impairment of Hazard Property	-	-	600,000
Changes in:			
Other assets	(516)	-	(968)
Prepaid expenses	130,445	9,000	(115,323)
Deferred cost of acquisition	(139,675)	(52,000)	(139,675)
Accounts payable and accrued liabilities	(74,334)	(18,997)	313,979
Accrued liabilities - related parties	(3,906)	4,254	98,945
Accrued interest	5,472	-	21,636
NET CASH PROVIDED / (USED) BY OPERATING ACTIVITIES	(99,490)	(84,898)	(547,729)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid in advance of acquisitions	-	-	(162,000)
Investments in mineral properties	(25,000)	-	(25,000)
Investments in oil and gas properties, unproven	(293,700)	-	(293,700)
NET CASH USED BY INVESTING ACTIVITIES	(318,700)	-	(480,700)

Table continued on F-5

	Quarter Ended September 30, 2006 (Unaudited)	Quarter Ended September 30, 2005 (Unaudited)	From Inception July 1, 2001 To September 30, 2006 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank overdraft	9,560	9,711	9,560
Payment received on subscription receivable	146,190	75,149	579,102
Offering costs	-	-	(3,102)
Proceeds from Notes payable	262,369	-	474,094
Payments on Notes payable	-	-	(39,225)
Proceeds from sale of common stock	-	-	125,000
Payment on note payable - Hudson Consulting Group, Inc.	-	-	(117,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	418,119	84,860	1,028,429
NET CHANGE IN CASH	(72)	(38)	-
Cash, beginning of period	72	38	-
Cash, end of period	$ -	$ -	$ -

	Quarter Ended September 30, 2006 (Unaudited)	Quarter Ended September 30, 2005 (Unaudited)
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES:		
Issuance of common stock for services	$ 1,044,516	$ 281,333
Issuance of common stock for prepaid services	$ 101,823	$ 372,667
Issuance of common stock for subscriptions receivable	$ 810	$ -
Issuance of notes payable with accrued interest	$ 262,369	$ -

The accompanying notes are an integral part of these financial statements.

F-5

Matrixx Resource Holdings, Inc.
(A Development Stage Company)
Notes to Financial Statements

1. NATURE OF THE BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Matrixx Resource Holdings, Inc., ("Matrixx" or "Company"), a Delaware corporation, is in the development stage, as defined in Financial Accounting Standards Board Statement No. 7. The Company's year end is June 30.

The Company has focused efforts on identifying and evaluating business opportunities for acquisition or merger to provide long-term growth for its shareholders and to meet its objective of attaining a listing on a national exchange. The Company's current strategy is to target acquisition and investment opportunities in the oil and gas and natural resource exploration industries. The Company's entry into the oil and gas and natural resource exploration business began on July 14, 2006 with the final approval and closing of the Company's purchase of a 98% interest in the Hazard Lake Property, a 355-hectare gold mining property in the Red Lake District in Ontario, Canada and its purchase a five percent interest in the Clovelly Prospect, an oil and gas property in the Lafourche Parish, Louisiana.

On July 14, 2006, the stockholders holding an aggregate of 58,295,528 shares of Common Stock, or 55.6% of the votes entitled to be cast at a meeting of the Company's stockholders, consented in writing i) to change the Company's name to "Matrixx Resource Holdings, Inc.; ii) to approve of that certain Purchase Agreement by and between the Company and Overseas Investment Banking Alliance, S.A. dated October 13, 2005, to purchase the Hazard Lake Property; and iii) to approve of that certain Purchase Agreement by and between the Company and Sterling Grant Capital, Inc. dated November 15, 2005, to purchase a five percent interest in the Clovelly Prospect. The sole holder of all shares of Series A Convertible Preferred Stock and Series B Preferred Stock also consented in writing to the three proposals.

There can be no assurance that the results of the due diligence will be satisfactory or that additional acquisitions or investments will be available to the Company at terms acceptable to the Company. Further, the exploration of oil and gas and natural resources is a highly risky endeavor and there can be no assurance that any of the Company's investments will prove to be successful or profitable.

2. BASIS OF PRESENTATION

The accompanying unaudited financial statements have been derived from the accounts of Matrixx Resource Holdings, Inc. The financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and in accordance with the instructions for Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States.

In the opinion of management, the unaudited interim financial statements for the quarterly period ended September 30, 2006, are presented on a basis consistent with the audited financial statements and reflect all adjustments, consisting only of normal recurring accruals, necessary for fair presentation of the results of such period. The results for the quarter ended September 30, 2006 are not necessarily indicative of the results of operations for the full year ending June 30, 2007. These unaudited financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-KSB for the year ended June 30, 2006.

F-6

Matrixx Resource Holdings, Inc.
(A Development Stage Company)
Notes to Financial Statements

2. BASIS OF PRESENTATION

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results may differ from those estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates in Preparation of Financial Statements

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenue, expenses and disclosure of contingent assets and liabilities to prepare these financial statements in accordance with accounting principles generally accepted in the United States of America. Accordingly, actual results may differ from those estimates.

Oil and Natural Gas Properties

The Company accounts for its oil and gas producing activities using the full cost method of accounting as prescribed by the United States Securities and Exchange Commission (“SEC”). Accordingly, all costs associated with the acquisition of properties and exploration with the intent of finding proved oil and gas reserves contribute to the discovery of proved reserves, including the costs of abandoned properties, dry holes, geophysical costs, and annual lease rentals are capitalized. All general corporate costs are expensed as incurred. The Company’s entry into the oil and gas and natural resource exploration business began on July 14, 2006. As of September 30, 2006, the Company’s oil and gas properties were unproved and, as such, no depletion or amortization expense was recognized in this period.

4. STOCK SUBSCRIPTION RECEIVABLE

On September 14, 2004, the Company executed a Stock Purchase Agreement (the "SPA") with GarcyCo Capital Corp ("GCCC"). The SPA calls for the issuance by the Company of an aggregate of 400,000 shares of Common Stock, post-split, to GCCC in consideration of the payment of $500,000 in cash. All shares are restricted within the meaning of Rule 144 under the Securities Act and must be held indefinitely unless subsequently registered or qualified for exemption. The SPA includes a provision that the purchase price per share, and therefore the number of shares to be delivered at the time of each installment payment, will be calculated for each installment at the lesser of: (a) $1.25 or (b) a 37.5% discount to the 10-day trailing closing price of the Company's Common Stock at the time of each payment.

As of July 18, 2006, the Company had received the full amount of $500,000 owed by GCCC pursuant to the terms of the SPA. The Company issued an aggregate of 12,715,021 shares of Common Stock, restricted under Rule 144 of the Securities Act, on September 18, 2006 to complete the terms of the SPA. In aggregate, the Company received $500,810 and issued 18,543,373 shares of restricted Common Stock valued at an average price of $0.027 per share pursuant to the terms of the SPA.

Matrixx Resource Holdings, Inc.
(A Development Stage Company)
Notes to Financial Statements

5. DEFERRED COST OF ACQUISITION

As of September 30, 2006, the Company has $22,500 in acquisition costs. The amount will be applied toward the acquisition of a 10% participation in the Sandy Point Prospect, an oil and gas prospect located in Brazoria County, Texas. The $22,500 is the result of a conveyance from the $150,000 paid for a 57.5% participation in Buck Snag. The Company's participation in Buck Snag was reduced to 42.5%. *(See Note 7. Oil and Gas Natural Properties).*

6. MINERAL PROPERTIES

<u>Hazard Lake Property</u>. On October 10, 2005, the Company executed a Purchase Agreement (the "Hazard Agreement") with Overseas Investment Banking Alliance, S.A., a Panamanian corporation ("Overseas"), for the purchase of Overseas' 98% interest in the Hazard Lake Property in Ontario, Canada. The Hazard Agreement called for an aggregate purchase price of $397,000, of which $197,000 is to be paid in cash (of which $67,000 has been prepaid), with the balance represented by a note for $130,000. *(See Note 11. Note Payable - Overseas).* The Company has also issued 2,000,000 shares of Common Stock to Overseas. These shares were delivered from the 12,500,000 shares issued to GCCC pursuant to the terms of the GCCC Agreement.

The Hazard Agreement valued the shares at $200,000, or $0.10 per share, based on the current market price on the date of the Hazard Agreement. However, the 12,500,000 escrowed shares were valued at $0.40 per share when issued to GCCC and, therefore, the Company was initially required to value the 2,000,000 shares transferred to Overseas at $0.40 per share for an aggregate value of $800,000, thus making the total purchase price to Matrixx $997,000. As a result of the Company's recently focused attention on acquiring oil and gas properties, it was determined that value of the Hazard Lake Property in deferred acquisition cost was impaired. At June 30, 2006 the Company recognized a $600,000 impairment in the value of the Hazard Property. The remaining balance of $397,000 was transferred from Deferred Cost of Acquisition to Mineral Properties on July 14, 2006, the date of final approval and closing of the transaction. No additional investments or expenses have been incurred for the Hazard Property during the quarter ended September 30, 2006.

7. OIL & NATURAL GAS PROPERTIES

As described in Note 3 above, the Company utilizes the full cost accounting method for its oil and natural gas properties. As of September 30, 2006, the Company has acquired interests in the Clovelly Prospect and the Buck Snag Field. To date the Company has participated in drilling the Allain-LeBreton #2 well at Clovelly and drilling the Schiurring #1 well at Buck Snag. Both the Allain-LeBreton #2 well and the Schiurring #1 well are unproven as of September 30, 2006.

Unproven Wells		**Capitalized Costs**
Clovelly - Allain-LeBreton #2 well		
Acquisition Cost	$	815,000
Cash Calls		260,364
Total Capitalized	$	1,075,364

Matrixx Resource Holdings, Inc.
(A Development Stage Company)
Notes to Financial Statements

7. OIL & NATURAL GAS PROPERTIES (Continued from F- 8)

Unproven Wells		Capitalized Costs
Buck Snag - Schiurring #1 well		
Acquisition Cost	$	127,500
Cash Calls		103,011
Total Capitalized		230,511

Clovelly Prospect. On November 15, 2005, the Company executed a Letter Agreement (the "Letter Agreement") with Sterling Grant Capital Inc. (formerly Sun Oil and Gas Corp.), ("Sterling"), to purchase a 5% minority interest in an oil prospect property. The property is the Clovelly Prospect ("Clovelly") which is located in southeast Louisiana in the Lafourche Parish.

The Letter Agreement called for a purchase price of $15,000 in cash and 2,000,000 shares of common stock. The shares of common stock were issued on January 30, 2006 from the 12,500,000 shares issued to GCCC pursuant to the terms of the GCCC Agreement, leaving the balance of shares in escrow at 8,500,000. The Letter Agreement valued the shares at $100,000, or $0.05 per share, based on the current market price of the Company's Common Stock on the date of the Letter Agreement. However, the 12,500,000 escrowed shares were valued at $0.40 per share when issued to GCCC and, therefore the Company is required to value the 2,000,000 shares transferred to Sterling at $0.40 per share for an aggregate value of $800,000. It is possible that in the future the Company will be required to recognize an impairment in the value of its interest in the Clovelly investment.

Drilling of the Allain-LeBreton No. 2 well on the Clovelly Prospect commenced on June 19, 2006. Cash calls for drilling and other direct costs have been made for an aggregate of $260,364. At September 30, 2006, the Company owes $82,914, which is included in accruals payable and accrued liabilities.

Buck Snag Field. On August 28, 2006, the Company entered into an Acquisition and Participation Agreement ("Buck Snag Agreement") for the acquisition of a 42.5% working interest in the Buck Snag Field ("Buck Snag") from Texahoma Energy, Inc. (Pink Sheets: TXHE), a Nevada corporation ("Texhoma"). The Company's payment of $150,000 to Texhoma was for an initial 57.5% participation in Buck Snag but subsequently the Company agreed to convey 15% of its participation as partial payment for a 10% participation in the Sandy Point Prospect.

The Buck Snag Prospect covers approximately 280 acres of land in Colorado County, Texas. The Schiurring #1 well on Buck Snag commenced drilling on August 11, 2006. Cash calls for drilling costs have been made for an aggregate of $103,011. At September 30, 2006, the Company owes $34,261, which is included in accruals payable and accrued liabilities. *(See Note 15. Subsequent Events).*

8. RELATED PARTY PAYABLES

As of September 30, 2006, the Company owes a total of $71,477 to management and consultants as reimbursement for expenses incurred during the development phase of operations. Included in this amount is $5,000 owed to Isaac Simmons and Kathyrn A. Christmann, parents of Catherine Thompson, the Company's Chief Financial Officer, following a partial repayment of $5,000 on July 7, 2006. The amount of $10,000 was owed as a reimbursement for legal fees paid in the litigation against Hudson Consulting

Matrixx Resource Holdings, Inc.
(A Development Stage Company)
Notes to Financial Statements

8. RELATED PARTY PAYABLES (Continued from F-9)

Group, Inc. Additionally, the Company agreed to reimburse Ms. Thompson for out of pocket expenses incurred on behalf of the Company. Currently, the Company owes an aggregate $ 66,477 for such expenses.

9. NOTE PAYABLE - INTERACTIVE IDEAS CONSULTING GROUP

On April 1, 2004 the Company consummated the acquisition of 100% of RestauranTech from Interactive Ideas Consulting Group ("IICG"). Subsequent to the closing of the acquisition, certain differences in strategic direction for the organization and other issues arose which caused the Company and IICG to seek to rescind the transaction. On May 27, 2004, the parties mutually rescinded the Company's acquisition of RestauranTech.

The rescission agreement with IICG requires the Company to clear certain outstanding balances and reimburse certain expenses of IICG incurred in connection with the acquisition. This obligation is evidenced by a Convertible Promissory Note in the principal amount of $160,000 (the "Note"). The Company believes that there is a sufficient basis on which to dispute the amounts of principal and interest of the Note. As such, the Company accrued interest through the maturity date, May 26, 2005, in the amount of $12,800; no amounts for interest have been accrued beyond that date. As of the date of this filing the Company has not converted the Note and IICG has not requested a conversion.

10. SHORT-TERM LOAN - M. AVATAR (Related Party)

On November 23, 2005, the Company executed a short-term Loan Agreement (“Loan”) with Michael Avatar, a Director of the Company, for $12,500. The Loan was payable on or before February 21, 2006, and bears interest of 16% per annum. There is a late payment penalty of $500 if the principal and interest are not paid by the due date. As of September 30, 2006, the Company has not paid any amounts owing on the loan. The balance due including principal, interest and penalty is $ 14,704.

11. NOTE PAYABLE - OVERSEAS

On October 10, 2005, the Company executed the Hazard Agreement with Overseas for the purchase of Overseas’ 98% interest in the Hazard Lake Property in Ontario, Canada. Pursuant to the terms of the Hazard Agreement the Company executed a note payable (“Note”) for $130,000, payable in annual installments as follows: $25,000 on March 15, 2006, $30,000 on March 15, 2007, $35,000 on March 15, 2008, and $40,000 on March 15, 2009. The Note bears interest at 6% per annum. As the transaction had yet to be fully executed, Overseas extended the March 15, 2006 payment date to coincide with the closing of the acquisition. The installment for March 15, 2006 of $25,000 was paid on July 14, 2006. The current portion of the note with accrued interest is $32,354 is included in current liabilities and the balance of $79,848 is included in long-term liabilities.

12. LOAN AGREEMENT - KUMA

On August 1, 2006, the Company executed a Loan Agreement (“Kuma Loan”) with Kuma Holdings LTD, a Canadian corporation (“Kuma”). Pursuant to the terms of the Kuma Loan, the Company may borrow up to $500,000 to pay for acquisitions, cash calls, payables and public company expenses. The Kuma Loan

F-10

Matrixx Resource Holdings, Inc.
(A Development Stage Company)
Notes to Financial Statements

12. LOAN AGREEMENT - KUMA (Continued from F-10)

matures in 30 months, on January 31, 2009, and bears interest at 10% per annum payable at maturity. As an incentive for the Kuma Loan, Kuma will receive a $50,000 bonus payable in restricted common stock and to be issued upon receipt of the aggregate amount of principal, $500,000. All shares will be issued as restricted within the meaning of Rule 144 under the Securities Act and must be held indefinitely unless subsequently registered or qualified for exemption.

As of September 30, 2006, the Company has received $262,369 in funding from the Kuma Loan, including the aggregate amount of $27,021 from July which was loaned in advance based on the agreement in principal as discussed and agreed to by Matrixx and Kuma. Aggregate principal and interest owing on the Kuma Loan at September 30, 2006, is $265,691. *(See Note 15. Subsequent Events).*

13. CONVERTIBLE PREFERRED STOCK

The Company entered into an Agreement and Plan of Reorganization ("GCCC Agreement") with GCCC which is to facilitate the Company's acquisition plan. The GCCC Agreement provides that the Company will acquire from GCCC certain property and businesses and in consideration, GCCC shall receive 12,500,000 shares of the Company's Common Stock which will be used for the purposes of acquiring other businesses and assets as identified by GCCC and the Company. GCCC shall have two years to meet all of the obligations under the GCCC Agreement. Should GCCC fail to meet any or all of its commitments, then GCCC shall be required to forfeit the pro-rata balance of the 12,500,000 shares of Common Stock issued by the Company. Additionally, GCCC was issued 100 shares of non-revocable, Series A Convertible Preferred Stock and 100 shares of non-revocable, Series B Convertible Preferred Stock.

The Company has 10,000,000 authorized shares of $.001 par value Preferred Stock authorized. Pursuant to the GCCC Agreement, the Company issued 100 shares of non-revocable, Series A Convertible Preferred Stock ("Series A") and 100 shares of non-revocable, Series B Convertible Preferred Stock ("Series B") to GCCC as the cost of inducement for GCCC to sell certain assets and businesses to the Company. The Series A converts into 50.1% of Matrixx's Common Stock at time of conversion. Time of conversion shall be determined at the sole discretion of the shareholder of record. The Series A has one vote per share until said shares are retired at time of conversion. The Series B converts into Common Stock at a ratio of 1 for 1. Time of conversion shall be determined at the sole discretion of the shareholder of record. Each share of Series B is entitled to 1,000,000 votes until such shares are converted into Common Stock. As of the date of this filing it is uncertain as to whether all of the obligations under the GCCC Agreement will be fulfilled. However, 2,000,000 shares valued at $0.40 per share were delivered from GCCC pursuant to the Hazard Agreement. An additional 2,000,000 shares valued at $0.40 per share were delivered on January 30, 2006, pursuant to the Letter Agreement for the purchase of a 5% minority interest in Clovelly. (*See Note 14. Escrowed Shares).*

Both the Series A and Series B issuances are valued as if converted on the effective date of the GCCC Agreement, February 11, 2005. On that date the Company had 17,405,000 shares of Common Stock issued and outstanding, with the current market value of $5,493,563. Conversion of the Series A to equate to 50.1% of the total issued and outstanding Common Stock would require the issuance of 17,474,760 shares for a total of 34,879,760 shares of Common Stock issued and outstanding. The value of the 17,464,760 shares at the average price per share of $0.32 on February 11, 2005, is $5,515,581. Similarly, the 100 shares of Series B converts 1 for 1 to 100 shares of Common Stock valued at $0.32. The par value of the

F-11

Matrixx Resource Holdings, Inc.
(A Development Stage Company)
Notes to Financial Statements

13. CONVERTIBLE PREFERRED STOCK (Continued from F-11)

Preferred Stock for each Series A and Series B is $.001 and, therefore, for 100 shares, the value is negligible for purposes of financial statement presentation. The balances of $5,515,581 and $32 are included in additional paid-in capital.

14. ESCROWED SHARES

At September 30, 2006 the balance in escrowed shares of $3,400,000 is accrued to GCCC pursuant to the GCCC Agreement. In accordance with the GCCC Agreement, the Company issued 12,500,000 shares of Common Stock in the name of GCCC for the purposes of acquiring businesses and assets as identified by GCCC and the Company. GCCC shall have two years to meet all of the obligations under the GCCC Agreement. Should GCCC fail to meet any or all of its commitments, then GCCC shall be required to forfeit the pro-rata balance of the 12,500,000 shares of Common Stock issued by the Company. The shares were valued at $0.40 for an aggregate value of $5,000,000 and are held in escrow to be paid out as required to execute the acquisitions. On October 3, 2005, GCCC utilized 2,000,000 shares valued in aggregate at $800,000 for the acquisition of a 98% interest in the Hazard Lake Property.

The Letter Agreement with Sterling for the Clovelly Prospect executed on November 15, 2005, calls for an aggregate purchase price of $115,000, of which $15,000 has been paid in cash and the balance of $100,000 is to be paid with the issuance of 2,000,000 shares of registered Common Stock. The shares were issued on January 30, 2006, from GCCC, to be registered at a later date, leaving the balance of shares in escrow at 8,500,000. The Letter Agreement values the shares at $100,000 or $0.05 per share based on the current market price on the date of the agreement. However, the 12,500,000 escrowed shares were valued at $0.40 per share when issued to GCCC and, therefore, the Company is required to value the 2,000,000 shares transferred to Sterling at $0.40 per share for an aggregate value of $800,000.

15. SUBSEQUENT EVENTS

On October 5, 2006, the Company finalized the Acquisition and Participation Agreement with Texhoma for the acquisition of a majority working interest in two wells located in Brazoria County, Texas (the “Manvel Agreement”). Pursuant to the terms of the Manvel Agreement, the Company shall receive a 55% working interest in the Manvel 2,000 ft. Miocene Exploration prospect for $20,000 and a 55% working interest in the Manvel 4,500 ft. Oakville Development well for $40,000, (collectively, the “Manvel Prospects”). The Company’s 55% working interest in the leases is subject to an existing overriding 25% Royalty Interest. Pursuant to the terms of the Manvel Agreement, Texhoma has the right to back-in for a 12.5% working interest after payout of the investment to the Company for each well. Payout is defined as the receipt by the Company of the equivalent of the purchase price and the investment out of revenue distribution from the Operator, Sunray. Per the Manvel Agreement, Sunray is also entitled to a 12.5% working interest, proportionately reduced at payout for each well. Both back-in working interest percentages to Texhoma and to Sunray are already factored into the Company’s 55% working interest percentage for both leases. Subsequently, on November 16, 2006, the Company conveyed 10% of its working interest in the Manvel properties as a partial payment towards the acquisition of a 10% participation in the Sandy Point Prospect.

In the period from September 30, 2006 to November 10, 2006, the Company issued 31,314,379 shares of Common Stock to consultants for management and marketing consulting services.

Matrixx Resource Holdings, Inc.
(A Development Stage Company)
Notes to Financial Statements

15. SUBSEQUENT EVENTS (Continued from F-12)

On November 9, 2006, the Company received its first revenue payment in the amount of $3,494 from Sunray for the sales of natural gas produced from the Schiurring #1 well at Buck Snag.

On November 16, 2006, the Company finalized the terms of agreement with Texhoma and Sunray, for the acquisition of a 10% working interest in the Sandy Point Prospect. The acquisition cost of $35,928 is to be paid through a conveyance of 15% of the Company's participation in Buck Snag valued at $22,500; 10% participation in the Manvel properties valued at $6,000; and $7,428 in cash. The site of the first well, the Sandy Point Fite No. 3, is currently being prepared for drilling. Estimated dry hole costs are $445,000 of which the Company's obligation is $44,500. Completion costs are expected to be minimal due to the Fite No. 3's close proximity to the currently producing Fite No. 1 well.

As of the date of this filing the Company owes principal and accrued interest of $390,655 on the Kuma Loan.

As of the date of this filing, the Company has paid an additional amount of $40,000 to Sunray, the operator of the Buck Snag, Manvel and Sandy Point prospects, to reduce balances currently owed.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

THIS REPORT CONTAINS FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, INCLUDING, WITHOUT LIMITATION, STATEMENTS REGARDING THE COMPANY'S EXPECTATIONS, BELIEFS, INTENTIONS OR FUTURE STRATEGIES THAT ARE SIGNIFIED BY THE WORDS "EXPECTS", "ANTICIPATES", "INTENDS", "BELIEVES", OR SIMILAR LANGUAGE. THESE FORWARD-LOOKING STATEMENTS INVOLVE RISKS, UNCERTAINTIES AND OTHER FACTORS. ALL FORWARD- -LOOKING STATEMENTS INCLUDED IN THIS DOCUMENT ARE BASED ON INFORMATION AVAILABLE TO THE COMPANY ON THE DATE HEREOF AND SPEAK ONLY AS OF THE DATE HEREOF. THE FACTORS DISCUSSED BELOW UNDER "FORWARD-LOOKING STATEMENTS" AND ELSEWHERE IN THIS QUARTERLY REPORT ON FORM 10-QSB AND IN THE COMPANY'S ANNUAL REPORT ON FORM 10-KSB FOR THE YEAR ENDED JUNE 30, 2006, ARE AMONG THOSE FACTORS THAT IN SOME CASES HAVE AFFECTED THE COMPANY'S RESULTS AND COULD CAUSE THE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE PROJECTED IN THE FORWARD-LOOKING STATEMENTS.

The following discussion should be read in conjunction with the condensed financial statements and notes thereto.

PLAN OF OPERATION

BACKGROUND

The Company emerged from bankruptcy in 1999 as Erly Industries, Inc. For the past seven years, the Company has been engaged in a series of transactions and restructurings designed to acquire assets or an existing business.

The Company’s search for an operating business or assets for acquisition was facilitated in September 2004 by the consummation of a significant investment in the Company by a strategic partner. On September 14, 2004, the Company executed a Stock Purchase Agreement (the "SPA") with GarcyCo Capital Corp. ("GCCC"). The SPA called for the issuance by the Company of an aggregate of 400,000 shares of common stock to GCCC in consideration of the payment of $500,000 in cash. The Company was to receive the funds in $50,000 increments each quarter, beginning October 15, 2004. As part of the consideration for the SPA, GCCC was given the right to elect one Board member and agreed to retain Catherine Thompson and Michael Avatar on the Board of Directors and as consultants through December 31, 2007. To date, GCCC has not elected a representative to the Board of Directors of Matrixx.

As of July 18, 2006, GCCC completed its obligation to deliver an aggregate of $500,000 in financing to the Company ahead of schedule.

The Company effected a 1 for 500 reverse stock split to all shareholders of record as of October 15, 2004. The reverse stock split was designed to facilitate the Company’s acquisition strategy.

In December 2004, the Company entered into an Agreement and Plan of Reorganization (the "GCCC Agreement") with GCCC. The GCCC Agreement provides that the Company would acquire from GCCC certain property and businesses and in consideration, GCCC shall receive 12,500,000 shares of the Company's Common Stock which will be used for the purposes of acquiring other businesses and assets as identified by GCCC and the Company. GCCC has two years to meet all of the obligations under the GCCC Agreement. Should GCCC fail to meet any or all of its commitments, then GCCC shall be required to forfeit the pro-rata balance of the 12,500,000 shares. Additionally, the Company has issued to GCCC 100 shares of the Company’s Series A Convertible Preferred Stock and 100 shares of Series B

Convertible Preferred Stock. The Series A Convertible Preferred Stock is convertible into 50.1% of Matrixx's Common Stock at the time of conversion, which is determined at the sole discretion of GCCC. The Series A Convertible Preferred Stock has one vote per share. The Series B Convertible Preferred Stock is convertible into shares of Common Stock at a ratio of 1 for 1, and the time of conversion shall be determined at the sole discretion of GCCC. Each share of Series B Convertible Preferred Stock is entitled to 1,000,000 votes until such shares are converted into Common Stock.

The Company and GCCC sought to identify and evaluate business opportunities for acquisition or merger to provide long-term growth for its shareholders and to meet the Company's objective of attaining a listing on a national exchange. The Company's current strategy is to target acquisition and investment opportunities in the oil and gas and natural resource exploration industries.

The Company is developing a program for investments in the oil and gas industry which will allow the Company to grow responsibly by contributing to assets with diversification to help mitigate the industry associated risk. The Company's philosophy is to take small interests in relatively low risk opportunities. However, the Company may elect to accept a larger interest when the cost / benefit or cost/risk ratio is perceived to be very low. Management is not experienced in this industry and as such relies upon consultants and partners to bring proposals and to assist with investment decisions. The Company attempts to minimize risk by working with experienced and reputable partners and operators, considering factors such as success rates, experience with certain types of wells, and the cash flow sources of the Company's partners . The Company must also evaluate deal structure for fit with the current portfolio demands and its ability to raise financing. Lastly, the Company also analyzes property specific details such as the type of well, the target depth to be drilled, the field location and proximity of other wells, and if reserves or fields are proven.

The Company's entry into the oil and gas and natural resource exploration business began on July 14, 2006 with the final approval and closing of the Company's purchase of a 98% interest in the Hazard Lake Property, a 355-hectare gold mining property in the Red Lake District in Ontario, Canada and its purchase of a five percent interest in the Clovelly Prospect, an oil and gas property in the Lafourche Parish, Louisiana.

Acquisitions and Investments

Hazard Lake Property. On October 10, 2005, the Company executed a Purchase Agreement (the "Hazard Agreement") with Overseas Investment Banking Alliance, S.A., a Panamanian corporation ("Overseas"), for the purchase of Overseas' 98% interest in the Hazard Lake Property in Ontario, Canada. The Hazard Lake Property is valued at $397,000, net of impairment costs of $600,000 recognized at June 30, 2006.

The Hazard Lake Property lies within the Archean Birch-Uchi Greenstone Belt of the western Uchi Subprovince of NW Ontario, in an area known as the Red Lake Mining District. The property consists of three unpatented claims, all of which are in good standing, with an aggregate area of approximately 355 hectares. The Company and GCCC have reviewed a proposal for an exploration program, however, the Company's recent focus in the oil and gas sector is expected to take precedence for the near term.

Clovelly Prospect. On November 15, 2005, the Company executed a Letter Agreement (the "Letter Agreement") with Sterling Grant Capital Inc. (formerly Sun Oil and Gas Corp.) to purchase a 5% minority interest in an oil prospect property. The property is the Clovelly Prospect which is located in southeast Louisiana in the Lafourche Parish.

Drilling of the Allain-LeBreton No. 2 well on the Clovelly Prospect commenced on June 19, 2006. Due to difficulties encountered in drilling the No. 2 well, the operator will drill a twin hole. A twin hole is described as drilling a well adjacent to an existing well, such as the No. 2 well. The Company also plans to drill as soon as practicable, an additional well known as a PUD (Proven, Undeveloped well) to a target depth of 12,500 feet.

2

The No. 2 well encountered a two foot gas discovery, but due to the location of the hole, the drilling may have incurred an offset, whereby an additional 28 feet of discovery may exist containing up to 5 BCFG. While the gas discovery might be considered as an added benefit, the intended cause of drilling the twin is primarily to target what is known as the "M" sand at or about 14,300 feet to 14,500 feet with a prospective size of 10 to 11 million bar