WABI EXPLORATION INC.
MANAGEMENT'S DISCUSSION & ANALYSIS
For the Three Months Ended July 31, 2012

This Management's Discussion and Analysis (MD&A) is management's assessment of the statement of operations and the financial results together with future prospects of Wabi Exploration Inc. ("Wabi" or the "Company"). The MD&A should be read in conjunction with the Unaudited Interim Financial Statements and related Notes for the three months ended July 31, 2012 and 2011. Readers are cautioned that this discussion contains forward-looking statements that are not historical in nature and involve risks and uncertainties. Forward-looking statements are not guarantees as to Wabi's future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements. Readers are encouraged to consult the Company's Audited Financial Statements and corresponding Notes to the financial statements for the years ended April 30, 2012 and 2011, for additional details. The Unaudited Interim Financial Statements and MD&A are presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are presented in Canadian dollars unless otherwise specified. This discussion addresses matters we consider important for an understanding of our financial condition and results of operations as of September 20, 2012 and for the three months ended July 31, 2012. Readers are encouraged to read the Company's public information filings which can be accessed and viewed through a link to the Company's Canadian Securities Commissions filings via the System for Electronic Data Analysis and Retrieval (SEDAR) at www.sedar.com.

Forward-Looking Statements

This Management's Discussion and Analysis includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the mining industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of Wabi to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of Wabi to fund the capital and operating expenses necessary to achieve the business objectives of Wabi, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by Wabi. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of Wabi should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this document are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

Overview

As at September 20, 2012, the directors of the Company were:

Andrew McQuire
Galen McNamara
James Brady

Mikotel Networks Inc. ("Old Mikotel") was incorporated on February 25, 2000. On May 9, 2000, Old Mikotel amalgamated with Nufort Resources Inc. ("Nufort"), a public company, and was continued as Mikotel Networks Inc. ("New Mikotel"). The principal focus of the Company was on the development, licensing, and support of internet-based solutions. Mikotel was the developer of the netVergence line of Plug and Play Network Appliances for small business and home offices. NetVergence offered a sophisticated firewall around the devices of a network.

At the Annual and Special Meeting of Shareholders held on November 2, 2004, the shareholders approved a consolidation of the shares of the Company on the basis of one share for every two shares held. The shareholders approved a change of name to Wabi Exploration Inc. to more effectively reflect the new direction to be taken by the Company as that of a company involved in the exploration of minerals. Both the consolidation and the change of name became effective on January 14, 2005.

The Company had been inactive since January 14, 2005 until December 2010 when it acquired gold and base metal mineral exploration claims in the Snow Lake Area of Manitoba. Pursuant to the terms of the agreement, the Company paid $15,000 and issued 200,000 shares of the Company to acquire the claims. An additional 200,000 shares of the Company were issued on April 18, 2012 to complete Wabi's earn-in of a 100% interest in the unpatented mining claims. In order for the Company to acquire additional properties or to explore and develop its existing one, the Company will need to obtain additional financing to fund these activities. There is no guarantee that this will happen.

2012 Exploration Season and Plans

Wabi is exploring for gold and base metals on its Flin Flon project. The related unpatented mining claims cover approximately 3,000 hectares and are located in The Pas Mining District in Manitoba. During the three months ended July 31, 2012, the Company did not conduct any field-based activities on these claims. The Company is currently planning an exploration program to be carried out in the winter of 2012. The initial plan included 3-D induced polarization (IP) surveys on both grids and on the lake ice covering the Elbow Lake gold-base metal (V.M.S.) exploration project. However, mild weather during the winter of 2011 caused a lack of ice on Elbow Lake, which prevented the Company from carrying out these surveys. Consequently, the planned IP surveys have been deferred until winter of the current year. In order to keep the claims in good standing, subsequent to the period ended July 31, 2012, the Company paid $10,108 to the Manitoba Government, Department of Mines, in lieu of completing that portion of the work and to keep the claims in good standing. As a result the claims are in good standing and are valid until July 17, 2013.

The current exploration program will consist of line cutting a second grid, as originally planned, in preparation for the IP surveys.

Exploration Expenses

Exploration expenditures incurred during the three months ended July 31, 2012 and 2011 are as follows:

	Three months ended July 31,	
	2012	2011
Exploration Expenses		
Technical consulting	$ -	$ 6,875
Program planning and reports	-	3,297
Lab work	-	325
	$ -	$ 10,497

Results of Operations

THREE MONTHS ENDED JULY 31, 2012

The Company incurred a net loss of $14,577 or $0.00 per share for the three month period ended July 31, 2012, compared with a net loss of $35,688 or $0.00 a share for the same period in 2011.

Professional fees for the three month period ended July 31, 2012 were $4,999 compared to $4,956 in the same period of 2011.

Shareholder relations expenses for the three months ended July 31, 2012 totaled $4,717 compared to $10,961 for the same period in 2011. The decrease over the prior year period is due to filing fees and transfer agent fees paid during the prior year period in connection with the Company's listing on the Canadian National Stock Exchange on August 9, 2011, as well as for website and logo design.

Office and general costs for the three months ended July 31, 2012 totaled $2,977 compared to $9,074 during the same period in 2011. The decrease over the prior year period is mainly due to travel costs incurred to make site visits to the Company's Elbow Lake property. As there was no exploration work done during the three months ended July 31, 2012, no site visits were made and, therefore, no travel costs were incurred in the current period. Also, accounting costs were lower in the current three-month period due to the decrease in operating and administrative activities over the prior year three-month period.

Liquidity and Capital Resources

The Company has no operating revenues and relies primarily on equity financings as well as the exercise of warrants and options to fund its exploration and administrative costs.

The Company's operations consist of the exploration and evaluation of its sole property, a process that is ongoing, and is dependent on many factors some of which are beyond the Company's control. The Company maintains a policy of reviewing its working capital requirements on a continuous basis and is mindful of its property and administrative commitments.

The Company reported a working capital deficit of $56,559 as at July 31, 2012, compared to a working capital deficit of $107,116 as at April 30, 2012. The Company anticipates that additional financings will be required during fiscal 2012 to cover its exploration and general and administrative expenses.

The Company has a need for equity capital and because of limited working capital and continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing. It is not possible to predict whether financing efforts will be successful.

Selected Financial Information

The information below should be read in conjunction with the management's discussion and analysis, the financial statements and related notes and other financial information.

	Year Ended April 30, 2012	Year Ended April 30, 2011	Year Ended April 30, 2010[1]
	$	$	$
Revenue	Nil	Nil	Nil
Loss before income taxes	163,103	50,169	50,408
Net Loss	163,103	50,169	50,408
Loss Per Share, basic and diluted	$0.00	$0.00	$0.00
Total Assets	54,510	48,477	2,715
Total Liabilities	136,554	76,957	207,206

[1] Presented in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

Summary of Quarterly Results

	Q2 2011 $	Q3 2011 $	Q4 2011 $	Q1 2012 $	Q2 2012 $	Q3 2012 $	Q4 2012 $	Q1 2013 $
Total revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	(17,137)	(6,850)	(20,437)	(35,688)	(93,030)	(10,147)	(24,238)	(14,577)
Loss per share[1]	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)

[1] Basic and diluted

Subsequent Events

See, "2012 Exploration Season and Plans" and "Related Party Transactions."

Financial Instruments

Details of the significant accounting policies and methods adopted for financial instruments (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 3 to the Audited Financial Statements for the years ended April 30, 2012 and 2011.

Fair value

The Company has designated its cash and amounts receivable as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, and shareholder's loan are classified as other financial liabilities, which are measured at amortized cost.

Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The carrying amounts for cash, amounts receivable, and accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of the instruments. It is not possible to determine if the shareholder's loan is at fair value as there is no comparable market value for such a loan.

At July 31, 2012, the Company had no financial instruments that are carried at fair value.

For a full discussion on financial instrument risk factors please refer to Note 12 to the interim unaudited financial statements for the period ended July 31, 2012.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Convertible Debenture

A director and officer of the Company from time to time advances funds to the Company for working capital needs. In August 2011, the Company repaid an amount owing of $34,508 to the director and officer, who then advanced the Company an additional $65,000 in the form of a convertible debenture. The debenture is convertible into common shares of the Company at a price of $0.05 per common share, had an initial term of one year, is unsecured and bears interest at 1% per annum. Subsequent to the period ended July 31, 2012, the director and officer opted to extend the terms of repayment of the debenture for one year. The debenture is now due August 3, 2013.

The debenture is classified as a liability, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the debenture being less than face value. The discount is being accreted over the term of the debenture utilizing the effective interest rate method at a 12.3% discount rate. An amount of $1,697 was recorded as accretion expense on the statement of operations and comprehensive loss for the period ended July 31, 2012 (July 31, 2011 - $nil).

Subsequent to the period ended July 31, 2012, the director and officer advanced $5,000 to the Company to cover working capital needs.

Directors and Officers Compensation

During the three months ended July 31, 2012 the Company paid $2,500 to officers of the Company as remuneration for services provided (July 31, 2011 - $9,875).

PROPOSED TRANACTIONS

The Company does not contemplate any proposed asset or business acquisitions or dispositions as of the date hereof.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at September 20, 2012	Authorized	Outstanding
Voting or equity securities issued and outstanding	Unlimited Common Shares	19,033,699 Common Shares.
Securities convertible or exercisable into voting or equity securities	Options to acquire up to 10% of the issued and outstanding Common Shares. 5,000,000 Warrants expired if unexercised on or before November 21, 2012 3,803,604 Warrants expired if unexercised on or before October 28, 2015 1,250,000 Warrants expired if unexercised on or before June 20, 2013 1,300,000 Convertible debenture converted if unpaid by August 3, 2013	Options to purchase 500,000 common shares at a price of $0.10 on or before October 29, 2013 Warrants to purchase 5,000,000 common shares at a price of $0.05 on or before November 21, 2012 Warrants to purchase 3,803,604 common shares at a price of $0.10 on or before October 28, 2015 Warrants to purchase 1,250,000 common shares at a price of $0.15 on or before June 20, 2013 Convertible debenture convertible into 1,300,000 common shares at a price of $0.05 on or before August 3, 2012

The Company entered into a non-brokered private placement with a director and officer of the Company for 5,000,000 units at a price of $0.01 per unit. Each unit is comprised of one common share and one common share purchase warrant, exercisable at $0.05 until November 21, 2012.

The Company issued a total of 3,803,604 units at a price of $0.05 per unit in settlement of $190,180 in amounts due to related parties and a director and officer of the Company. Each unit is comprised of one common share and one common share purchase warrant. The warrants are exercisable at a price of $0.10 per common share until October 28, 2015.

The Company completed a private placement through the issuance of 2,500,000 units at a price of $0.05 per unit for gross proceeds of $125,000. Each unit is comprised of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company for a period of two years from the date of issuance of the warrants at an exercise price of $0.15 per share.

The Company granted 500,000 stock options on October 29, 2010 to officers, directors and consultants of the Company. Each option is exercisable at a price of $0.10 until October 29, 2013.

The Company entered into an agreement with a director and officer of the Company who advanced the Company $65,000 in the form of a convertible debenture. The debenture is convertible into common shares of the Company at a price of $0.05 per common share, is due August 3, 2013, is unsecured and bears interest at 1% per annum.

Additional information relating to the Company can be found under the Company's documents filed on the SEDAR website at http://www.sedar.com.

Future Accounting Pronouncements

Certain pronouncements were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after May 1, 2012 or later periods. Many of these updates are not applicable or are not consequential to the Company and have been excluded from the list below. The following pronouncements are being assessed to determine their impact on the Company's results and financial position.

IFRS 9 – Financial Instruments: Classification and Measurement
This standard was published in November 2009 and contained requirements for financial assets. Requirements for financial liabilities were added to IFRS 9 in October 2010. Most of the requirements for financial liabilities were carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities to address the issue of own credit risk. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company has not yet determined the impact of IFRS 9 on its financial statements.

IFRS 10 – Consolidated Financial Statements builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company (effective from January 1, 2013). The Company has not yet determined the impact of IFRS 10 on its financial statements.

IFRS 11 – Joint Arrangements establishes the principles of financial reporting by entities when they have an interest in arrangements that are jointly controlled (effective from January 1, 2013). The Company has not yet determined the impact of IFRS 11 on its financial statements.

IFRS 12 – Disclosure of Interest in Other Entities provides the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off balance sheet entities (effective from January 1, 2013). The Company has not yet determined the impact of IFRS 12 on its financial statements.

IFRS 13 – Fair Value Measurement defines fair value, requires disclosure of fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards (effective from January 1, 2013). The Company has not yet determined the impact of IFRS 13 on its financial statements.

IAS 1 – was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012. The Company has not yet determined the impact of the amendments to IAS 1 on its financial statements.

IAS 12 – Income Taxes ("IAS 12") provides amendments to introduce an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. IAS 12 is effective for annual periods beginning on or after July 1, 2012 with earlier application permitted. The Company has not yet determined the impact of the amendments to IAS 12 on its financial statements.

IAS 28 – Investments in Associates and Joint Ventures revised the existing standards and prescribes the accounting for investments and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures (effective January 1, 2013). The Company has not yet determined the impact of the amendments to IAS 28 on its financial statements.

RISKS AND UNCERTAINTIES

There are certain risk factors that could have material affects that are un-quantifiable at present due to the nature of the Company's industry segment and other considerations.

Exploration

The Company's exploration projects are subject to conditions beyond its control that can affect the carrying costs and development costs for varying lengths of time. Such conditions include environmental hazards, unusual or unexpected geological formations or pressures and periodic interruptions due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or facilities, personal injury, environmental damage, delays in exploration programs, monetary losses and possible legal liability. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that exploration efforts will be successful. Success in establishing reserves is a result of a number of factors, including the quality of management, the Company's level of geological and technical expertise, the quality of land holdings, the availability of suitable contractors, and other factors. Through high standards and continuous improvement the Company works to reduce these risks and maintains insurance to cover normal business risks.

If mineralization is discovered, it may take several years of exploration work until a production decision is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling, to determine the optimal metallurgical process to extract the metals from the ore and to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment of resources or reserves. Whether a resource deposit will ultimately be commercially viable depends on a number of factors, including the particular attributes of the deposit such as the deposit's size, financing costs and the prevailing prices for the applicable resource. Also of key importance are government regulations, including those relating to prices, taxes, royalties, land tenure, land use and environmental protection.

Environmental, Health and Safety

The Company's activities are subject to extensive federal, provincial and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, where 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 company is also subject to various reclamation-related conditions imposed under federal or provincial rules and permits, and there can be no assurance that they will not change in the future in a manner that could have a material effect on the Company's financial condition, liquidity or results of operations.

Licenses and Permits, Laws and Regulations

The Company's exploration activities require permits from various government authorities, and are subject to extensive federal provincial and local laws and regulations governing prospecting, exploration, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become stringent and compliance can therefore become more costly. The Company relies on the expertise and commitment of its management team, their advisors, its employees and contractors to ensure compliance with current laws and fosters a climate of open communication and co-operation with regulatory bodies.

The Company believes that it holds all necessary licenses and permits under applicable laws and regulations and believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that the Company will be able to maintain or obtain all necessary licenses and permits that may be required to explore and develop its properties, commence construction or operation of mining facilities or to maintain continued operations.

Additional Capital
In the absence of cash flow from operations the Company relies on the capital markets to fund operations. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that additional funding will be available, or available under terms favourable to the Company. Failure to obtain such additional finance could result in delay or the indefinite postponement of further exploration and the development of the Company's properties.

Going Concern
The ability of the Company to continue as a going concern is dependent upon, among other things, being able to obtain additional financing, and maintaining positive cash flows.

Key Personnel
The success of Wabi depends to a large extent upon its abilities to retain the services of its senior management and key personnel. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance Wabi can maintain the services of its directors, officers or other qualified personnel required to operate is business.

Independent Contractors
Wabi's success also depends to a significant extent on the performance and continued service of independent contractors. The Company contracts the services of professional drillers, construction and engineering services. Poor performance by such contractors or the loss of such services could have a material and adverse effect on Wabi and it business and results of operations and could result in failure to meet business objectives.

Management's Responsibility
Management is responsible for all information contained in this MD&A. The audited financial statements have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the audited financial statements in all material aspects.

Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate and assets are safeguarded.

September 20, 2012
James Brady – President