

**WABI EXPLORATION INC.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
**For the Three and Nine Months Ended January 31, 2014 and 2013**

*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 Condensed Interim Financial Statements and related Notes for the three and nine months ended January 31, 2014 and 2013. 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, 2013 and 2012, for additional details. The Unaudited Condensed 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 March 28, 2014 and for the three and nine months ended January 31, 2014. 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](http://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 March 28, 2014, the directors of the Company were:

Andrew McQuire  
Galen McNamara  
James Brady

Wabi Exploration Inc. (“Wabi”, or the “Company”) currently has a 100% interest in 11 unpatented gold and base metal mineral exploration claims in the Snow Lake Area of Manitoba, Canada, which it is in the process of evaluating. The Company has been unable to obtain additional funding in order to explore or develop these claims and due to current market trends there is no guarantee that funding will become available in the near future.

The Company’s shares are listed on the Canadian Securities Exchange (“CSE”) and are trading under the symbol “WAB”.

## 2013/2014 Exploration Season and Plans

Wabi is exploring for gold and base metals on its Flin Flon project, located in The Pas Mining District in Manitoba. Due to Wabi’s inability to secure flow-through or other financing to execute its 2013 exploration program and the current limitations of available funding for junior mining companies in general, the Company does not intend to perform any work in 2014 on most of its claims. During the period ended January 31, 2014, the Company paid \$9,639 (2013 - \$9,005) to the Manitoba Government, Department of Mines, in lieu of completing that portion of the work and to keep the claims in good standing. The Company renewed three strategic claims within its 11 claim block and dropped the remaining claims.

## Exploration Expenses

Exploration expenditures incurred during the three and nine months ended January 31, 2014 and 2013 are as follows:

	Three months ended		Nine months ended	
	January 31,		January 31,	
	2014	2013	2014	2013
<b>Exploration Expenses</b>				
Claims renewal fee	\$ -	\$ -	\$ 9,639	\$ 9,005
Technical consulting	-	-	600	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,239</u>	<u>\$ 9,005</u>

## Results of Operations

### THREE MONTHS ENDED JANUARY 31, 2014

The Company incurred a net loss of \$4,467 or \$0.00 per share for the three month period ended January 31, 2014, compared with a net loss of \$6,859 or \$0.00 a share for the same period in 2013.

Professional fees for the three month period ended January 31, 2014 were \$435 compared to \$1,155 in the same period of 2013. The expense in the prior year period relate to legal fees incurred in dealing with matters related to the Company’s property agreement, and for routine filings.

Office and general costs for the three months ended January 31, 2014 totaled \$1,525 compared to \$2,500 during the same period in 2013. These relate to monthly accounting services provided during the period.

Shareholder relations expenses for the three months ended January 31, 2014 totaled \$2,178 compared to \$3,038 for the same period in 2013. The change over the prior year period is due to AGM-related costs, increased filing fees in the current period and an increase in fees paid to the CSE during the current year period.

Interest on the convertible debenture of \$163 was recorded during the three months ended January 31, 2014 (2013 - \$Nil).

#### **NINE MONTHS ENDED JANUARY 31, 2014**

The Company incurred a net loss of \$44,925 or \$0.00 per share for the nine month period ended January 31, 2014, compared with a net loss of \$54,729 or \$0.00 a share for the same period in 2013.

Professional fees for the nine month period ended January 31, 2014 were \$4,135 compared to \$19,966 in the same period of 2013. The expense in the prior year period relates to legal fees incurred in dealing with matters related to the Company's property agreement and for routine filings.

Office and general costs for the nine months ended January 31, 2014 totaled \$6,301 compared to \$9,008 during the same period in 2013. Wabi did not renew its insurance policy in July 2013 and, as such, did not incur insurance expense during the nine months ended January 31, 2014. Also, accounting fees were slightly higher in the prior year period compared to the current year period.

Shareholder relations expenses for the nine months ended January 31, 2014 totaled \$21,053 compared to \$14,550 for the same period in 2013. The change over the prior year period is due to increased general filing fees in the current period and for filing the Company's documents on SEDAR, and an increase in fees paid to the CSE during the current year period.

The convertible debenture was revalued using the effective interest rate method at an interest rate of 20% (2012 - 12.3%) and accretion expense was recorded during the nine months ended January 31, 2014 in the amount of \$2,198, compared to \$1,697 for the nine months ended January 31, 2013.

Interest on the convertible debenture of \$488 was recorded during the nine months ended January 31, 2014 (2013 - \$Nil).

#### **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 deficiency of \$203,437 as at January 31, 2014, compared to a working capital deficiency of \$158,913 as at April 30, 2013. The Company anticipates that additional financings will be required during fiscal 2014 to cover its 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. Given the current global financial conditions and recent lack of alternate sources of financing available to the Company, Wabi's President and CEO, James Brady, advances funds to the Company from time to time to cover working capital needs.

## Selected Financial Information

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

	Year Ended April 30, 2013	Year Ended April 30, 2012	Year Ended April 30, 2011
	\$	\$	\$
Revenue	Nil	Nil	Nil
Loss before income taxes	86,625	163,103	50,169
Net Loss	86,625	163,103	50,169
Loss Per Share, basic and diluted	\$0.00	\$0.01	\$0.00
Total Assets	1,895	54,510	48,477
Total Liabilities	160,272	136,554	76,957

## Summary of Quarterly Results

	Q4 2012 \$	Q1 2013 \$	Q2 2013 \$	Q3 2013 \$	Q4 2013 \$	Q1 2014 \$	Q2 2014 \$	Q3 2014 \$
Total revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	(24,238)	(14,577)	(33,293)	(6,859)	(31,896)	(11,635)	(28,823)	(4,032)
Loss per share <sup>1</sup>	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

<sup>1</sup> Basic and diluted

## Subsequent Events

See "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, 2013 and 2012.

## Financial Instrument Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below. There have been no changes in the risks, objectives, policies or procedures during the period ended January 31, 2014 and 2013.

### Credit Risk

The Company's credit risk is primarily attributable to cash. The Company has no significant concentration of credit risk arising from operations. Cash consists of bank deposits which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote.

### Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at January 31, 2014, the Company had cash and amounts receivable of \$2,839 (April 30, 2013 - \$1,359) to settle current liabilities of \$203,657 (April 30, 2013 - \$160,272).

## **Market Risk**

### **(a) Interest rate risk**

The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management considers interest rate risk to be minimal given that, as at January 31, 2014, no amounts were held in short-term deposit certificates.

### **(b) Foreign currency risk**

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions at this time are small and therefore, does not hedge its foreign exchange risk. The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

### **(c) Price risk**

The Company is exposed to price risk with respect to commodity prices. Changes in commodity prices will impact the economics of development of the Company's mineral properties. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. Price risk is remote since the Company is not currently a revenue producing entity.

## **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 January 31, 2014, the Company had no financial instruments that are carried at fair value.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## **RELATED PARTY TRANSACTIONS**

### **Convertible Debenture**

The Company's President and CEO, James Brady, from time to time advances funds to the Company for working capital needs. In August 2011, Mr. Brady executed a promissory note in the amount of \$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. In August 2012, Mr. Brady opted to extend the terms of repayment of the debenture for one year to August 3, 2013. During the three months ended January 31, 2014, Mr. Brady again opted to extend the terms of repayment of the debenture for one year. The debenture is now due August 3, 2014. Wabi entered into this related party transaction due to current global financial conditions and limited alternate sources of financing.

The debenture is classified as a liability, with the exception of the portion relating to the conversion feature, which resulted in the initial carrying value of the debenture being less than face value. The discount was accreted over the term of the debenture utilizing the effective interest rate method at a 20% discount rate (2012 - 12.3%). An amount of \$2,198 was recorded as accretion expense on the statement of operations and comprehensive loss for the nine months ended January 31, 2014 (January 31, 2013 - \$1,697).

Subsequent to the period ended January 31, 2014, Mr. Brady advanced \$900 to the Company to cover working capital needs.

### Directors and Officers Compensation

During the three months ended January 31, 2014 the Company incurred an expense of \$1,500 for remuneration payable to the Company's CFO, Rebecca Hudson, for management services provided (January 31, 2013 - \$2,500). During the nine months ended January 31, 2014 the Company incurred an expense of \$6,500 for remuneration payable to the Company's CFO, Rebecca Hudson, for management services provided (January 31, 2013 - \$8,500).

### 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 March 28, 2014	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.  3,803,604 Warrants with expiry date October 28, 2015  1,300,000 Convertible debenture converted if unpaid by August 3, 2014	As at January 31, 2014, there were no options outstanding.  Warrants to purchase 3,803,604 common shares at a price of \$0.10 on or before October 28, 2015  Convertible debenture convertible into 1,300,000 common shares at a price of \$0.05 on or before August 3, 2014

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. During the period ended January 31, 2014, these warrants expired unexercised.

The Company granted 500,000 stock options on October 29, 2010 to officers, directors and consultants of the Company. These options expired unexercised on 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, 2014, is unsecured and bears interest at 1% per annum.

At January 31, 2014, 2,706,593 shares were held in escrow with the Company's transfer agent. These shares belong to related parties of the Company and were taken into escrow in connection with the Company listing its shares on the CNSX on August 9, 2011. During the period ended January 31, 2014, 1,353,296 shares were released from escrow and returned to the related parties in question. A total of 1,353,296 shares will be released from escrow on February 11, 2014 and the remaining 1,353,297 shares will be released from escrow on August 11, 2014.

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, 2013 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.

### **IAS 32 – Financial instruments, Presentation**

In December 2011, effective for annual periods beginning on or after January 1, 2014, IAS 32 was amended to clarify the requirements for offsetting financial assets and liabilities. The amendments clarify that the right of offset must be available on the current date and cannot be contingent on a future date. The Company has not yet determined the impact of IAS 32 on its financial statements.

## **RISKS AND UNCERTAINTIES**

There are certain risk factors that could have material affects that are unquantifiable 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 its 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 its 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.

March 28, 2013

James Brady – President and CEO