# WABI EXPLORATION INC.
## MANAGEMENT'S DISCUSSION & ANALYSIS
### For the Year Ended April 30, 2011

*Management's discussion and analysis (MD&A), current to August 26, 2011, 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 our audited financial statements and related notes for the years ended April 30, 2011 and 2010. 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. The Company has adopted National Policy Instrument 51-102F1 as the guideline to presenting the MD&A. Additional information relevant to the Company's activities including the Company's Annual Report and audited financial statements can be found on 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 August 26, 2011, the directors and officers of the Company were:

| | |
|---|---|
| Andrew McQuire | Director |
| Galen McNamara | Director |
| Joshua Bailey | Director |
| Gordon Henriksen | Director |

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. In order for the Company to acquire or develop a new business, someone will need to take the time and effort to reorganize and recapitalize the Company. There is no guarantee that this will happen.

## Results of Operations

### THREE MONTHS ENDED APRIL 30, 2011

The Company incurred a net loss of $20,437 or $0.00 per share for the three month period ended April 30, 2011, compared with a net loss of $13,172 or $0.00 a share for the same period in 2010.

Professional fees for the three month period ended April 30, 2011 decreased by $8,218 to $13,392 compared to $21,610 in the same period of 2010. The increase is attributable to lower legal fees during the current period.

Shareholder relations expenses for the three month period ended April 30, 2011 increased by $3,403 to $3,403 compared to $nil for the same period in 2010. The increase is due to filing fees paid during the period.

General and administration costs for the three month period ended April 30, 2011 increased by $8,213 to $8,334 compared to $121 in the same period in 2010. The increase is due to higher consulting fees and printing expenses paid during the current period.

The Company acquired computer equipment for $1,608 during the three months ended April 30, 2011 compared to $nil for the comparative period in 2010. Mineral property acquisition costs totaled $15,000 in cash option payments (three months ended April 30, 2010 - $nil) and the issuance of 200,000 common shares (three months ended April 30, 2010 - nil).

### YEAR ENDED APRIL 30, 2011

The Company incurred a net loss of $50,169 or $0.00 per share for the year ended April 30, 2011, compared with a net loss of $50,408 or $0.00 a share for 2010.

Professional fees for the year ended April 30, 2011 decreased by $14,839 to $26,336 compared to $41,175 in 2010. The increase is attributable to lower legal fees during the current period.

Shareholder relations expenses for the year ended April 30, 2011 increased by $6,783 to $6,783 compared to $nil for 2010. The decrease is due to less filing fees as a result of fewer transactions being completed during the current period.

General and administration costs for the year ended April 30, 2011 increased by $417 to $9,650 compared to $9,233 in the same period in 2010.

Stock-based compensation expense during the year ended April 30, 2011 was $5,000 compared to $nil for 2010. During the current year, the Company granted 500,000 stock options to officers, directors and consultants of the Company.

The Company acquired computer equipment for $1,608 during the year ended April 30, 2011 compared to $nil in 2010. Mineral property acquisition costs totaled $15,000 in cash option payments (April 30, 2010 - $nil) and the issuance of 200,000 common shares (April 30, 2010 - nil).

**Subsequent Events**

i) Subsequent to the year ended April 30, 2011, the Company completed a private placement through the issuance of 2,500,000 units of the Company 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.

ii) On August 9, 2011 the Company received approval of its application to list its common shares on the Canadian National Stock Exchange ("CNSX"). Effective August 11, 2011, the Company's common shares began trading on the CNSX under the trading symbol "WAB".

iii) On August 2, 2011, the Company repaid the amount due to a shareholder of the Company of $34,508, who then lent the Company $65,000 in the form of a convertible debenture for the term of 1 year at 1% interest per annum. The debenture will be convertible at the option of the holder into common shares of the Company at a price of $0.05 per common share.

## 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, 2011** | **Year Ended April 30, 2010** | **Year Ended April 30, 2009** |
|---|---|---|---|
| | $ | $ | $ |
| Revenue | Nil | Nil | Nil |
| (Income) Loss before income taxes | 50,169 | 50,408 | 51,984 |
| Net (Income) Loss | 50,169 | 50,408 | 51,984 |
| (Income) Loss Per Share | $0.00 | $0.00 | $0.00 |
| Total Assets | 48,477 | 2,715 | 3,443 |
| Total Liabilities | 76,957 | 207,206 | 157,526 |

**Summary of Quarterly Results**

| | **Q1 2010 $** | **Q2 2010 $** | **Q3 2010 $** | **Q4 2010 $** | **Q1 2011 $** | **Q2 2011 $** | **Q3 2011 $** | **Q4 2011 $** |
|---|---|---|---|---|---|---|---|---|
| Total revenue | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil |
| Net Income (Loss) | (7,874) | (2,702) | (26,660) | (13,172) | (5,745) | (17,137) | (6,850) | (20,437) |
| Income (Loss) per share | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) | (0.00) |

## CAPITAL RESOURCES, CAPITAL EXPENDITURES AND LIQUIDITY

The Company reported a working capital deficit of $51,088 as at April 30, 2011, compared to a working capital deficit of $204,491 as at April 30, 2010. The Company anticipates that additional financings will be required during fiscal 2011 to cover its general and administrative expenses.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## ISSUANCE OF SHARES FOR DEBT

### Related Party Transactions

On October 28, 2010, the Company issued 944,228 units to Fort Chimo Minerals Inc., which is controlled by a director of the Company, in settlement of an amount payable of $47,211. Each unit consists of one common share of the Company and one common share purchase warrant. The warrants are exercisable at a price of $0.10 per common share until October 28, 2015.

### Due to Shareholder

On October 28, 2010, the Company issued 2,859,376 units to a director and officer of the Company in settlement of an amount payable of $142,969. Each unit consists of one common share of the Company and one common share purchase warrant. The warrants are exercisable at a price of $0.10 per common share until October 28, 2015.

## PROPOSED TRANACTIONS

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

## CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

There were no changes in the accounting policies for the year ended April 30, 2011.

### Future Accounting Changes and Effective Dates

*Business Combinations*

CICA Handbook Section 1582 "Business Combinations", replaces Section 1581 – "Business Combinations" and provides the Canadian equivalent to International Financial Reporting Standards ("IFRS") 3 – "Business Combinations". This applies to a transaction in which the acquirer obtains control of one or more businesses. Most assets acquired and liabilities assumed, including contingent liabilities that are considered to be improbable, will be measured at fair value. Any interest in the acquiree owned prior to obtaining control will be remeasured at fair value at the acquisition date, eliminating the need for guidance on step acquisitions. Additionally, a bargain purchase will result in recognition of a gain and acquisition costs must be expensed. The Company expects to adopt this standard on May 1, 2011 and is currently assessing the impact of the adoption.

*Consolidations and Non-Controlling Interests*

CICA Handbook Section 1601 "Consolidations" and Section 1602 "Non-Controlling Interests" replace Section 1600 "Consolidated Financial Statements". Section 1602 provides the Canadian equivalent to International Accounting Standard 27 – "Consolidated and Separate Financial Statements ", for non-controlling interests. The Company expects to adopt this standard on May 1, 2011 and is currently assessing the impact of the adoption.

*International Financial Reporting (IFRS)*

In February 2008, the Accounting Standards Board ("AcSB") confirmed that IFRS, as issued by the International Accounting Standards Board ("IASB"), will replace Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises and must be adopted for fiscal years beginning on or after January 1, 2011. Changing from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

The Company launched its conversion project in mid-2011 drawing on internal and external resources and personnel. The Company is following the key events timeline proposed by the AcSB to obtain training and thorough knowledge of IFRS, finalize assessment of accounting policies with reference to IFRS and plan for convergence to be ready for the 2011 changeover.

The conversion project consists of four primary phases:

- Preliminary impact assessment phase was completed in June 2011 and served as the basis for the planning of future phases.
- Design, planning and solution development phase — the design and planning portion of this phase is in process and will be completed in September 2011. This phase involves the development of the detailed plan for convergence and implementation. The solution development portion of this phase will be completed in September 2011 and involves the analyses of policy alternatives allowed under IFRS, the specification of changes required to existing accounting policies, and the development of solutions for information systems and business processes. In addition, the Company continues to monitor IFRS developments and adapt its convergence plan accordingly. Continuing changes to IFRS will result in certain policies and policy choices being revised or not finalized until later in the Company's convergence timeline.
- The implementation phase will be completed in September 2011, and includes the completion and formal authorization of recommended changes to accounting policies, the execution of changes to information systems and business processes, delivery of training programs across the Company, and the preparation of the opening balance sheet and draft financial statements with disclosures that are compliant with IFRS. In addition, the impact of IFRS on certain agreements, such as property option agreements and compensation agreements, will be addressed.
- Post-implementation phase — this phase will involve a compliance review and project assurance activities, to ensure the adequacy of controls over the IFRS conversion project itself.

The Company has engaged and will continue to engage in dialogue with the Company's independent auditors in all phases of the conversion project.

Implementation of changes to the reporting and system processes to support preparation of the IFRS opening balance sheet at May 1, 2010 is projected to be completed by the end of September 2011. The Implementation Phase also includes ongoing training for key personnel, identification and documentation of impact and required changes to, and ensuring the effectiveness of, the Company's internal control environment and disclosure controls and procedures. This stage of phase 3 will be conducted into early October 2011. The post implementation phase will include sustainable IFRS compliant financial data and processes for fiscal 2011 and beyond.

The Company is in the process of quantifying the impacts expected on its consolidated financial statements in order to complete the preparation of its opening balance sheet at May 1, 2010. The following is a discussion of some of the specific issues facing the Company related to the accounting standards identified as most likely to have a material financial statement impact.

IFRS 6, IAS 8 – Exploration and Evaluation:
The Company's policy under Canadian GAAP is to expense all exploration and evaluation costs as they are incurred until a project is determined to be potentially economically viable. Under IFRS, the Company will continue to expense all exploration and evaluation costs until probable economic recovery is determined. The Company does not expect to record an adjustment to the opening IFRS balance sheet at May 1, 2010 for exploration and evaluation.

IFRS 2 – Share Based Payments
The Company's policy under Canadian GAAP is to use the straight-line method to account for options that vest over time. Under IFRS, for graded-vesting features, IFRS requires each instalment to be treated as a

separate share option grant, because each instalment has a different vesting period, and hence the fair value of each instalment will differ. As a result, the Company will adjust its expense for share-based awards to reflect this difference in recognition.

In addition, Canadian GAAP permits companies to either estimate the forfeitures at the grant date or record the entire expense as if all share-based payments vest and then record forfeitures as they occur. IFRS requires that forfeitures be estimated at the time of grant to eliminate distortion of remuneration expense recognized during the vesting period. The estimate should be revised if subsequent information indicates that actual forfeitures are likely to differ from previous estimates. The Company estimated a 0% forfeiture rate and, as a result, no adjustments were recognized.

The Company does not expect to record an adjustment to the opening IFRS balance sheet at May 1, 2010 for share-based payments.

IAS 12 – Income Taxes:
While the overall methodology for recording deferred taxes is consistent between Canadian GAAP and IFRS, there are several other key differences that may have a significant impact on the Company's financial statements. The IFRS impact on tax processes and policies is extensive as the impact will not only result from changes to tax accounting standards but may also arise from changes to other standards.

IFRS requires a deferred tax asset or liability to be recognized for exchange gains and losses related to nonmonetary assets and liabilities that are re-measured into the functional currency using the historical exchange rates. Under Canadian GAAP, a deferred tax asset or liability is not recognized for a temporary difference arising from the difference between the historical exchange rate and the current exchange rate translations of the cost of non-monetary assets and liabilities of integrated foreign operations.

Furthermore, Canadian GAAP requires that the current and long-term portions of future income tax assets, and future income tax liabilities, be shown separately on the financial statements, whereas IFRS does not.

The Company does not expect to record an adjustment to the opening IFRS balance sheet at May 1, 2010 for income taxes.

IFRS 1 – First-Time Adoption of IFRS:
Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of May 1, 2010, the date of the first comparative balance sheet presented under IFRS. However, IFRS 1 provides entities adopting IFRS for the first time a number of optional exemptions and mandatory exemptions, in certain areas, to the general requirement for full retrospective application of IFRS on the date of transition. The following are the optional exemptions which the Company is considering:

- Fair value or revaluation as deemed cost election – The Company may elect on transition to record certain items of property, plant and equipment at fair value. Use of this election can avoid the requirement to reverse any impairment losses recognized prior to transition.
- Share-based payments election – This election enables the Company to adopt IFRS 2, Share-based payments, from the date of transition to IFRS.

The remaining optional exemptions are not expected to be significant to the Company's adoption of IFRS.

## DISCLOSURE OF OUTSTANDING SHARE DATA

| As at August 26, 2011 | | Authorized | | Outstanding |
|---|---|---|---|---|
| Voting or equity securities issued and outstanding | | Unlimited Common Shares | | 18,840,116 Common Shares. |
| Securities convertible or exercisable into voting or equity securities | | a) Options to acquire up to 10% of the issued and outstanding Common Shares.<br><br>5,000,000 Warrants expired if unexercised on or before November 21, 2012<br><br>3,803,604 Warrants expired if unexercised on or before October 28, 2015<br><br>1,250,000 Warrants expired if unexercised on or before June 20, 2013 | | Options to purchase 500,000 common shares at a price of $0.10 on or before October 29, 2013<br><br>Warrants to purchase 5,000,000 common shares at a price of $0.05 on or before November 21, 2012<br><br>Warrants to purchase 3,803,604 common shares at a price of $0.10 on or before October 28, 2015<br><br>Warrants to purchase 1,250,000 common shares at a price of $0.15 on or before June 20, 2013 |

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 of the Company 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.

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

## 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.

### Additional Capital

The activities of the Company may require substantial additional financing. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financings will be favorable to the Company.

**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 unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles 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 unaudited 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.

August 26, 2011
G. McNamara – Director