

Management's Discussion and Analysis of Financial Condition and Operations

Basis of Presentation and Transition to IFRS

As of 01 January 2011, **Starrex Mining Corporation Ltd.** (“Company”) adopted international Financing Reporting Standards (“IFRS”) for Canadian publicly accountable enterprises. Prior to the adoption of IFRS, we followed Canadian Generally Accepted Accounting Principles (“Canadian GAAP”). While IFRS has numerous similarities to Canadian GAAP, some of the corporate accounting policies have changed as a result of the transition to IFRS. The most significant accounting policy changes that have had an impact on the results of our operations are discussed in more detail in the Accounting Changes section of this Management Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”).

This MD&A should be read in conjunction with our audited consolidated annual financial statements as at and for the period ending 31 December 2011, which have been prepared using IFRS and the provisions of National Instrument 51-102, and should also be read in conjunction with the audited consolidated financial statements herewith which were prepared after the mandatory adoption of IFRS and which will be included in this MD&A for the fiscal year ended 31 December 2011. Copies of all relevant financial documents and interim Company filings to date may also be referenced on the regulatory filings website -- www.SEDAR.com. This MD&A has been prepared as at 27 April 2012.

Company Overview

Company Management continues to review and evaluate a flow of merger and/or acquisition (M&A) and reverse take-over (RTO) proposals in both the resource and industrial business sectors. The indicated expansion of third party interest in a Starrex transaction may be based on the reported regulatory timing, costs, and general difficulties in obtaining new public financing by way of new stock offerings or private equity placements under prospectuses and/or offering circulars governing new financings.

It is Starrex Management’s intent to ensure that following a change-in-control transaction our Shareholders will continue to retain a meaningful residual equity interest in the successor business operation. This policy dictates intensive negotiations and due diligence investigations involving the principals, both management and financial, of the interested third party entities.

Starrex Management is currently in advanced due diligence concerning a California oil and gas development project on which a comprehensive independent consultant’s report is in preparation. The project parameters and prospective commerciality are considered highly interesting.

Your Management has maintained that the following corporate valuation criteria must be considered as included among the Starrex corporate assets of tangible value -- as a Stock Exchange-listed Company in good standing for many years.

In addition to its free cash position -- Starrex also brings the following tangible and intangible corporate assets to the bargaining table; namely:

- A clearly modest and “clean” capitalization -- comprised exclusively of only 3.4-million outstanding common shares, fully diluted.

- No senior or dilutive Starrex securities are potentially in issue -- or currently committed for issue -- except for a modest aggregate of Treasury shares reserved for Directors' incentive stock options (80,000 shares exercisable at about current market trading prices).
- Widespread North American stakeholder distribution -- estimated to aggregate about 1,500 shareholders -- which includes multiple separate accounts held by many major institutional intermediaries, primarily international financial firms.
- Net free Treasury cash and equivalent hard assets, largely cash, aggregating approximately \$1,000,000.
- A corporate history of successful business operations (profitable Canadian gold mine from 1986 through about 2000) -- with Starrex maintaining its regulatory good standing through a Toronto Stock Exchange (Venture -- NEX Board) listing since our 1982 incorporation.

The Company's common shares are listed on the NEX Board of the **TSX Venture Exchange (Symbol : STX.H)** -- and continues to maintain non-registered listing status on the **U.S. OTC BB (Symbol : STXMF)**.

The Company's current assets and operations largely comprise, in addition to cash, generally passive income-producing investments in equity positions in diverse public and private companies, both related and unrelated, as determined by the Directors, which are maintained while continuing to pursue an acceptable M&A or RTO transaction. Though Management is optimistic that an advantageous transaction will be concluded in a reasonable time frame (see "Significant Current Events and Status" section below), no conclusion can presently be foreseen or reported as to the possible timing, or successful outcome, or otherwise, of any ongoing negotiations that can result in the closing of a transaction, except for the California oil and gas project described in this section.

Significant Current Events and Status

Other M&A Transaction Negotiations

Strictly as a model prospect, Management has been in negotiation, after comprehensive due diligence investigations, on an M&A/RTO transaction with an established U.S. financial corporation with a business model comprising three (3) profitable operating segments; namely; mortgage banking; real estate brokerage; and an insurance agency. Aggregate income (all U.S. dollars; unaudited) at 30 September 2010 was about \$9.0-million, with reported net income of over \$500,000. Total assets reported at that date were \$31.5-million, with current liabilities of \$24-million, and with partners' capital of \$7.4-million. These negotiations are only pending at this time because the Starrex shareholders have not been offered to date an adequate ownership position in the proposed merged business entity.

Financial Condition

During the period under review (the year-end ending 31 December 2011), the Company's current asset and current liability positions reflect the requirements of Notes 2 and 3 appended to the 2011 audited annual Financial Statements. Modest expenditures for current operating and corporate overhead requirements are reported, increased modestly during each reporting period largely for due diligence investigations required for proposed M&A and RTO transactions under consideration by Management as described under the "Company Overview" section of this MD&A. The Company also considers the interim acquisition of liquid financial stakes in unrelated companies or other operating entities by investing part of our net free cash working capital position in generally short-term investment positions.

Tambao Mining Project

In late 2005, Starrex acquired, by way of a divestment from another company, for a nominal consideration, an interest in the Tambao (Burkina Faso) manganese project which has remained, to our knowledge, in a care-and-maintenance status since the late 1990s. The project was originally acquired and held under a 1992 Convention (the published Agreement document) entered into with the Government of Burkina Faso. High fuel and energy costs continue to make commercial Tambao mining operations uneconomic despite currently improved, but very volatile, manganese ore market prices. The extended shutdown of Tambao's mining operations has made the legal status of the mining rights granted under the 1992 Convention uncertain and subject to adverse Government decisions without our firm commitment to adequately finance a timely mining plan. Currently, the legal status of this project remains uncertain and without tangible value attributable to the Company.

Nominal Starrex Share Valuation

Reflecting the approximately 3.4-million Starrex common shares (fully diluted) currently outstanding, each share has a nominal value, largely in cash, near its recent market trading price -- which does not include the added market valuation that may be attributed to our modest capitalization; to our seasoned (over 25 years) corporate position as a Stock Exchange-listed security; to our widely distributed North American shareholder base -- and to our significant free Treasury cash, and cash equivalents, financial condition -- all as more particularly described under the "Company Overview" section of this MD&A.

Overview of Financial Performance

During the period under review, the Company maintained its working and operating capital position materially unchanged -- which is currently held largely in cash, short term Chartered bank-issued financial instruments and other cash-equivalent securities. Operating expenses during the period under review remained limited to basic administrative overhead which only nominally impacts the Company's cash position on an annual basis.

Results of Operations

During the period under review -- investment income was nominal due to the continuing low market interest rate environment for Government and Chartered Bank securities. Revenue, largely investment income, for the period under review increased to \$6,710, from last year's \$4,599. Operating and administration expenses for both periods aggregated about \$76,500 (which included nominal non-cash stock-based compensation expense). The expenses for each period were largely attributable to the costs of due diligence investigations incurred in several new business negotiations and investigations, as described under the "Company Overview" section of this MD&A. The reported net loss per share for each reporting period were 2 cents per share.

Liquidity and Capital Resources

At the end of the period under review, current assets aggregated \$832,000, a modest decline from \$903,000 reported at the prior year-end. Current liabilities for both reporting periods remained unchanged at about \$266,000 which largely comprised a loan (\$234,826) payable to a related party and which is not subject to interest accruals or a firm repayment date.

Cash Flow Statement

Taking into account the variable maturities and timing of short term Government and Chartered Bank fixed income investments which comprised the primary free cash asset position of the Company at the end of each period under review, the cash flow position of the Company remained substantially unchanged compared with the prior year end.

Share Capital Analysis

As at the date of this MD&A, the share capital of the Company continued to comprise exclusively 3,429,566 common shares, unchanged for several years. There are no dilutive securities outstanding or committed for issue, including, without limitation, senior or convertible securities and share purchase warrants or options requiring the future issuance of new Company share capital, except for 80,000 common share Director incentive stock options exercisable at a price of \$0.50 per share; first exercisable as to one-third of the aggregate in October 2008, and as to a further one-third of the aggregate exercisable in each of October 2009 and October 2010. The options have a term of five years ending in October 2012.

Accounting Policies

The Company has accepted and employs the now mandated IFRS accounting policy on reporting its financial condition in accordance with IFRS standards, with all amounts stated in Canadian dollars. The ongoing significant accounting policies are more particularly described in the Notes hereto and in those provided with the audited Financial Statements for the year ending 31 December 2011.

Quarterly Information

Due to the generally inactive and passive status of the Company's limited state of its business activities, comparisons between the Company's current period under review and the 8 prior quarterly periods are not considered meaningful.

Segmented Information

The statements and projections herein are limited to one reportable operating segment which, for the purposes of this MD&A, is limited to the Company's presently largely passive investment positions. There is no current need to differentiate between geographic areas of business operations until more material expenditures or investments are required from the Company for business activities which will require the commitment of material Company cash resources in different businesses or for clearly differentiated purposes in different geographic or political jurisdictions.

Use of Financial Instruments

The Company has not entered into any conventional or other financial instruments designed to minimize its investment risk, currency risk or commodity risk. No off-balance sheet arrangements have been established nor are there any pending plans to do so. The limited scale of the Company's current and foreseeable operations do not warrant consideration of any special financial undertakings or instruments.

Transactions with Related Parties

The Company's related party transactions deal exclusively with routine, intermittent payments of modest administrative fees for essential corporate services rendered by the Company's Chief Executive Officer and Chief Financial Officer, respectively. The fees are generally paid annually and are more particularly described in the Notes to the audited Financial Statements for the year ending 31 December 2011. The remuneration to Directors is based on payments of \$250 for each Director's Meeting attended in person or by way of telephone conference calls, plus out-of-pocket expenses incurred in connection with their attendance at such Meetings, or as otherwise incurred in furtherance of their duties as Directors. No Director or corporate officer is currently indebted to the Company nor have they been indebted to the Company during 2011, and during the 2012 fiscal year to date. The Company has no pension plan for Directors or corporate officers or employees.

Capital Disclosures

The Company's objectives when managing capital is to maintain its ability to continue as a going concern in order to provide return for Shareholders and benefits for other Shareholders and to ensure sufficient resources are available to meet day-to-day operating management.

The Company considers the items included in Shareholder's equity as capital. The Company manages its capital structure and makes adjustments to it, in order to have funds available to support its corporate activities.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the modest current business and financial size of the Company, is reasonable.

The Company is not subject to externally imposed capital requirements and there has been no change in the overall capital risk management strategy during the year.

Financial Risk Factors

The Company is exposed in varying degrees, though considered modest for the size of the Company, to a variety of financial instrument related risks; as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and cash equivalents. This risk is managed through the use of a major chartered bank which is a high credit quality financial institution as determined by rating agencies.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available capital in order to meet its liquidity requirements.

Market Risk

The only significant market risk exposure to which the Company is currently exposed is interest rate risk. The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash and cash equivalents are relatively unaffected by normal changes in short term interest rates.

Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer ("Disclosure Committee") are responsible for establishing and maintaining the Company's disclosure controls and procedures, including adherence to the Disclosure Policy adopted by the Corporation. The Disclosure Policy requires all staff employees to keep the Disclosure Committee fully apprised of all material information affecting the Company so that the Committee may evaluate and discuss this information and determine the appropriateness and timing for public release, if so decided. Access to such material information by the Disclosure Committee is facilitated by the modest size of the Company's senior management group and the regular communications engaged in between them.

The Disclosure Committee, after evaluating the effectiveness of the Company's disclosure controls and procedures as of the end of the 31 December 2011 end of the annual auditing period, has concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its subsidiaries would have become known to them.

The Company's Disclosure Committee is also responsible for the design of internal controls over financial reporting. The fundamental issue has been determined as ensuring that all transactions are properly authorized and identified and entered into a well designed and clearly understood system on a timely basis to minimize risk of inaccuracy, failure to fairly reflect transactions, failure to fairly record transactions necessary to present financial statements in accordance with generally accepted accounting principles, unauthorized receipts and expenditures, or the inability to provide assurance that unauthorized acquisition or dispositions of assets can be detected.

The relatively small size of the Company makes the described identification and authorization process reasonably efficient and is considered an efficient process for reviewing internal controls over financial reporting. To the extent possible, given the Company's modest business operations, and utilizing professional outsourcing for part of the process, the internal control procedures provide for the clear separation of duties for receiving, approving, coding and handling of invoices, entering transactions into the accounts, writing cheques and completing and recording wire requests. As of 31 December 2011, the Company's Disclosure Committee has concluded that the Company's system of internal controls is adequate and reasonably comparable to those of issuers of a similar size and nature. There have been no changes during the most recent reporting period, being the fiscal year ended 31 December 2011, in the Company's internal controls over its financial reporting that have affected or would reasonably be expected to affect its financial reporting.

Convergence with International Financial Reporting Standards (“IFRS”)

In February 2008, the CICA announced that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced by International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011. Accordingly, the said IFRS have been adopted for these unaudited Financial Statements. The conversion from Canadian GAAP to IFRS is now applicable to the Company's reporting for the 2011 fiscal year. The Company is now required to apply all of the relevant IFRS standards which are effective for the fiscal year ending December 31, 2011.

The components of a complete set of IFRS-compliant financial statements are: statement of financial position (balance sheet), comprehensive income statement of changes in equity, statement of cash flows, and notes including accounting policies. The income statement is presented as a component of the statement of comprehensive income. The balance sheet is presented in ascending or descending order of liquidity. The income statement is classified by nature of items or by each major functional area.

The Company has decided to elect to use the historical cost carrying values as determined under Canadian GAAP for transitional purposes.

The Company has determined that there is no impact from the costs of property, plant and equipment upon transition as at January 1, 2011.

The Company has recognized option expense on a graded basis that is consistent with the IFRS 2 amortization methodology and had no unvested options at January 1, 2011. Accordingly, the Company has determined that there is no transitional impact at January 1, 2011.

Based on work completed so far the Company has determined that the adoption of IFRS does not have a pervasive impact on its present systems and processes. The Company has implemented certain minor changes to the general ledger account descriptions as well as the calculation methodologies currently in use for certain specific financial statement areas, including asset impairment and share-

based compensation. The Company has evaluated the effectiveness of any significant changes to controls, if any, to prepare for certification under IFRS in 2012.

The Company's first financial statements prepared in accordance with IFRS were the financial statements for the three-months ending March 31, 2011, which included notes disclosing transitional information and disclosure of the new accounting policies under IFRS.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS standards require management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Significant estimates made by the Company include factors affecting valuations of stock-based compensation, share purchase warrants, and of its income tax accounts. The Company regularly reviews its estimates and assumptions; however, actual results could differ from these estimates and these differences could be material.

Outlook

The Company will continue to evaluate for the purpose of a global M&A/RTO transaction, diverse equity and investment offering proposals involving a corporate change-in-control. Refer to the "Company Overview" section of this MD&A for the status of certain of the Company's current negotiations and policies with respect to certain potential transactions currently under active consideration and also from time to time. Management considers that the Company's "clean" financial condition and its interesting intangible assets (see "Company Overview" section) can profitably be capitalized on by way of a business transaction that can offer tangible growth potential. In-house reviews of proposed business combinations concentrate on the integrity and industry experience of the target company's principals and senior management -- including evidence establishing their longer term personal and financial commitments to the future merged entity.

On Behalf of the Board:
per: S. Donald Moore; President
27 April 2012

Forward-Looking Statements

Certain statements contained or incorporated in this MD&A which deal with the Company's financial condition and operating results, including information, analyses and projections as to future corporate developments which are currently in the planning stage, and on the projected operating financial performance of the Company, constitute forward-looking statements. Such forward-looking statements, made with special reference to the Company's ongoing merger and acquisition negotiations, involve known and unknown risks and uncertainties that could cause actual events and results to differ materially from those estimated or anticipated and which may have been implied or expressed in such forward-looking statements. No conclusions as to the successful outcome of the ongoing and planned business projects and diversification negotiations in which the Company is involved are intended nor implied nor can they be foreseen or predicted prior to definitive corporate announcements as to their outcome.

Furthermore, the forward-looking statements contained in this MD&A are made as of the date hereof and the Company does not undertake any obligations to update publicly, or to revise any of the included forward-looking statements, whether as a result of new information, future events, or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Management's Responsibility for Financial Reporting

The accompanying Financial Statements of Starrex Mining Corporation Ltd. (the "Corporation") and the information in this Annual Report are the responsibility of Management and are prepared in accordance with generally accepted accounting principles, consistently applied, that are considered to be the most appropriate in the circumstances.

The Corporation's accounting procedures and related systems of internal controls are designed to provide reasonable assurance that its assets are appropriately accounted for, are adequately safeguarded and that its financial records are reliable, complete and accurate, all in a cost-effective manner.

Management is satisfied that these Financial Statements have been prepared accordingly, and within reasonable limits of materiality, which include certain amounts that are based on estimates and judgments. Further, Management is satisfied that the financial information throughout the balance of this Annual Report is consistent with the information presented in the audited Financial Statements.

The independent external Auditors were engaged by the Shareholders, as described in the accompanying Management's Information Circular. The independent external Auditors will be considered for re-appointment and engagement at the next Annual Meeting. The independent external Auditors have examined the Financial Statements of the Corporation for the years ended December 31, 2011 and 2010 and the Auditor's Report and opinion thereon is expressed herewith.

The independent external Auditors, MSCM llp, Chartered Accountants, have audited the Financial Statements presented herein in accordance with generally accepted auditing standards on behalf of the Shareholders. Management has ensured that the Auditors have had full and free access to the Company's books of account and all financial records.

Dated this 25th day of April 2012

Signed by:

"S.Donald Moore"
President & Chief
Executive Officer

Signed by:

"John A. Murphy"
Secretary-Treasurer