

# **AFRASIA MINERAL FIELDS INC.**

MANAGEMENT DISCUSSION AND ANALYSIS

August 31, 2012

# AFRASIA MINERAL FIELDS INC.

Management Discussion & Analysis

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## 1.1 Date

This Management Discussion and Analysis (“MD&A”) of Afrasia Mineral Fields Inc. (the “Company”) has been prepared by management as of October 29, 2012 and should be read in conjunction with the condensed interim financial statements and related notes thereto of the Company for the three months ended August 31, 2012 and 2011, and the audited financial statements and related notes thereto of the Company for the years ended May 31, 2012 and 2011, which were prepared in accordance with International Financial Reporting Standards (“IFRS”).

This MD&A may contain “forward-looking statements” which reflect the Company’s current expectations regarding the future results of operations, performance and achievements of the Issuer. The Issuer has tried, wherever possible, to identify these forward-looking statements by, among other things, using words such as “anticipate,” “believe,” “estimate,” “expect” and similar expressions. The statements reflect the current beliefs of management of the Company, and are based on currently available information. Accordingly, these statements are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Issuer to differ materially from those expressed in, or implied by, these statements.

The Company undertakes no obligation to publicly update or review the forward-looking statements whether as a result of new information, future events or otherwise.

## 1.2 Over-all Performance

The Company was incorporated on June 24, 1986 under the laws of British Columbia. The Company was listed on the TSX Venture Exchange (“TSX-V”) under the symbol “AFS” and on September 29, 2008 the Company’s listing was transferred from the TSX-V to the NEX board of the TSX-V. Effectively, the trading symbol for the Company changed from “AFS” to AFS.H”.

The Company is in the process of identifying, evaluating and negotiating business opportunities in the resource industry.

## 1.3 Selected Annual Information

May 31,	2012	2011	2010
	(IFRS)	(IFRS)	(IFRS)
Total interest and other income	\$ 1,275	\$ 1,087	\$ 2
Net Loss	\$ (159,784)	\$ (157,726)	\$ (308,465)
Loss per share	\$ (0.01)	\$ (0.01)	\$ (0.02)
Total assets	\$ 118,127	\$ 235,217	\$ 737,097
Total long term liabilities	\$ Nil	\$ Nil	\$ Nil
Cash dividends declared per share for each class of share	\$ Nil	\$ Nil	\$ Nil

The Company’s transition to IFRS did not result in adjustments of prior periods financial results.

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## 1.4 Results of Operations

During the three months ended August 31, 2012, the Company incurred a loss of \$29,329 or \$0.002 per share as compared to a loss of \$50,926 or \$0.003 per share in the same period in fiscal 2012, a decrease in loss by \$21,597. The decrease in loss was primarily due to decreased general and administration expenses including consulting fees and travel and promotion expenses.

Significant fluctuations during the period were as follows:

- a) There were no consulting fees paid in the current period as compared to consulting fees of \$10,688 in the comparative period last year. The consulting fees paid during the three months ended August 31, 2011 were paid for geological consulting services retained to evaluate an investment opportunity in the mining industry, which the Company subsequently decided not to pursue;
- b) The decrease in office and administration costs of \$1,675 was due to decreased business activities;
- c) There were no travel and promotion expenses incurred in the current period. During the three months ended August 31, 2011, the Company incurred \$12,764 in travel and promotion costs for the Company's directors and consultants visit to a mining site for their due diligence process;
- d) The increase in rent expenses of \$2,184 in the current period was due to increased monthly office rent and an operational cost recovery of \$1,401 received by the Company during the quarter ended August 31, 2011;
- e) The increase in regulatory and transfer agent fees of \$464 was primarily due to a refund of regulatory fees of \$560 from the TSX-V received during the quarter ended August 31, 2011.

## 1.5 Summary of Quarterly Results

The following is a summary of certain financial information concerning the Company for each of the last eight reported quarters:

Quarter ended	Interest and other income	Loss	Loss per share
August 31, 2012	\$ 215	\$ (29,329)	\$ (0.00)
May 31, 2012	239	(38,419)	(0.01)
February 29, 2012	216	(29,968)	(0.00)
November 30, 2011	272	(40,471)	(0.00)
August 31, 2011	548	(50,926)	(0.00)
May 31, 2011	488	(39,670)	(0.01)
February 28, 2011	599	(30,502)	(0.00)
November 30, 2010	—	(37,806)	(0.00)

There have been no significant trends or variations over the past eight fiscal quarters. The Company's transition to IFRS did not result in adjustments of prior periods financial results.

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## 1.6/1.7 Liquidity and Capital Resources

The Company reported working capital of \$25,174 at August 31, 2012 compared to working capital \$54,112 at May 31, 2012, representing a decrease in working capital of \$28,938.

As at August 31, 2012, the Company had net cash and cash equivalents on hand of \$86,508 compared to \$104,211 as at May 31, 2012. During the three months ended August 31, 2012, the Company used \$17,703 of its cash in operating activities, consisting primarily of general and administrative expenditures and change in non-cash working capital items.

Current assets excluding cash as at August 31, 2012 consisted of receivables of \$10,114, which consisted of HST credits of \$9,561 and interest receivable of \$553 accrued on a guaranteed investment certificate ("GIC") of \$79,500. Current assets excluding cash as at May 31, 2012 consisted of receivables of \$9,348, which consisted of HST credits of \$8,492, interest receivable of \$456 and other receivables of \$400.

Current liabilities as at August 31, 2012 consisted of trade payables of \$439, accrued liabilities of \$16,128 and amounts due to related parties of \$54,880. Current liabilities as at May 31, 2012 consisted of trade payables of \$199, accrued liabilities of \$16,128 and amounts due to related parties of \$43,120.

The continuing operations of the Company are dependent upon its ability to raise adequate financing and to commence profitable operations in the future. To date, the Company has not generated any significant revenues and has not raised funds in the last twelve months. The Company has an accumulated deficit of \$8,524,423, including a loss for the three months ended August 31, 2012 of \$29,329 (2011 - \$50,926). These uncertainties may cast significant doubt upon the company's ability to continue as a going concern.

Management is continuing to identify, evaluate and negotiate business opportunities in the resource industry and actively targeting sources of additional financing. Although the Company has been successful in raising the funds in the past, there can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that additional financing will be available on terms acceptable to the Company in the future.

## Risk and Uncertainties

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

### *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 on its cash and cash equivalents, which consist of bank deposits of \$7,008 and a GIC of \$79,500. The Company limits its exposure to credit loss by placing its cash and cash equivalents with a Canadian Chartered bank. While there is concentration of risk by holding all

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funds with one institution, management assesses credit risk of cash and cash equivalents as very low due to the high credit quality rating the institution has with rating agencies.

The Company's secondary exposure to risk is on its receivables. This risk is minimal as receivables consist primarily of refundable HST from the Canadian Federal Government, and accrued interest on its GIC from a Canadian Chartered Bank.

## *Liquidity and funding risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its cash requirements at any point in time. The Company achieves this by maintaining sufficient cash and short-term investments. As at August 31, 2012, the Company had cash and cash equivalents on hand of \$86,508, which is sufficient to cover its current liabilities of \$71,448. However, significant additional funding will be required to fund operations for the next 12 months and in the future. There is a risk of failure to raise adequate capital when needed.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. Under current market conditions, both liquidity and funding risk are assessed as high.

## *Market Risk*

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

## *Currency Risk*

Currency risk is the risk that exposes the Company to financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and is currently not exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

## *Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. The Company is exposed to interest rate risk as its bank deposits and short term GIC earn interest income at variable rates and are subject to the movements in interest rates. The redeemable GIC was earning a variable interest rate of 0.95% at August 31, 2012 and matures on December 6, 2012.

The Company has no debt and is not subject to any externally imposed capital requirements.

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## 1.8 Off-Balance Sheet Arrangements

The Company did not enter into any off-balance sheet arrangements during the period ended August 31, 2012.

## 1.9 Related Party Transactions

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include executive and non-executive directors and officers. Key management personnel compensation comprised:

Three months ended August 31,	2012	2011
Administrative services (a)	\$ 9,000	\$ 9,000
Management services (a)	7,500	7,500
	\$ 16,500	\$ 16,500

- (a) On February 1, 2009, the Company entered into a management and administrative agreement with Varshney Capital Corp. ("VCC"), a company controlled by two common directors, whereby the Company agreed to pay management and administrative fees of \$2,500 and \$3,000 per month, respectively.

During the three months ended August 31, 2012, the Company incurred \$7,500 (2011 – \$7,500) for management fees and \$9,000 (2011 – \$9,000) for administrative fees to VCC.

As at May 31, 2012, \$54,880 (May 31, 2012 - \$43,120) was due to VCC for management and administrative fees.

- (b) As at August 31, 2012, a total of \$Nil (May 31, 2012 - \$400) was due from companies with directors and officers in common. The amounts outstanding as at May 31, 2012 were collected during the current period.

## 1.10 Fourth Quarter and Subsequent Events

None

## 1.11 Proposed Transactions

While the Company continues to seek out and review potential business opportunities, there are no transactions that are currently under negotiation or proposed to be entered into.

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## **1.12 Critical Accounting Estimates**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the determination of the useful lives of property and equipment, fair value measurements for financial instruments and share-based compensation and other equity-based payments, and the recoverability and measurement of deferred tax assets and liabilities. Actual results may differ from those estimates and judgments.

Judgments made by the management in the application of IFRS that have a significant effect on the financial statements and estimates with significant risk of material adjustment in the current and the following years are discussed in Note 2 of the audited financial statements for the year ended May 31, 2012.

## **1.13 Changes in Accounting Policies including Initial Adoption**

Our significant accounting policies are set out in Note 2 of the audited financial statements for the year ended May 31, 2012.

Effective June 1, 2012, the Company adopted mandatory amendments to IAS 12, which is concerned the determination of deferred tax on investment property measured at fair value, and amendments to IAS 27, which prescribes accounting and disclosure requirements for investments in subsidiaries, joint ventures, and associates.

The adoption of the above standards and amendments had no impact on the Company's current disclosures. For further discussion of these standards please refer to Note 2 of the condensed interim financial statements for the three months ended August 31, 2012.

## **1.14 Financial Instruments and Other Instruments**

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, and trade payables and accrued liabilities.

The Company has exposures to financial risks of varying degrees of significance which could affect its ability to achieve its strategic objectives for growth and shareholder returns. The principal financial risks to which the Company is exposed are liquidity risk, funding risk and interest rate risk.

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## **1.15 Other Requirements**

### Summary of Outstanding Share Data as at October 29, 2012:

Authorized - Unlimited common shares without par value

Issued – common shares: 20,026,663

Additional disclosures pertaining to the Company's management information circulars, material change reports, press releases and other information are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

On behalf of the Board of Directors, thank you for your continued support.

*"Praveen Varshney"*

**Praveen Varshney, C.A.**

President and Director

October 29, 2012