

**CANAMEX RESOURCES CORP.
MANAGEMENT DISCUSSION AND ANALYSIS
NINE MONTHS ENDED SEPTEMBER 30, 2011**

OVERVIEW

This management discussion and analysis, prepared on November 24, 2011, covers the operations of Canamex Resources Corp. (the "Company") for the period ended September 30, 2011. All monetary amounts referred to herein are in Canadian dollars unless otherwise stated. The following discussion and analysis should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2010 and the interim financial statements for the nine months ended September 30, 2011.

Additional information related to the Company is available for viewing on SEDAR at www.sedar.com or the Company website at www.canamex.us.

FORWARD LOOKING STATEMENTS

Information contained in this MDA that is not historical fact may be considered "forward looking statements". These forward looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Company's objectives, goals or plans are forward looking statements. Since forward looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors, including such variables as new information regarding recoverable reserves, changes in commodity demand and prices, legislative, environmental and other regulatory or political changes, competition in areas where the Company operates, and other factors discussed herein. Readers are cautioned not to place undue reliance on this forward looking information.

DESCRIPTION OF BUSINESS

The Company was incorporated under the laws of Alberta on May 26, 1987. On August 18, 2009, the shareholders approved the continuation of the Company from the Business Corporations Act (Alberta) to the Business Corporations Act (British Columbia), approved the new articles of the Company, and approved a name change of the Company to Canamex Silver Corp. On October 6, 2009 the name change and continuation were completed.

On May 28, 2010, the Company entered into a property option agreement with Provex Resources Inc., in which the Company was granted, subject to acceptance by the TSX Venture Exchange ("TSX-V"), an exclusive right and option to acquire up to a 75% interest in certain mineral claims in Nye County, Nevada (the "*Bruner Property*"). This transaction constitutes a Change of Business under the TSX-V rules.

On October 18, 2010, the Company received TSX-V approval for all matters in connection with the Bruner Property option agreement and change of business, the Company was reinstated as a Tier 2 mining issuer on the TSX-V and changed its name to Canamex Resources Corp. (TSX-V "CSQ").

On July 6, 2011 the Company entered into an Option Agreement with GMV Minerals Inc. ("*GMV*") on a large area containing nominally 98,000 acres in a highly prospective gold region in Aranka North, Guyana (the "*Aranka Property*"). The option is to acquire up to a 100% interest in the Aranka North properties.

The agreement was accepted for filing by the TSX Venture Exchange on August 2, 2011. In accordance with the terms of the agreement, on August 3, 2011, the Company issued 1,500,000 common shares to GMV, as well as 348,586 common shares as a finder's fee in connection with the property acquisition, which shares are subject to a hold period expiring on December 4, 2011.

EXPLORATION AND EVALUATION ASSETS

UNITED STATES

Nye County, Nevada (“*Bruner Property*”)

On May 28, 2010, the Company entered into a property option agreement with Provex Resources Inc., a company with a director in common with the Company, granting an exclusive right and option to acquire up to a 75% interest in certain mineral claims in Nye County, Nevada (“*Bruner Property*”).

To earn a 70% interest in the property, the Company must complete a total of US\$6,000,000 in expenditures on the property in stages over a seven year period, US\$200,000 of which must be completed within the first year. After expending the initial US\$200,000, the Company shall be under no further obligation if it elects not to proceed with this option. Upon completing all expenditures, the Company can acquire a further 5% undivided interest in the property by producing a bankable feasibility study. On September 9, 2010 the Company received shareholder approval for the acquisition of the Bruner property.

During the year ended December 31, 2010, the Company completed the initial US\$200,000 expenditure requirement under the option agreement. As at September 30, 2011 the Company has expended a total of \$435,205 on the exploration of the property exceeding the initial option requirement of US\$200,000.

On February 22, 2011 the Company announced that it has completed Phase 1 reverse circulation drilling on the Bruner property located 68 km northwest of the Round Mountain Mine. A total of 11 holes totalling 5,000 feet or 1,525 m were drilled and all geochemical results have been received. Results of initial metallurgy are also in hand. Out of the 11 holes drilled, eight have intercepts of +100 feet (30.5 m) true thickness containing approximately 0.01 oz./ton (0.34 g/t) gold and five of these have intercepts of +200 feet (61 m) containing approximately 0.01 oz./ton (0.34 g/t) gold. A few higher grade veins were intersected within the thick low grade zones including 5 feet (1.5 m) averaging 0.289 oz/ton (9.89 g/t) gold and 4.58 oz/ton (157.0 g/t) silver and 5 feet at 0.220 oz/ton (7.53 g/t) gold and 0.81 oz/ton (27.6 g/t) silver.

Initial interpretation of the drilling results indicates the gold/silver mineralization occurs as a moderately southwest dipping tabular body beginning at or near the surface. The Company drilled -45 degree angle holes to the east-northeast and intersected the body perpendicular to its dip. The location of the bulk low grade body appears partially controlled by the location of a welded tuff unit that is the primary host. This unit may be receptive to the brittle fractures that appear to host most of the mineralization. Complete oxidation of sulfides occurs to at least 800 feet (244 m) beneath the surface.

On May 24, 2011 the Company commenced its 2011 exploration program at the Bruner gold-silver project located in Nye County, Nevada. The Company has staked 21 additional mining claims on the north end of the Bruner property. These new claims cover gold in soil anomalies detected by Newmont during their exploration around the property in the late 1980s.

The Company has completed permitting with the State of Nevada and the Bureau of Land Management for the drilling of approximately 12 holes totalling 8,000 feet (2,439 meters) on both private (fee) and federal land. This drilling program will fulfil the Company’s 2011 obligation under the terms of its earn-in agreement to acquire a 75% interest in the Bruner Property. Road and drill pad construction is underway and commencement of drilling is anticipated by the end of November 2011.

The 2011 drilling program is intended to primarily test the high grade zones to the north and east of the low grade resource area drilled in 2010. Historic drilling in one high grade area intersected an average of 8.3 feet (2.5 meters) grading 0.504 oz/ton Au (15.7 grams/tonne Au) and 0.705 oz/ton Ag (22 grams/tonne Ag) from three historic holes drilled in the 1990s. These historic high-grade intercepts lie approximately 1000 feet (305 meters) to the east of the old Penelas mine, which mined an average grade of 0.321 oz/ton Au (10 grams/tonne Au) and 1.48 oz/ton Ag (46 grams/tonne Ag) between 1935-1942 (see 43-101 Technical Report on the Bruner Project filed by the Company). Several other high grade gold intercepts in the old Paymaster and Phonolite Mine areas and in the Penelas Mine area itself will be tested with several drill holes each.

Results of the exploration program will be released as they are received and reviewed for compliance with requirements under NI 43-101.

GUYANA

Aranka North, Guyana (“Aranka North Property”)

On July 6, 2011, the Company and GMV Minerals Inc through its wholly-owned subsidiary GMV Guyana Resources Inc., entered into an option and joint venture agreement covering a large land package containing nominally 98,000 acres in a highly prospective gold region in Guyana, subject to receipt of regulatory approval. The land package is referred to as Aranka North, and lies to the northeast of the major gold discoveries by Guyana Goldfields at Aurora and Sulfur Rose, and their reported new discovery at Aranka, all of which lie along a northeast trend. The Aranka North land package lies further to the northeast along this well-mineralized and highly prospective gold trend. There is active alluvial mining going on within the land package along the Waini River system, and management believes the source of the alluvial gold is in the outcropping and shallow bedrock at the headwaters of the gold-bearing alluvial drainages within the land package.

GMV has flown an airborne geophysical survey over the Aranka North land package as part of their exploration program on most of their land holdings in Guyana, and Canamex has acquired this geophysical data from GMV as part of the transaction. Regional geophysics flown previously by the Guyana government reveals a pronounced aeromagnetic anomaly in the headwaters region of the alluvial mining that will be an initial focus of Canamex’s exploration on the Aranka North property.

Canamex has incorporated a wholly-owned Guyanese entity, Canamex Guyana Inc. (“Canamex Guyana”), to enter into this transaction and to do business in Guyana. Canamex Guyana has engaged Mr. Deryck Khan, a resident of Georgetown Guyana, as its Country Manager. Mr. Khan is an established businessman in Georgetown, and has been an alluvial miner for many years. He knows the gold-bearing districts of Guyana, the people in the gold business in Guyana, and the administrative and regulatory process and requirements for doing business in Guyana. Canamex, through Canamex Guyana, has been granted an option to acquire up to a 100% interest in the Aranka North properties by making cash payments to GMV totaling US\$520,627 over the next 36 months, expending US\$1,000,000 in exploration work on the properties before December 31, 2013, and issuing a total of 3,750,000 shares to GMV in stages as follows: (a) 1,500,000 shares upon approval of the transaction by the TSX Venture Exchange, (b) 1,250,000 within 18 months of the approval date, and (c) 1,000,000 shares within 36 months of the approval date. In addition, upon exercise of the option, Canamex has agreed to pay GMV US\$500,000 cash and issue 500,000 shares in the capital stock of Canamex to GMV for every 500,000 ounces of gold contained in measured and indicated resources as referenced in a National Instrument 43-101 qualifying report, up to a maximum of US\$2,000,000 and 2,000,000 shares of Canamex.

On August 4, 2011 the Company commenced exploration activities on the Aranka North property in Guyana. The option agreement was accepted for filing by the TSX Venture Exchange on August 2, 2011. In accordance with the terms of the agreement, on August 3, 2011, the Company issued 1,500,000 common shares to GMV, as well as 348,586 common shares as a finder’s fee in connection with the property acquisition, which shares are subject to a hold period expiring on December 4, 2011.

The Company has purchased from GMV the airborne geophysical data that was acquired by GMV over the Aranka North property, and that data is currently being interpreted and summarized by Canamex’s geophysical consultant. Several aeromagnetic anomalies that are visible on the regional aeromagnetic data have much finer definition and resolution on the more detailed survey recently flown, and we are awaiting completion of processing and delivery of the interpretation of the airborne and radiometric data. Preliminary results identify 15 discrete aromagnetic and radiometric anomalies, each 1-2 kms wide by 2-4 kms long, some of which cover the drainages where alluvial gold is currently being mined. The Company initiated a stream sediment sampling program throughout the 98,000 acre Aranka North property and that sampling program is nearly complete. Analytical results of the samples will be reported when received.

Canamex has commenced acquisition of field vehicles and equipment for its initial reconnaissance into the Aranka North property. Once the source regions of anomalous gold are indicated, geologic mapping and soil sampling will be followed by line cutting and detailed ground surveying over the anomalous areas to establish control on the anomalies and prospective drill targets for 2012-2013.

RESULTS OF OPERATIONS

For the nine months ended September 30, 2011, the Company recorded a net loss of \$673,996 (2010 - \$82,137) and had a cumulative deficit at September 30, 2011 of \$3,097,832. The Company had no continuing source of operating revenues or related expenditures.

The Company has no present intention of paying dividends on its common shares, as it anticipates that all available funds for the foreseeable planning horizon will be invested to finance its business activities.

SELECTED ANNUAL INFORMATION

The following table provides a brief summary of the Company's financial operations for the prior three fiscal years as prepared under Canadian Generally Accepted Accounting Principles ("GAAP"). For more detailed information, refer to the Company's financial statements for the years then ended.

	Years ended December 31		
	2010	2009	2008
	- \$ -	- \$ -	- \$ -
Revenue	-	-	-
Income (loss) before discontinued operations	(375,308)	(77,579)	(140,607)
Net income (loss)	(375,308)	(77,579)	778,144
Net income (loss) per share	(0.01)	(0.00)	0.04
Total assets	630,666	23,847	18,359

Year ended December 31, 2010:

On October 18, 2010 the TSX-V approved the Company's change of business, change of name, and reinstated the Company as a tier 2 mining issuer under the trading symbol "CSQ". Accordingly the Company initiated its drilling program of the Bruner Gold/Silver project in Nye County, Nevada.

Pursuant to the option agreement entered into May 28, 2010 with Provox Resources, the Company has proceeded with exploration expenditures in accordance with the option agreement. As a result of the change of business and the reactivation in the current fiscal year, comparisons to previous periods are not meaningful. The net loss for the year was \$375,308 (2009 - \$77,579), which included significant amounts expended on consulting fees of \$57,187, office and miscellaneous expenses of \$66,767, professional fees of \$50,940, stock-based compensation of \$87,726, transfer agent and filing fees of \$31,770, and travel expenditures of \$66,323.

The variances in expenditures over previous periods are commensurate with the Company's increased effort to search for and acquire a mineral resource property, reactivation of the Company, and change of business. As a result of these activities, professional fees, transfer agent filing fees, office fees, and consulting expenses increased significantly. The increase in travel expenses is due to the travel requirement to search for and assess new business. The increase in stock-based compensation is a result of options issued on October 19, 2010. During the year, the Company expended \$320,939 on acquisition and exploration costs related to the option agreement on its mineral property in Nevada.

During the year, the Company repaid shareholder loans of \$64,000 outstanding from December 31, 2009, and currently has no shareholder loans owing.

On December 31, 2010 the Company had working capital of \$61,107 (2009: deficit of \$75,580). The Company will depend on equity financing through existing and new shareholders and support from its shareholders in order to manage its current working capital and provide adequate resources for new business activity.

Subsequent to the year end, the Company raised funds to support its new business activities, closed two private placements which provided gross proceeds of \$1,012,500.

Year ended December 31, 2009:

On December 24, 2008, controlling shareholders entered into an agreement to sell their control position in the Company to another company and/or its nominees, and two directors resigned effective December 30, 2008. All remaining directors and officers resigned when the change of control took place in February 2009 and a new Board was constituted.

As a result of these changes and the cessation of the business in 2007, comparisons to those previous periods are not meaningful. Excluding discontinued operations effects in 2008 (foreign exchange, other income and gain on settlement of debt), the only significant change in expenses was a reduction in professional fees in 2009 to \$29,507 (2008 - \$49,438) due primarily to a reduced audit fee and less reliance on outside legal companies.

During the year, the Company raised \$64,000 from shareholder's loans that are non-interest bearing, unsecured and have no fixed terms of repayment.

In order to manage the Company's working capital deficit of \$75,580 and provide adequate working capital for a new business activity, the Company will depend on equity financing through existing and new shareholders and support from its shareholders.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

The following is a summary of selected financial information compiled from the quarterly interim unaudited financial statements for eight quarters ending September 30, 2011⁽¹⁾:

	<i>Sep. 30,</i> <i>2011</i>	<i>Jun. 30,</i> <i>2011</i>	<i>Mar. 31,</i> <i>2011</i>	<i>Dec. 31,</i> <i>2010</i>
Total assets	1,508,018	1,394,083	1,196,373	630,666
Working capital	109,947	820,724	657,904	61,707
Shareholders' equity	1,308,062	1,238,657	1,019,189	382,046
Revenue	-	-	-	-
Net income (loss)	(290,359)	(189,591)	(194,046)	(293,171)
Net income (loss) per share	(0.01)	(0.01)	(0.00)	(0.01)

	<i>Sept. 30,</i> <i>2010</i>	<i>Jun. 30,</i> <i>2010</i>	<i>Mar. 31,</i> <i>2010</i>	<i>Dec. 31,</i> <i>2009</i> ⁽¹⁾
Total assets	376,640	352,483	399,353	23,847
Working capital	272,038	314,576	367,497	(75,580)
Shareholders' equity	367,435	334,611	367,497	(75,580)
Revenue	-	-	-	-
Net income (loss)	(27,176)	(32,379)	(22,582)	(17,202)
Net income (loss) per share	(0.00)	(0.00)	(0.00)	(0.00)

⁽¹⁾ Note: The quarter ended December 31, 2009 is prepared and presented under Canadian GAAP, whereas all subsequent numbers are prepared and presented in compliance with IFRS, as the Company's transition date from Canadian GAAP to IFRS was January 1, 2010.

THREE MONTHS ENDING SEPTEMBER 30, 2011

Comparisons over the prior period have been significantly affected by the Company's change of business, change of name, and reinstatement as a tier 2 mining issuer under the trading symbol "CSQ". Costs in the prior period reflected the Company's efforts to minimize costs while searching for new business to facilitate a return to the TSX Venture board. In the three months ended September 30, 2011, the Company had no revenues and had a net loss of \$290,359 (2010 - \$27,176). Items of significant variance over the prior period include increases in stock-based payment of \$100,962 (2010 - Nil), management fees to \$21,500 (2010 - \$Nil), and consulting expenses to \$64,420 (2010 - \$1,535). The increases in management and consulting are commensurate with the Company's needs due to the change of business and the Company's acquisition of exploration projects. The increase in stock-based payment is a result of options issued to certain directors and consultants of the Company as well as options vesting from prior option grants. Travel expenses of \$12,730 (2010 - Nil) increased due to travel requirements searching for and assessing new business opportunities. Office services increased to \$52,815 (2010 - \$8,942) due to increased need for office services after the change of business and reactivation in October 2010.

During the period, the Company expended \$27,691 in exploration and evaluation costs on the Bruner property and \$752,490 on the Guyana property for a total capitalized cost of \$1,198,115 at September 30, 2011.

NINE MONTHS ENDING SEPTEMBER 30, 2011

Comparisons over the prior period have been significantly affected by the Company's change of business, change of name, and reinstatement as a tier 2 mining issuer under the trading symbol "CSQ". Costs in the prior period reflected the Company's efforts to minimize costs while searching for new business to facilitate a return to the TSX Venture board. In the nine months ended September 30, 2011, the Company had no revenues and had a net loss of \$673,996 (2010 - \$82,137). Items of significant variance over the prior period include increases in stock-based payment to \$136,274 (2010 - \$Nil), management fees to \$53,500 (2010 - \$Nil), professional fees to \$31,045 (2010- \$11,639), and consulting expenses to \$184,080 (2010 - \$6,535). The increases in management fees, professional fees, and consulting are commensurate with the Company's needs due to the change of business and the Company's acquisition of explorations projects. Travel expenses of \$87,692 (2010 - \$14,044) increased due to travel requirements searching for and assessing new business opportunities. The increase in stock-based payment is a result of options issued to certain directors and consultants of the Company as well as options vesting from prior option grants. Office services increased to \$139,451 (2010 - \$25,111) due to increased need for office services after the change of business and reactivation in October 2010.

During the period, the Company expended \$114,266 in exploration and evaluation costs on the Bruner property and \$762,910 on the Guyana property for a total capitalized cost of \$1,198,115 at September 30, 2011.

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations over the last two years through the issuance of common shares and shareholders advances. The Company will continue to seek capital through various means which may include the issuance of equity and/or debt.

Working capital at September 30, 2011 was \$109,947, compared to \$61,707 at December 31, 2010, primarily due to private placements and exercised warrants in previous quarter.

Net cash used in operating activities for the period ended September 30, 2011 was \$625,888 which was used for expenses, increasing accounts receivable, and making payments to creditors. Net cash used in investing activities for expenditures on the Bruner and Guyana properties was \$618,375. Financing activities for the period provided net proceeds of \$1,204,936 from the exercise of warrants and share issuances for private placement financings for a total decrease in cash for the period of \$39,327.

The Company will have to raise further funds or issue shares to operate the new business.

Stock options, Warrants & Agent's options

Between March 10, 2011 and July 13, 2011, the Company granted a total of 975,000 stock options to certain directors and consultants of the Company entitling them to purchase common shares at a price ranging from \$0.15 per share to \$0.22 per share for periods of 5 years. The options vested immediately upon grant.

The estimated fair value of these options was \$124,500 based on the following weighted average assumptions: an expected life of 5 years, volatility of 106%, risk free rate interest rate of 2.37% and a dividend yield rate of 0%. The Company also recorded share-based payments in the amount of \$11,774 relating to previously granted options that vested during the period.

The Company expenses the grant date fair value of all stock options granted to employees, officers and directors over their respective vesting periods. Options granted to outside consultants and advisors are expensed over the respective vesting periods using the estimated fair value at the time of vesting.

At December 31, 2010 there were 11,000,000 warrants outstanding. Of these warrants, 5,000,000 entitled the holder to purchase one common share at \$0.15 per share on or before March 30, 2011. Prior to expiration, 1,495,000 of these warrants were exercised; the remaining expired unexercised on March 30, 2011. A further 6,000,000 warrants entitling the holder to purchase one common share at \$0.15 per share on or before October 31, 2011 expired unexercised. On April 4, 2011 and April 29, 2011 in conjunction with 2 unit offerings, 6,500,000 additional warrants were issued, 5,000,000 entitling the holder to purchase one common share at \$0.25 per share on or before April 3, 2013 and 1,500,000 entitling the holder to purchase one common share at \$0.25 per share on or before April 28, 2013.

RELATED PARTY TRANSACTIONS

Related party balances

The following amounts due to related parties are included in trade payables and accrued liabilities:

	September 30, 2011	December 31, 2010
Directors & companies controlled by directors of the Company	\$ 20,857	\$ 6,000
Officers & companies controlled by officers of the Company	9,909	16,800
	\$ 30,766	\$ 22,800

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Related party transactions

The Company incurred the following transactions with directors/officers of the Company and companies that are controlled by directors/officers of the Company.

	Nine month periods ended	
	September 30, 2011	September 30, 2010
Management fees for the President and CEO (\$35,000), and outside directors (\$500 per month each)	\$ 53,500	\$ -
Administration fees for the CFO and the former CFO	50,000	-
	\$ 103,500	\$ -

The outside directors are Mark Billings, W. Pierce Carson, Herb Duerr and Mike Stark.

ADDITIONAL INFORMATION

At November 24, 2011:

Legal proceedings:

Management is not aware of any legal proceedings involving the Company.

Contingent liabilities:

Management is not aware of any outstanding contingent liabilities relating to the Company's activities.

Outstanding Share Data:

The Company has 43,936,450 common shares outstanding.

CAPITAL DISCLOSURE

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support the acquisition of a new business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to acquire and sustain future development of a business. The Company has recently reactivated and acquired a business, which will require additional financial resources. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended September 30, 2011. The Company is not subject to externally imposed capital requirements.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The financial statements were prepared by management in accordance with generally accepted Canadian accounting principles and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

ACCOUNTING POLICIES

New accounting standards issued but not yet effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2010, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

New accounting standards effective January 1, 2012

Amendments to IFRS 7 *Financial Instruments: Disclosures* - In October 2010, the IASB issued amendments to IFRS 7 that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with early adoption permitted. The Company does not anticipate this amendment to have a significant impact on its condensed interim financial statements.

IAS 12 *Income taxes* - In December 2010, the IASB issued an amendment to IAS 12 that provides a practical solution to determining the recovery of investment properties as it relates to the accounting for deferred income taxes. This amendment is effective for annual periods beginning on or after July 1, 2011, with early adoption permitted. The Company does not anticipate this amendment to have a significant impact on its condensed interim financial statements.

New accounting standards effective January 1, 2013

IFRS 9 *Financial Instruments* - IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: Amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company:

IFRS 10 *Consolidated Financial Statements* - IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 *Consolidation - Special Purpose Entities* and parts of IAS 27 *Consolidated and Separate Financial Statements*.

IFRS 11 *Joint Arrangements* - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

IFRS 12 *Disclosure of Interests in Other Entities* - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 *Fair Value Measurement* - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards - In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Each of the new standards, IFRS 9 to 13 and the amendments to other standards, is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its condensed interim financial statements or whether to early adopt any of the new requirements.

ADOPTION OF IFRS

a) Transition to IFRS

The Company has adopted IFRS effective January 1, 2011 with a transition date of January 1, 2010. Prior to the adoption of IFRS the Company prepared its financial statements in accordance with Canadian GAAP.

The comparative information presented in these condensed consolidated interim financial statements for the nine months ended September 30, 2010, year ended December 31, 2010 and the opening financial position as at January 1, 2010 (the "Transition Date") have been prepared in accordance with the accounting policies referenced in Note 3 and IFRS 1, *First-Time Adoption of International Financial Reporting Standards* ("IFRS 1").

b) Initial elections upon adoption

The Company adopted IFRS in accordance with IFRS 1 which requires the retrospective application of IFRS at the Transition Date with all adjustments to assets and liabilities taken to deficit, subject to mandatory exceptions and the application of optional exemptions. The IFRS 1 exceptions applied in the conversion from Canadian GAAP to IFRS by the Company are explained as follows:

- (i) Share-based payments – The Company elected under IFRS 1 to apply IFRS 2, *Share-Based Payments* only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- (ii) Business combinations – The Company elected under IFRS 1 to not to apply IFRS 3, *Business Combinations* retrospectively to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.
- (iii) Compound financial instruments – The Company has elected under IFRS 1 not to retrospectively separate the liability and equity components of any compound instruments for which the liability component is no longer outstanding at the Transition Date.

RISKS

The preparation of financial statements requires management to make 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 the reported amounts of expenses during the reporting period. Actual results could differ from those estimates.

The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon the continued support of its shareholders, obtaining financing and generating revenues sufficient to cover its operating costs. The accompanying financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying audited financial statements.

Any forward-looking information in the MDA is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the company and other factors.

Management has evaluated the effectiveness of the Company's internal disclosure controls and procedures and has concluded they are sufficiently effective to provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.

DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any directors in a conflict will disclose their interests and abstain from voting in such matters. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.