LORNEX CAPITAL INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended December 31, 2011

LORNEX CAPITAL INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2011

Lornex Capital Inc. (the "Company") is a natural resource company currently engaged in the acquisition, exploration and development of mineral properties. The Company has a 100% interest in the AMI copper-molybdenum-silver-lead property located in west central Yukon. The Company's property is at the exploration stage. See a detailed discussion of the property under "Mineral Property".

This management's discussion and analysis ("MD&A") reports on the consolidated operating results and financial condition of the Company for the years ended December 31, 2011 and is prepared as of April 24, 2012, in accordance with International Financial Reporting Standards ("IFRS"). The MD&A should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2011, which were prepared in accordance with IFRS.

The financial data included in the discussion provided in this report has been prepared in accordance with IFRS. The Company adopted IFRS on January 1, 2011 and has restated its balance sheet as at January 1, 2010 ("transition date") to comply with IFRS presentation of comparative information. The effects of the transition from Canadian generally accepted accounting principles ("Canadian GAAP") to IFRS on previously reported comparative periods financial statements is explained and set out in note 12 to the Company's annual audited consolidated financial statements for the year ended December 31, 2011.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

The Company is listed for trading on the TSX Venture Exchange under the symbol LOM.

On August 29, 2011, the Company consolidated its capital stock on a three-for-one-basis. The shareholders of the Company approved the consolidation at the annual general and special meeting of shareholders held on May 19, 2011. All share and per share information contained in this MD&A reflects the post-consolidated share numbers.

<u>Cautionary Note Regarding Forward-Looking Information</u>

This document may contain "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this document and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation.

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, the Company and its operations, its planned exploration activities, the adequacy of its financial resources and statements with respect to the estimation of mineral reserves and mineral resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of resources; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities; as well as those factors detailed from time to time in the Company's interim and annual consolidated financial statements and management's discussion and analysis of those statements, all of which are filed and available for review under the Company's profile on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Mineral Property

AMI Copper-Molybdenum-Silver-Lead Property - Yukon

The AMI property is located 60 kilometres west of Dawson City, Yukon Territory and consists of 50 contiguous mineral claims covering approximately 1045 hectares. The Company has a 100% interest in the AMI property which is subject to a 1% net smelter return royalty.

In 2003, a diamond drill program tested four of the target areas. The 4 drill holes encountered weakly altered, quartz monzonite mineralized with disseminated pyrite-chalcopyrite-molybdenite veining over core intervals of up to 60 meters. Only sub-economic copper-silver and molybdenum values were returned from core intervals sampled. A fifth hole was drilled to test the down-dip extent of a high-grade lead-silver vein exposed by historic trenching. A narrow, massive galena vein was intersected over a core length of 0.64 meters that averaged 22.08% lead, 2,086.5 grams per tonne silver and 1.13 grams per tonne gold.

Financially viable silver deposits are believed to be located on the property and Lornex anticipates a 2012/2013 exploration program that will consist of trenching, sampling, and further evaluation of the bulk sampling. Further details of this program will be released when available.

Risk Factors

The Company is in the business of acquiring, exploring and, if warranted, developing and exploiting natural resource properties. Due to the nature of the Company's business and the present stage of exploration of its mineral property (which is primarily an early stage exploration property with no known resources or reserves that have not been explored by modern methods), the following risk factors, among others, will apply:

Mining Industry is Intensely Competitive: The Company's business of the acquisition, exploration and development of mineral properties is intensely competitive. The Company may be at a competitive disadvantage in acquiring additional mining properties because it must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company. Increased competition could adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

Resource Exploration and Development is Generally a Speculative Business: Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in size to return a profit from production. The marketability of natural resources that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. The great majority of exploration projects do not result in the discovery of commercially mineable deposits of ore.

Fluctuation of Metal Prices: Even if commercial quantities of mineral deposits are discovered by the Company, there is no guarantee that a profitable market will exist for the sale of the metals produced. Factors beyond the control of the Company may affect the marketability of any substances discovered. The prices of various metals have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any mineral deposit will be such that its mineral property could be mined at a profit.

Permits and Licenses: The operations of the Company will require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects, on reasonable terms or at all. Delays or a failure to obtain such licenses and permits or a failure to comply with the terms of any such licenses and permits that the Company does obtain, could have a material adverse effect on the Company.

No Assurance of Profitability: The Company has no history of earnings and, due to the nature of its proposed business, there can be no assurance that the Company will ever be profitable. The Company has not paid dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. The only present source of funds available to the Company is from the sale of its common shares or, possibly, the sale or optioning of a portion of its interest in its mineral property. Even if the results of exploration are encouraging, the Company may not have sufficient funds to conduct the further exploration that may be necessary to determine whether or not a commercially mineable deposit exists. While the Company may generate additional working capital through further equity offerings or through the sale or possible syndication of its property, there can be no assurance that any such funds will be available on favourable terms, or at all. At present, it is impossible to determine what amounts of additional funds, if any, may be required. Failure to raise such additional capital could put the continued viability of the Company at risk.

Consolidated financial statements have been prepared assuming the Company will continue on a going concern basis: The consolidated financial statements have been prepared on the basis that it will continue as a going concern. At December 31, 2011, the Company had working capital of $1,114,307 as compared to working capital of $977,911 as at December 31, 2010. Management has estimated that the Company has adequate funds from existing working capital to meet its obligations for the next twelve months. If the Company is unable to obtain adequate additional financing, it may be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require that the Company's assets and liabilities be restated on a liquidation basis which would likely differ significantly from their going concern assumption carrying values.

Uninsured or Uninsurable Risks: Exploration, development and mining operations involve various hazards, including environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structural cave-ins or slides, flooding, fires, metal losses and periodic interruptions due to inclement or hazardous weather conditions. These risks could result in damage to or destruction of mineral properties, facilities or other property, personal injury, environmental damage, delays in operations, increased cost of operations, monetary losses and possible legal liability. The Company may not be able to obtain insurance to cover these risks at economically feasible premiums or at all. The Company may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

Government Regulation: Any exploration, development or mining operations carried on by the Company will be subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In addition, the profitability of any mining prospect is affected by the market for precious and/or base metals which is influenced by many factors including changing production costs, the supply and demand for metals, the rate of inflation, the inventory of metal producing corporations, the political environment and changes in international investment patterns.

Environmental Restrictions: The activities of the Company are subject to environmental regulations promulgated by government agencies in different countries from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species and reclamation of lands disturbed by mining operations. Certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

Share Price Volatility: During the past year, worldwide securities markets, particularly those in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced unprecedented declines in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Most significantly, the share prices of junior natural resource companies have experienced an unprecedented decline in value and there has been a significant decline in the number of buyers willing to purchase such securities. In addition, significantly higher redemptions by holders of mutual funds has forced many of such funds (including those holding the Company's securities) to sell such securities at any price. As a consequence, despite the Company's past success in securing significant equity financing, market forces may render it difficult or impossible for the Company to secure placees to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all. Therefore, there can be no assurance that significant fluctuations in the trading price of the Company's common shares will not occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.

Financing Risks: The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfil its obligations under any applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its project with the possible loss of such property.

Insufficient Financial Resources: The Company does not presently have sufficient financial resources to undertake by itself the exploration and development of all of its planned exploration and development programs. Future property acquisitions and the development of the Company's property will therefore depend upon the Company's ability to obtain financing through the joint venturing of projects, private placement financing, public financing, short or long-term borrowings or other means. There is no assurance that the Company will be successful in obtaining the required financing. Failure to raise the required funds could result in the Company losing, or being required to dispose of, its interest in its property. In particular, failure by the Company to raise the funding necessary to maintain in good standing its various option agreements could result in the loss of its rights to such property.

Dilution to the Company's existing shareholders: The Company will require additional equity financing be raised in the future. The Company may issue securities on less than favourable terms to raise sufficient capital to fund its business plan. Any transaction involving the issuance of equity securities or securities convertible into common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

Dependence Upon Others and Key Personnel: The success of the Company's operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability to design and carry out appropriate exploration programs on its mineral property; (ii) the ability to produce minerals from any mineral deposits that may be located; (iii) the ability to attract and retain additional key personnel in exploration, marketing, mine development and finance; and (iv) the ability and the operating resources to develop and maintain the property held by the Company. These and other factors will require the use of outside suppliers as well as the talents and efforts of the Company and its consultants and employees. There can be no assurance of success with any or all of these factors on which the Company's operations will depend, or that the Company will be successful in finding and retaining the necessary employees, personnel and/or consultants in order to be able to successfully carry out such activities. This is especially true as the competition for qualified geological, technical and mining personnel and consultants is particularly intense in the current marketplace.

Surface Rights and Access: Although the Company acquires the rights to some or all of the minerals in the ground subject to the tenures that it acquires, or has a right to acquire, in most cases it does not thereby acquire any rights to, or ownership of, the surface to the areas covered by its mineral tenures. In such cases, applicable mining laws usually provide for rights of access to the surface for the purpose of carrying on mining activities, however, the enforcement of such rights can be costly and time consuming. In areas where there are no existing surface rights holders, this does not usually cause a problem, as there are no impediments to surface access. However, in areas where there are local populations or land owners, it is necessary, as a practical matter, to negotiate surface access. There can be no guarantee that, despite having the right at law to access the surface and carry on mining activities, the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out mining activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdictions.

Title: Although the Company has taken steps to verify the title to the mineral property in which it has or has a right to acquire an interest in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

Acquisition of Mineral Concessions under Agreements: The agreement pursuant to which the Company has the right to acquire its property provides that the Company must make a series of cash payments and/or share issuances over certain time periods, expend certain minimum amounts on the exploration of the property or contribute its share of ongoing expenditures. The Company does not presently have the financial resources required to complete all expenditure obligations under its property acquisition agreement over their full term. Failure by the Company to make such payments, issue such shares or make such expenditures in a timely fashion may result in the Company losing its interest in such property. There can be no assurance that the Company will have, or be able to obtain, the necessary financial resources to be able to maintain all of its property agreement in good standing, or to be able to comply with all of its obligations there under, with the result that the Company could forfeit its interest in its mineral property.

Summary of quarterly information

Selected consolidated financial information from continuing operations for the most recent eight quarters (unaudited). The quarter results presented in the table below were prepared in accordance with IFRS.

Three Months Ended	Dec-11	Sep-11	Jun-11	Mar-11	Dec-10	Sep-10	Jun-10	Mar-10
Finance Income	$2,179	$2,110	$1,631	$2,545	$2,877	$2,560	$1,040	$297
Loss	$71,641	$72,363	$123,668	$118,826	$87,052	$59,486	$84,621	$81,707
Loss per common share	$0.001	$0.02	$0.03	$0.03	$0.02	$ 0.01	$0.02	$0.03

The following discussion outlines the reasons for some of the variations in the quarterly numbers but, as with most junior mineral exploration companies, the results of operations (including finance income and net losses) are not the main factor in establishing the financial health of the Company. Of far greater significance is the resource property in which the Company has, or may earn an interest, its working capital and how many shares it has outstanding. The variation seen over such quarters is primarily dependent upon the success of the Company's ongoing property evaluation program and the timing and results of the Company's exploration activities on its then current property, none of which are possible to predict with any accuracy.

There are no general trends regarding the Company's quarterly results, and the Company's business of resource exploration is not seasonal, as it can work on its property on a year-round basis (funding permitting). Quarterly results may vary significantly depending on whether the Company has abandoned any properties and granted any stock options, and these are the factors that account for material variations in the Company's quarterly net income (losses), none of which are predictable. The write-down of resource properties can have a material effect on quarterly results as and when they occur. The other major factor which may cause a material variation in net loss on a quarterly basis is the grant of stock options due to the resulting stock-based compensation charges which may be significant when they arise. This may be seen in the quarter ended March 31, 2010 and June 30, 2010. General and administrative costs tend to be quite similar from period to period, except in certain cases when there is an increase in corporate activities. The variation in income is related solely to the interest earned on funds held by the Company, which is dependent upon the success of the Company in raising the required financing for its activities which will vary with overall market conditions, and is therefore difficult to predict.

Results of Operations

The following discussion of the financial condition, changes in financial condition and results of operations of the Company for the years ended December 31, 2011 and 2010 should be read in conjunction with the audited consolidated financial statements of the Company and related notes as at and for the years ended December 31, 2011 and 2010:

During the year ended December 31, 2011, the Company reported a loss of $386,498 or $0.08 per share compared to a loss of $312,866 or $0.08 per share during the prior fiscal year, representing an increase in loss by $73,632. The increase in loss was primarily attributable to the increase in general and administrative expenses of $80,133 and finance and other costs of $190 offset by an increase in finance income of $1,691 and a decrease in write off of reclamation deposit of $5,000.

General and administrative expenses increased by $80,133 from $314,210 during the year ended December 31, 2010 to $394,343 during the year ended December 31, 2011 as a result of increases in depreciation of $628, professional fees of $5,621, transfer agent of $1,915 and travel, promotion and shareholder communication of $126,626 offset by decreases in consulting fees of $22,000, management fees of $9,000, office, rent and administration of $6,245, regulatory fees of $4,758 and share-based payments of $12,654.

The increase in travel, promotion and shareholder communication of $126,626 was a result of travel expenses incurred related to the evaluation of potential assets and fees paid related to a distribution of investment materials carried out during the period. No such expenses were incurred during the same period in the prior fiscal year.

The decrease in management fees by $9,000 resulted from a cancellation of $4,500 monthly fees to a former director of the Company effective May 1, 2010.

The decrease in regulatory fees by $4,758 was a result of fees paid for listing of the Company's common shares on the Frankfurt Stock Exchange during the prior fiscal year.

Share-based compensation of $26,222 was recorded during the year ended December 31, 2011 for stock options vested during the year. During the year ended December 31, 2010, the Company recorded share-based compensation of $38,876 for vested options and for stock options granted to directors, officers and employees to purchase 16,667 shares at $1.05 per share for a period of ten years expiring January 12, 2020 and 61,667 shares at $0.90 per share for a period of ten years expiring June 14, 2020.

Liquidity and Capital Resources

As at December 31, 2011, the Company had working capital of $1,114,307 as compared to a working capital of $977,911 as at December 31, 2010, representing an increase in working capital by $136,396. Financing for the Company's operations was funded primarily from private placements and exercise of share purchase options and warrants.

Net cash and short-term investments increased by $182,414, from $929,443 at December 31, 2010 to $1,111,857 at December 31, 2011. The increase in cash and short-term investments resulted mainly from net proceeds from the issuance of shares of $550,504 offset by cash used for operations of $359,921, exploration and evaluation assets related expenses of $6,768 and purchase of equipment of $1,401.

Current assets excluding cash at December 31, 2011 consisted of short-term investments in guaranteed investment certificate of $750,000, amounts receivable of $15,664 and prepaid expenses and deposits of $20,000 as compared to short-term investments in guaranteed investment certificate of $900,000, accounts receivable of $13,791 and prepaid expenses and deposits of $58,932 at December 31, 2010.

Amounts receivable consist of primarily of GST/HST recoverable of $10,810 (December 31, 2010 - $8,231) and interest receivable of $4,854 (December 31, 2010 - $5,560).

During the year ended December 31, 2011, the Company completed a non-brokered private placement of 2,293,750 units at a price of $0.16 per unit for gross proceeds of $367,000. Each unit consists of one common share and one-half of one transferable common share purchase warrant ("warrant"). Each whole warrant entitles the holder to purchase an additional common share of the Company at a price of $0.25 per common share expiring November 8, 2013. The warrants are subject to an acceleration provision whereby If at any time from four months and one day after the closing of the financing, the closing price of the Company's common shares on the Exchange over a period of 10 consecutive trading days exceeds $0.35, the Company may, at its option, provide notice to the warrant holders that the warrants will expire on the date which is 30 calendar days after the date of such notice. The Company will pay $29,000 as a finder's fee on this private placement.

During the year ended December 31, 2011, 8,333 common shares of the Company were issued upon the exercise of stock options at $0.33 per share for proceeds of $2,750.

During the year ended December 31, 2011, 616,667 common shares were issued for gross proceeds of $185,000 on the exercise of 616,667 warrants at $0.30 per share.

During the year ended December 31, 2010, the Company closed a non-brokered private placement of 1,142,222 units at a price of $0.90 per unit for gross proceeds of $1,028,000. Each unit consists of one common share and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder, on exercise, to purchase an additional common share of the Company at a price of $1.50 per common share expiring March 5, 2012. The warrants are subject to an acceleration provision whereby if the trading price of the Company's common shares on the TSX Venture Exchange over a period of 10 consecutive trading days exceeds $2.25, the Company may, at its option, provide notice to the warrant holders that the warrants will expire on the date which is 30 calendar days after the date of such notice. The Company paid an aggregate of $55,965 and issued an aggregate of 17,772 units of the Company as finders' fees related to this financing. The units issued have the same terms as the private placement.

During the year ended December 31, 2010, 54,418 stock options at $0.33 per share were exercised for total proceeds of $17,958.

As of the date of this MD&A, financing for the Company's operations is also potentially available through the exercise of its outstanding exercisable options and share purchase warrants (See Summary of Outstanding Share Data). However, there can be no assurance that any of these outstanding convertible securities will be exercised, particularly if the trading price of the common shares on the TSXV does not exceed, by a material amount and for a reasonable period, the exercise price of such convertible securities at some time prior to their expiry dates.

The Company presently has sufficient funds to continue its anticipated ongoing operations through fiscal 2012. However, if the Company's plans change (as, for example, if it determines to acquire additional properties or accelerate its presently contemplated work programs) or its current assumptions change or prove inaccurate, the Company may be required to seek additional financing through the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sales).

The Company's financial performance is dependent on many external factors. The Company expects that any revenues it may earn from its operations in the future will be from the sale of minerals. Both prices and markets for metals and minerals are cyclical, difficult to predict, volatile, subject to government price fixing and controls and respond to changes in domestic and international political, social and economical environments. In addition, the availability and cost of funds for exploration, development and production costs are difficult to predict.

Summary of Outstanding Share Data

The Company is authorized to issue an unlimited number of common shares. As at April 24, 2012, there were 7,090,662 shares issued and outstanding.

The following stock options were outstanding as at April 24, 2012:

Number of Options	Exercise Price	Expiry Date	Exercisable
117,333	$0.21	September 26, 2013	117,333
86,667	$0.21	April 17, 2019	86,667
53,334	$0.21	June 14, 2020	53,334
214,000	$0.21	October 5, 2016	107,000
471,334			364,334

The following warrants were outstanding as at April 24, 2012:

Number of Warrants	Exercise Price	Expiry Date
579,997	$1.50	March 5, 2012
1,146,875	$0.25	November 8, 2013
1,726,872		

Related Party Transactions

During the year ended December 31, 2011, the Company entered into certain transactions with related parties. These transactions are in the normal course of business operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

A description of the related party transactions is as follows:

Name and Relationship to Company	Transaction	Three months ended December 31, 2011	Year ended December 31, 2011	Year ended December 31, 2010
Remstar Resources Ltd., a company with common directors and officers	Office, rent and administration (1)	$11,100	$53,200	$52,000
Ultra Lithium Inc., a company with common directors and officers	Rent (2)	$3,000	$12,000	$11,000
Mosam Ventures Inc., a company controlled by a director and an officer of the Company	Management fees	$16,200	$64,800	$55,800
Tony M. Ricci Inc., a company controlled by a former officer of the Company	Management fees	$Nil	$Nil	$18,000
Max Pinsky Personal Law Corp. a company controlled by an officer of the Company	Legal fees	$Nil	$7,609	$7,225

(1) The Company entered into a month-to-month arrangement for the rental of office premises and the provision of accounting, financial reporting and administrative services with Remstar Resources Ltd., a public company related by common directors and officers.

(2) The Company entered into a month-to-month arrangement for the rental of office premises with Ultra Lithium Inc., a public company related by common directors and officers.

Included in prepaid expenses is a rent deposit of $2,000 (December 31, 2010 - $2,000) paid to a company having directors and officers in common.

Included in accounts payable and accrued liabilities is management fees of $Nil (December 31, 2010 - $6,048) payable to a company controlled by a director and an officer of the Company.

Fourth Quarter

During the fourth quarter, the Company reported a loss of $71,641 compared to a loss of $87,052 during the fourth quarter in the prior fiscal year, representing a decrease in loss by $15,411. The decrease in loss was primarily attributable to decreases in general and administrative expenses of $11,327 and write-off of reclamation deposit of $5,000 offset by a decrease in finance income of $698 and an increase in finance and other costs of $218.

General and administrative expenses decreased by $11,327 from $84,858 during the three months ended December 31, 2010 to $73,531 during the three months ended December 31, 2011 as a result of decreases in depreciation of $172, consulting fee of $7,000, office, rent and administration of $2,796, professional fees of $1,002, travel, promotion and shareholder communication of $14,392 offset by increases in regulatory fees of $1,698, share-based payments of $10,969 and transfer agent of $1,368.

The increase in travel, promotion and shareholder communication of $14,392 was a result of travel expenses incurred related to the evaluation of potential assets during the period. No such expenses were incurred during the same period in the prior fiscal year.

Subsequent Events

Subsequent to December 31, 2011, the Company completed a non-brokered private placement of 100,000 units at a price of $0.17 per unit for gross proceeds of $17,000. Each unit consists of one common share and one-half of one transferable common share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share of the Company at a price of $0.25 per common share for a period of two years expiring January 3, 2014. The warrants are subject to an acceleration provision whereby If at any time from four months and one day after the closing of the financing, the closing price of the Company's common shares on the Exchange over a period of 10 consecutive trading days exceeds $0.35, the Company may, at its option, provide notice to the warrant holders that the warrants will expire on the date which is 30 calendar days after the date of such notice.

Use of Estimates and Judgments

The preparation of the Company's consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts 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. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and share-based payments and other equity-based payments and the estimated useful life and recoverability of equipment. Actual results may differ from those estimates and judgments.

Changes in Accounting Policies

Adoption of International Financial Reporting Standards ("IFRS")

The consolidated financial statements represent the first annual financial statements of the Company prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards ("IASB") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The disclosures related to the transition from Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS are included in note 12 to the Company's audited consolidated financial statements for the year ended December 31, 2012. Note 12 contains reconciliations and descriptions of the effect of the transition from GAAP to IFRS on equity, loss and comprehensive loss, along with reconciliations of the consolidated statements of financial position as at December 31, 2010 and January 1, 2010, and the consolidated statements of loss and comprehensive loss for the year ended December 31, 2010. The first date at which IFRS was applied was January 1, 2010.

Recent Accounting Pronouncements

The following IFRS standards have been recently issued by the International Accounting Standards Board ("IASB"): The Company is assessing the impact of these new standards, but does not expect them to have a significant effect on the financial statements.

(a) IFRS 9, Financial Instruments

The Standard is effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted. The standard is the first part of a multi-phase project to replace IAS 39, *Financial Instruments: Recognition and Measurement*. The Company has not early-adopted the standard and is currently assessing the impact it will have on the consolidated financial statements.

(b) IFRS 10, Consolidated Financial Statements

In 2011, the IASB issued IFRS 10 which provides additional guidance to determine whether an investee should be consolidated. The guidance applies to all investees, including special purpose entities. The standard is required to be adopted for periods beginning January 1, 2013. Earlier application is permitted. The Company does not expect the standard to have a material impact on its consolidated financial statements.

(c) IFRS 11, Joint Arrangements

In 2011, the IASB issued IFRS 11 which presents a new model for determining whether an entity should account for joint arrangements using proportionate consolidation or the equity method. An entity will have to follow the substance rather than legal form of a joint arrangement and will no longer have a choice of accounting method. The standard is required to be adopted for periods beginning January 1, 2013. Earlier application is permitted. The Company does not expect the standard to have a material impact on its consolidated financial statements.

(d) IFRS 12, Disclosure of Interests in Other Entities

In 2011, the IASB issued IFRS 12 which aggregates and amends disclosure requirements included within other standards. The standard requires a company to provide disclosures about subsidiaries, joint arrangements, associates and unconsolidated structured entities. The standard is required to be adopted for periods beginning January 1, 2013. Earlier application is permitted. The Company does not expect the standard to have a material impact on its consolidated financial statements.

(e) IFRS 13, Fair value measurement

In 2011, the IASB issued IFRS 13 to provide comprehensive guidance for instances where IFRS requires fair value to be used. The standard provides guidance on determining fair value and requires disclosures about those measurements. The standard is required to be adopted for periods beginning January 1, 2013. Earlier application is permitted. The Company does not expect the standard to have a material impact on its consolidated financial statements.

(f) IAS 1, Presentation of Items of Other Comprehensive Income

In 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements to split items of other comprehensive income (OCI) between those that are reclassed to income and those that are not. The standard is required to be adopted for periods beginning on or after July 1, 2012. The amendments are to be applied effective July 1, 2012 and may be early adopted. The amendments are to be applied retroactively in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The Company is currently evaluating the impact of the amendments on its consolidated financial statements.

(g) IAS 27, Separate Financial Statements

The IASB issued amendments to IAS 27 Separate Financial Statements to coincide with the changes made in IFRS 10, but retains the current guidance for separate financial statements. The amendments to IAS 27 are effective for annual periods beginning on or after January 1, 2013. The standard does not impact the consolidated financial statements.

(h) IAS 28, Investments in Associates and Joint Ventures

The IASB issued amendments to IAS 28 Investments in Associates and Joint Ventures to coincide with the changes made in IFRS 10 and IFRS 11.

(i) IFRS 7, Financial Instruments: Disclosures

In 2011, IASB issued amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosure requirements for the offsetting of financial assets and liabilities when offsetting is permitted under IFRS. The disclosure amendments are required to be adopted retrospectively for periods beginning January 1, 2013.

(j) IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine

IFRIC 20 is a new interpretation on the accounting for waste removal activities. The interpretation considers when and how to account separately for the benefits arising from a stripping activity, as well as how to measure such benefit. The interpretation generally requires that costs from a stripping activity which improve access to ore to be recognized as a non-current asset when certain criteria are met and should be accounted as an addition to the related asset. The Company does not expect the standard to impact its consolidated financial statements.

Financial Instruments and Other Instruments

(a) Fair value of financial instruments

The Company's financial instruments consist of cash, short-term investments, amounts receivable and accounts payable and accrued liabilities. Cash and short-term investments are classified as held-for-trading and accordingly carried at its fair value. Amounts receivable are classified as loans and receivables and are carried at their amortized costs. Accounts payable and accrued liabilities are classified as other financial liabilities and are carried at their amortized cost.

The carrying value of the Company's financial assets and liabilities approximates their fair value due to the relatively short periods to maturity of these investments. Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. These estimates are subjective and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Financial instruments measured at fair value are classified into one of the three levels in the fair value hierarchy according to the relative reliability of the inputs used estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 Inputs that are not based on observable market data.

			December 31, 2011	
	Category	Carrying value	Amount	Fair value hierarchy
			$	
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortized cost	1,111,857	N/A
Amounts receivables	Loans and receivables	Amortized cost	15,664	N/A
			1,127,521	
Financial liabilities				
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	15,214	N/A

			December 31, 2010	
	Category	Carrying value	Amount	Fair value hierarchy
			$	
Financial assets				
Cash and cash equivalents	Loans and receivables	Amortized cost	929,443	N/A
Amounts receivables	Loans and receivables	Amortized cost	13,791	N/A
			943,234	
Financial liabilities				
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	24,255	N/A

(b) Financial instruments risk

The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board approves and monitors the risk management processes:

i) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is subject to credit risk on the cash balances at the bank, its short-term bank guaranteed investment certificates and amounts receivable. Cash and cash equivalents consisting of Guaranteed Investment Certificates ("GICs") have been invested with Schedule 1 banks or equivalents, with its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. The receivables consist primarily of GST/HST recoverable of $10,810 and interest receivable of $4,854.

ii) Liquidity Risk

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at December 31, 2011, the Company had cash and short-term investments of $1,111,857 to settle current liabilities of $15,214 which mainly consist of accounts payable that are considered short term and settled within 30 days. The Company has sufficient capital to meet its requirements for fiscal 2012.

iii) Market risk

a) 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 market interest rates.

The Company's cash attract interest at floating rates and have maturities of 90 days or less. The Company's short-term investments are invested in GICs with greater than 90 day terms but not greater than one year. These GICs have a fixed interest rate for the term of the deposit. The interest on cash and GICs is typical of Canadian banking rates, which are low at present and the conservative investment strategy mitigates the risk of deterioration to the investment. A change of 100 basis points in the interest rates would not be material to the financial statements.

b) Commodity Price Risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's risk relates primarily to the expected output to be produced at its mineral properties described in note 8 to these consolidated financial statements of which production is not expected in the near future.

Capital Management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The management of the capital structure is based on the funds available to the Company in order to support the acquisition, exploration and development of mineral properties and to maintain the Company in good standing with the various regulatory authorities. In order to maintain or adjust its capital structure, the Company may issue new shares or debt or sell assets to settle liabilities.

The properties in which the Company currently has an interest in are in the exploration stage, as such, the Company does not recognize revenue from its exploration properties. The Company's historical sources of capital have consisted of the sale of equity securities and interest income. In order for the Company to carry out planned exploration and development and pay for administrative costs, the Company will spend its working capital and expects to raise additional amounts externally as needed.

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

There were no changes in the Company's management of capital during the year ended December 31, 2011.

Internal Controls over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and Chief Financial Officer have concluded that there has been no change in the Company's internal control over financial reporting during the year ended December 31, 2011 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. As of December 31, 2011, the Company's internal control over financial reporting was effective.

Additional Information

Additional information relating to Lornex Capital Inc. can be accessed under the Company's public filings found at www.sedar.com.