



**Zoolander Corporation**  
**Management's Discussion and Analysis**  
**For the Three Months and Year Ended**  
**December 31, 2012**

This "Management's Discussion and Analysis" ("MD&A") has been prepared as of April 30, 2013 and should be read in conjunction with the audited consolidated financial statements of Zoolander Corporation (the "Company" or "Zoolander") for the years ended December 31, 2012 and 2011. The Company's audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") which are generally accepted accounting principles in Canada for reporting issuers and are reported in Canadian dollars unless otherwise stated.

Unless otherwise stated, all financial analysis, data and information set out in this MD&A are unaudited.

### **Cautionary Note Regarding Forward-Looking Statements**

This MD&A includes certain forward-looking statements that are based upon current expectations which involve risks and uncertainties associated with the Company's business and the economic environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements which are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. The forward-looking statements are not historical facts, but reflect the Company's current expectations regarding future results or events. Forward-looking statements contained in this MD&A are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed in the section "Risks and Uncertainties" below. Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated.

Forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

The forward-looking information contained in this MD&A is provided as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

### **Overview of the Business**

The Company was incorporated on October 27, 2005 and became a reporting issuer as a Capital Pool Company on March 17, 2006. On May 10, 2011, Zoolander completed its Qualifying Transaction with the acquisition of Adsani Explorations (Pty) Ltd. ("Adsani") a South African registered company, and its wholly-owned Zimbabwean subsidiary Mezzotin Investments (Private) Limited ("Mezzotin"). The acquisition constituted a reverse acquisition for accounting purposes.

The Company is a Tier 2 junior exploration company listed on the TSX Venture Exchange (the "Exchange") and is a reporting issuer in British Columbia, Alberta and Ontario. The Company is engaged in the exploration of mineral properties in Zimbabwe.



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Mezzotin holds mining claims known as the Sabi Star Property ("Sabi Star"). Sabi Star is comprised of 30 rare earth exploration permits covering a total of 2,348 hectares. The property is located in Eastern Zimbabwe approximately 150 kilometres from Harare, the capital of Zimbabwe, and approximately 250 kilometres from the border of South Africa. The property is located on the Odzi Gold Belt, a known mineralization belt having historically produced gold, copper, tin, tantalum, niobium and diamonds.

Further technical information regarding this property can be found in the National Instrument 43-101 Technical Report (NI 43-101 Report) filed March 31, 2011 on the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The Company has a particular, but not exclusive interest in the potential for tantalum deposits on the property. Tantalum is a rare earth element that is used in the electronics industry. Demand for the metal has grown between 8% and 12% per annum since 1995 and with expanding market uses, Management of the Company believes this metal to have a good market potential.

As at April 29, 2013, the directors and officers of the Company were:

Paul Ekon	President, CEO and Director
Christine He	Director
Shawn Mace	Director
Jason Chen, PhD	Director
Lawrence Schreiner, CPA, CA	CFO

## **Highlights and Summary**

In the year ended December 31, 2012, the Company continued to acquire and has begun to assemble on its properties the requisite equipment to carry out the next stages of exploration. Subsequent to the end of the year, the final equipment arrived on site. Once the equipment is mobilized, the Company anticipates that it will commence further exploration on the properties.

In the three and 12 months ended December 31, 2012, the Company incurred net losses of \$262,118 and \$706,928, respectively, compared with losses of \$218,873 and \$787,068, respectively, in the corresponding period of the prior year. On a per share basis, in the three and 12 months ended December 31, 2012 the Company lost \$0.01 and \$0.02 per share, respectively, compared to losses of \$0.01 and \$0.03 per share, respectively, in the prior year.

In August 2012, the Company concluded a private placement with Konstantine Resources Inc. ("Konstantine") issuing 15,000,000 units at a price of \$0.10 per unit for gross proceeds of \$1,500,000. Each unit consisted of one common share and one warrant to purchase one further common share within 24 months at a price of \$0.15. As a result of the private placement as well as acquiring interests from other investors, Mr. Paul Ekon, either directly or indirectly through Konstantine, which is controlled by Mr. Ekon, controls approximately 51% of the common shares on a non-diluted basis.

As part of the private placement, Konstantine nominated Paul Ekon, Shawn Mace and Mick Delahunt to the board, replacing Anthony Roodenburg, James Pirie and Sanjiv Rai to hold office until the next annual general meeting of the shareholders.

In March 2013, the board accepted the resignation of the Company's CFO Mr. Ranjiv Rai and President Gavin Treanor as well as two Directors Mr. Chris Irwin and Mr. Mick Delahunt. Mr. Paul Ekon, a Director assumed the role of President and CEO of Zoolander and Ms. Christine He and Jason Chen were appointed as directors.



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In April, 2013 the board of directors announced the appointment of Lawrence Schreiner, CPA, CA as Chief Financial Officer of the Company. Mr. Schreiner brings over 30 years of management experience with private corporations and reporting issuer to the Company

### **Selected Financial Information**

The following table sets out selected financial information for the three most recently completed financial years.

(audited)	Years ended December 31		
	2012	2011	2010 <sup>(1)</sup>
Loss before income taxes	<b>\$ (706,928)</b>	\$ (787,068)	US\$ 364,723
Net loss	<b>\$ (706,928)</b>	\$ (787,068)	US\$ 364,723
Weighted average number of shares outstanding	<b>40,069,467</b>	25,740,582	10,000,100
Loss per share (basic and fully diluted)	<b>\$ (0.02)</b>	\$ (0.03)	US\$ (0.04)
Cash, cash equivalents	<b>\$ 1,371,815</b>	\$ 659,836	US\$ 1,600,835
Working capital	<b>\$ 1,209,859</b>	\$ 648,115	US\$ 665,703
Total assets	<b>\$ 2,284,982</b>	\$ 1,465,808	US\$ 2,373,205

<sup>(1)</sup> The financial data for 2010 are that of Adsani and its then 90% owned subsidiary Mezzotin Investments. The audited financial statement of Adsani were expressed in US Dollars and pre-dates the acquisition by Zoolander Corporation

Operating expenses for the year ended December 31, 2012 were consistent with those incurred in 2011. The increase in cash and working capital reflect the proceeds of a \$1,500,000 private placement in August 2012.

In addition to costs associated with head office, the Company continues to incur costs at the properties. On the properties there is a former mining plant which has not been in operation since 2004. The Company continues to incur costs for care, maintenance and security of the site.



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## Discussion of Operating Results

The following table summarizes the Company's operating results for the three months and years ended December 31, 2012 and 2011:

	Three months ended December 31 (unaudited)		For the year ended December 31 (audited)	
	2012	2011	2012	2011
Consulting fees	\$ 121,769	\$ 151,042	\$ 314,477	\$ 297,402
Professional fees	\$ 51,320	\$ 33,344	\$ 126,526	\$ 238,744
Travel	\$ 11,708	\$ 58,915	\$ 61,618	\$ 122,424
Salaries and wages	\$ 46,471	\$ 24,305	\$ 98,068	\$ 55,769
Shareholder information	\$ 3,432	\$ 8,163	\$ 22,214	\$ 62,783
General and administrative	\$ 15,116	\$ 20,140	\$ 81,595	\$ 61,382
Finance income	\$ (1,313)	\$ (8,290)	\$ (12,095)	\$ (8,290)
Foreign exchange (gain)/loss	\$ 13,615	\$ (43,146)	\$ 14,525	\$ (43,146)
<b>Total - operating loss</b>	<b>\$ 262,118</b>	<b>\$ 244,473</b>	<b>\$ 706,928</b>	<b>\$ 787,068</b>

Consulting fees generally represent amounts paid to management and other consultants in the operations of the Company. For the three months and year ended December 31 2012, consulting fees were \$121,769 and \$314,477, respectively, and decreased by \$29,273 in the year over year quarter but increased by \$17,075 for the full year. The increase year over year reflects an increase in executive costs in 2012 over 2011.

Professional fees relate primarily to audit and legal costs. For the three months ended December 31, 2012, professional fees were \$17,976 higher than 2011 reflecting additional legal costs. On a year over year basis, professional fees decreased by \$112,218 from 2011 when the Qualifying Transaction occurred.

Travel costs in the three months ended December 31, 2012 decreased by \$47,207 when compared to the same period in 2011 and on a year over year basis, travel costs are down by \$60,806, or approximately 50%. This reflects higher travel costs incurred immediately following the completion of the Qualifying Transaction in 2011.

Salary and wages reflect amounts paid in Zimbabwe for ongoing maintenance, upkeep and security of the structures and equipment on site at the properties. For the three months ended December 31, 2012, the increase over 2011 of \$22,166 reflects an increase in the number of people at the property. The increased number of people is also reflected in the year over year increase in salaries and wages of \$42,299.

Shareholder information or communications was down on a year over year basis by \$40,569 reflecting the higher costs in 2011 related to the Qualifying Transaction.



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General and administrative costs include a number of expenses such as insurance, office related costs such as telephone and supplies, rent, filing and transfer agent fees. For the three months ended December 31, 2012 General and Administrative costs were \$15,116, a decrease of \$5,024 from the \$20,140 reported in the corresponding period in the prior year. For the 12 month period, General and Administrative costs increased by approximately \$20,000 of which insurance and rental costs are the major contributing factors.

**Deferred Costs**

In the year ended December 31, 2012, the Company did not defer any exploration costs. In the same period, the Company capitalized \$115,078 of mining rights claim expenditures.

**Quarterly Financial Information**

The following table sets out the quarterly results since the Qualifying Transaction completed on May 10, 2011. Quarterly consolidated results for the three months ended March 31 2011 would that of Adsani which did not prepare quarterly statements for that period.

	Revenue	Net Loss	Loss per share
December 31 2012	Nil	\$ 262,118	0.01
September 30, 2012	Nil	\$ 198,619	0.01
June 30, 2012	Nil	\$ 122,748	0.00
March 31, 2012	Nil	\$ 123,443	0.01
December 31, 2011	Nil	\$ 244,473	0.01
September 30, 2011	Nil	\$ 274,473	0.01
June 30, 2011	Nil	\$ 242,522	0.01

**Liquidity and Capital Resources**

The Company's financial liquidity is supported by its cash resources. The Company is a development stage enterprise and is not cash flow positive. The Company's ongoing ability to remain liquid will depend on a number of factors including the rate of cash expenditure to fund ongoing operations, investments in non-cash working capital and the Company's ongoing ability to raise capital to fund the development of the business (see "Risks and Uncertainties").

On August 30, 2012, the Company completed a private placement issuing 15,000,000 units at a price of \$0.10 per Unit raising gross proceeds of \$1,500,000. Each Unit consisted of one common share and one common share purchase warrant. Each Warrant entitles the holder to acquire one common share for a period of two years from the date of issuance at an exercise price of \$0.15 per common share.

At December 31, 2012, the Company's cash balance was \$1,371,815 (December 31, 2011 - \$659,836). Working capital balance at the same two dates was \$1,209,859 and \$648,115, respectively, a decrease of \$300,926 in the current quarter and an increase of \$561,744 year over year.



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The Company's investment practice has been to invest cash balances in term deposits and bankers' acceptances. Any investment in short-term investments would be high quality instruments of financial institutions, providing the Company with very low levels of liquidity risk on its invested financial instruments.

The Company has no long-term debt.

Based on its current operating and financial plans, management is confident the Company has adequate cash resources on hand to fund its operations during fiscal 2013.

### **Capital Commitments**

The Company does not have any material commitments for capital assets as of December 31, 2012 or as of the date of this MD&A.

### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements as of the date of this MD&A.

### **Related Party Transactions**

Related parties include the Board of Directors, officers and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

For the year ended December 31, 2012, the Company paid or accrued \$120,270 (2011 - \$152,283) for executive services to companies controlled by officers or directors of the Company, \$65,733 (2011 - \$20,000) for legal services to firms in which one of the Company's directors was a principal or partner and \$82,500 (2011 - \$84,061) in management fees to persons who were significant shareholders of the Company.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties. All of these amounts were charged at fair market rates.

All amounts reflect commercial terms or pursuant to contractual terms based on commercial terms.

### **Proposed Transactions**

As at the date hereof, there were no proposed transactions of a material nature being considered by the Company.

### **Financial Instruments**

#### **Fair Value of Financial Instruments**

The Company has designated its cash as held for trading, which is measured at fair value. Fair value of marketable securities is determined based on transaction value and is categorized as Level 1 measurement. HST recoverable and other receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost which approximates fair value. Accounts payable and accrued liabilities and property options payable are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also approximates fair value. Fair value of accounts payable and accrued liabilities and property options payable are



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determined from transaction values which were derived from observable market inputs. Fair values of accounts payable and accrued liabilities and property options payable are based on Level 2 measurements.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

**Interest Rate Risk**

The Company does not have any interest bearing debt. The Company invest cash surplus to its operational needs in investment-grade short term deposits certificates issued by the bank where it keeps its Canadian bank accounts. The Company periodically assesses the quality of its investments with this bank and is satisfied with the credit rating of the bank and the investment grade of its short term deposits certificates.

**Liquidity Risk**

The Company manages liquidity risk by ensuring that all near cash and short term investments are in secure, high quality instruments with short term maturity dates to ensure that it will be able to meet liabilities when due.

**New Accounting Pronouncements**

The International Accounting Standards Board issued a number of new and revised standards and interpretations which are relevant but have not yet been adopted by the Company.

The following is a brief summary of the new standards:

*IFRS 9, Financial Instruments:* IFRS 9 introduces the new requirements for the classification, measurement and de-recognition of financial assets and financial liabilities. Specifically, IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value, and all financial liabilities classified as subsequently measured at amortized cost except for financial liabilities as at FVTPL. The amendments are effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted.

*IFRS 10, Consolidated Financial Statements:* IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities. The interpretation is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

*IFRS 11, Joint Arrangements:* IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities-Non – Monetary Contributions by Venturers. The interpretation is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

*IFRS 12, Disclosure of Interests in Other Entities:* IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The interpretation is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

*IFRS 13, Fair Value Measurements:* IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. The interpretation is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted.

*IAS 1 – Presentation of Financial Statements:* In June 2011, the IAS issued amendments to IAS 1 that requires an entity to group items presented in the statement of comprehensive income on the basis of whether they may be reclassified to earnings subsequent to initial recognition. For those items presented before taxes, the amendments





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to IAS 1 also require that the taxes related to the two separate groups be presented separately. The amendments are effective for annual periods beginning on or after July 1, 2012, with earlier adoption permitted. The Company does not anticipate the application of the amendments to IAS 1 to have a material impact on its consolidated financial statements.

The Company will adopt these standards, other than IFRS 9, in the first quarter of 2013.

## **Risks and Uncertainties**

An investment in the Company's shares should be considered highly speculative. An investor should carefully consider each of, and the cumulative effect of, the following risks and uncertainties.

### **Financing Requirements**

The exploration and development of the Company's properties, including continuing exploration and development of the Sabi Star Property, may require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of exploration and or even a loss of a property interest. When such additional capital is required, the Company may pursue sources of such capital through various financing transactions or arrangements, including joint venturing of projects, debt financing, equity financing or other means. Additional financing may not be available when needed or if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders. The Company may not be successful in locating suitable financing transactions in the time period required or at all, may not obtain the capital required by other means and failure to raise capital when needed would have a material adverse effect on the Company's business, financial condition and results of operations.

### **Dilution Risk**

In order to finance future operations and development efforts, the Company may raise funds through the issue of Company Shares or securities convertible into Company Shares. The constating documents of the Company will allow it to issue, among other things, an unlimited number of Company shares for such consideration and on such terms and conditions as may be established by the directors of the Company, in many cases, without the approval of shareholders. The size of future issues of Company shares or securities convertible into Company shares or the effect, if any, that future issues and sales of the Company shares will have on the price of the Company shares cannot be predicted at this time. Any transaction involving the issue of previously authorized but unissued Company shares or securities convertible into Company Shares would result in dilution, possibly substantial, to present and prospective shareholders of the Company.

### **Local Legal, Political and Economic Factors**

The Company's operations are conducted in Zimbabwe and, as such, will be exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to: terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization; renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Zimbabwe has a history of political and economic instability. This instability could result in new governments or the adoption of new policies, laws or regulations that might assume a substantially more hostile attitude toward foreign investment, including the imposition of additional taxes. In an extreme case, such a change could result in the termination of contract rights and expropriation of foreign-owned assets.





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**Historically Disadvantaged Aboriginal People**

Zimbabwe is in the process of enacting legislation to assist people of aboriginal descent to overcome perceived historic economic disadvantages. The Indigenisation Act became law in Zimbabwe on April 17, 2008. The Indigenisation Act provides for all companies operating in Zimbabwe to arrange for 51% of their shares or interest therein to be owned by indigenous Zimbabweans, however, recent statements by the Zimbabwe government have indicated that companies will be required to relinquish a lower percentage.

On January 29, 2010, the Zimbabwe Government published regulations with respect to the Indigenisation Act that include the requirement for companies operating in Zimbabwe to provide specified information to the Minister of Youth Development, Indigenisation and Empowerment (the "Minister"), including an indigenisation implementation plan, by April 15, 2010. That information, together with responses from all sectors of the Zimbabwe economy, will be used as a basis for determining what amount less than 51% shall apply to any sector and subsector and the maximum period for achieving indigenization. The regulations require the Minister to complete the determinations by February 28, 2011. Mezzotin has filed the necessary documentation with the Minister. There is great uncertainty as to whether the legislation will be enforced in the current form and what impact it will have on companies like Mezzotin and/or the Company.

There is no guarantee that the legislation will be amended, requiring a dilution of the Company's interest in the Sabi Star Property in favour of previously disadvantaged persons. Were such a dilution required, there is no guarantee that the Company would be fully compensated for the interest given up.

**Title to Properties**

The Company holds its interest in the Sabi Star Property through Mezzotin which is an indirect wholly-owned subsidiary. Zoolander believes that Mezzotin presently holds all necessary licenses and permits required to carry on with activities which it is currently conducting under applicable laws and regulations and that Mezzotin is presently complying in all material respects with the terms of such licenses and permits. All of Mezzotin's claims are under the jurisdiction of the Government Assistant Mining Commissioner in Mutare, Zimbabwe and Zoolander believes that all of such claims have been pegged in accordance with the provisions of the Zimbabwe Mines and Minerals Act. Title reviews have been performed with respect to the Sabi Star Property. Although title reviews are often done according to industry standards prior to the purchase of a mining property, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of the Company which could result impairment of a property interest.

The mining claims may be terminated in the event the Company fails to pay annual inspection fees or fails to conduct a development work program on the mining claims annually. Under the laws of Zimbabwe, mineral resources belong to the state and governmental concessions and prospecting licenses are required to explore for, exploit, and extract, mineral reserves.

**Nature of Exploration and Development**

The business of exploring for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in a profitable commercial mining operation.

Furthermore, resources and reserves are estimates based upon drilling results, past experience with mining properties, experience of the person making the resource/reserve estimates and many other factors. Resource/reserve estimation is an interpretative process based upon available data. The actual quality and characteristics of mineral deposits and metallurgical recovery rates cannot be known until mining takes place, and will almost certainly differ from the assumptions used to develop reserves.



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Further, reserves are valued based on current costs and current prices and consequently may be reduced with declines in, or sustained low, metal prices.

**Insurance and Uninsured Risks**

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, catastrophic equipment failures, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

Although Company will maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with a mining company's operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability.

Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. The Company might also become subject to liability for pollution or other hazards that may not be insured against or that Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

**Environmental Risks and Hazards**

All phases of the Company's operations are subject to environmental regulation in Zimbabwe. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that existing or future environmental regulation will not materially adversely affect the Company's business, financial condition and results of operations.

**Exchange Controls**

Foreign operations may require funding if their cash requirements exceed operating cash flow. To the extent that funding is required, there may be exchange controls limiting such funding or adverse tax consequences associated with such funding. In addition, taxes and exchange controls may affect the dividends received from foreign subsidiaries. Exchange controls may prevent transferring funds abroad.

**Commodity Price Volatility**

Any future profitability of the Company's operations will be dependent upon the market price of mineral commodities. Mineral prices, including the price of tantalum, fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities, including the price of tantalum, has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and results of operations. In addition to adversely affecting the Company's reserve or resource estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct



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such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

**Foreign Subsidiaries**

The Company is a holding company that conducts operations through foreign subsidiaries and substantially all of its assets are held in such entities. Accordingly, any limitation on the transfer of cash or other assets between the parent Company and such entities, or among such entities, could restrict the Company's ability to fund its operations efficiently. Any such limitations, or the perception that such limitations may exist now or in the future, could have an adverse impact on the Company's valuation and stock price.

**Governmental Regulation of the Mining Industry**

All minerals and fossil fuels are vested in the State of Zimbabwe and may be acquired by companies and individuals through the pegging of claims or applications for Special Grants, Exclusive Prospecting Orders ("EPO") and Mining Leases. All of these are covered by the Mines and Minerals Act and the Mining Regulations. The Mines and Minerals Act was promulgated in 1961 and amendments require approval by Parliament. The Mining Regulations may be amended by the Minister of Mines. The Mines and Minerals Act is currently under review, with the Chamber of Mines having set up a committee to propose amendments. Although the Company believes that the current activities at the Sabi Star Property are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the Company's properties.

**Additional disclosure for Venture Issuers without Significant Revenue**

The requisite disclosure for Venture issuers without significant revenue has been addressed in the Discussion of Operations section above.

**Outstanding Shares**

The following table outlines the equity securities of the Company and all other securities of the Company which are convertible into, exercisable or exchangeable for voting or equity securities as of April 29, 2013:

	Number
Common shares outstanding	49,987,500
Issuable under warrants	<u>25,000,000</u>
Total diluted common shares	<u>74,987,500</u>

Features of the warrants are described in the Notes to the Financial Statements of the Company for the year ended December 31 2012.

A total of 10,000,000 warrants are scheduled to expire on April 30, 2013.



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### **Subsequent Events**

As part of a termination agreement, the Company has agreed to purchase for cancellation US\$100,000 common shares of a former consultant of the Company who, among other things, served as a director and officer of the Company's subsidiaries. The shares will be purchased at a price of C\$0.10 each and the approximate number of shares to be purchased and cancelled will be 1,000,000, subject to the prevailing exchange rate when the transaction is completed. The former consultant and the Company have also executed a mutual release in connection with the termination agreement.

The proposed share purchase constitutes a "related party transaction" within the meaning of applicable securities legislation but is exempt from the formal valuation and minority shareholder approval requirements as the Company's shares are listed on the TSX Venture Exchange and the fair market value of the transaction does not exceed 25% of the Company's market capitalization, respectively. The proposed share purchase is, however, subject to the prior approval of the TSX which is still pending as of the date hereof.

### **Additional Information**

Additional information relating to the Company including the Company's 43-101 Technical Report can be found on SEDAR at [www.sedar.com](http://www.sedar.com).