# BROOKEMONT CAPITAL INC.

For the year ended July 31, 2012

Management's Discussion and Analysis

Date of Report: November 28, 2012

**Disclaimer for Forward-Looking Information**

Certain statements in this report are forward-looking statements, which reflect our management's expectations regarding our future growth, results of operations, performance, business prospects and opportunities such as our intended work programs on our existing property interests, our ability to meet financial commitments and our ability to raise funds when required. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits we will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this Management's Discussion and Analysis. These assumptions, which include management's current expectations, estimates and assumptions about our current property interests, the global economic environment, the market price and demand for mineral commodities and our ability to manage our property interests and operating costs, may prove to be incorrect. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) a decreased demand or price for mineral commodities, (3) delays in the start of projects with respect to our property interests, (4) inability to locate and acquire additional property interests, (5) the uncertainty of government regulation and politics in North America and Tanzania regarding mineral exploration and mining, (6) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, and (7) other factors beyond our control.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. Except as required by law, we disclaim any intention or obligation to update or revise any forward-looking statements. Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled "Risk Factors" below.

**Nature of Business**

We are involved in the identification, acquisition and exploration of mineral properties that management deems as potentially viable to assist in the growth of the company. These properties include gold, silver, and aluminous clay properties. At July 31, 2012, we had mineral property interests located in Canada and Tanzania.

***Mineral Properties***

*Handeni Gold, Tanzania*

On September 3, 2010, we entered into a letter agreement with an arm's length vendor (the "Handeni Vendor") to acquire an 80% interest in a 63.4 square kilometre gold property located in the Handeni Region of Tanzania. The letter agreement was superseded by an option agreement dated January 31, 2011. The Handeni Vendor currently holds a 100% interest in this property.

On March 20, 2012, we amended the option agreement, whereby the Handeni Vendor agreed to waive the cash payment of US$350,000 due by March 21, 2012 and instead our company was required to make four installments of US$87,500 over a twelve-month period.

On June 21, 2012, we further amended the option agreement and the amendment dated March 20, 2012. The Handeni Vendor agreed to waive the four installments of US$87,500 and our company is required to issue 3,000,000 common shares upon the TSX Venture Exchange's ("Exchange") approval of this amendment and a further 3,000,000 shares within 13 months of such approval date and pay US$50,000 prior to July 1, 2013. Our company received Exchange approval subsequent to July 31, 2012. Our company is now required to make cash payments and issue common shares as follows:

| | Cash | Exploration Costs | Common Shares |
|---|---|---|---|
| Upon execution of the letter agreement (paid) | US$ 75,000 | US$ - | - |
| Upon closing date (paid and issued at a value of $600,000) | 200,000 | - | 3,000,000 |
| On or before February 21, 2012 (incurred) | - | 350,000 | - |
| On or before March 21, 2012 (issued at a value of $840,000) | - | - | 3,000,000 |
| Upon Exchange approval of amendment (issued subsequently) | - | - | 3,000,000 |
| On or before February 21, 2013 (incurred) | - | 500,000 | - |
| On or before February 21, 2013 | - | - | 3,000,000 |
| On or before July 1, 2013 | 50,000 | - | - |
| On or before September 8, 2013 | - | - | 3,000,000 |
| | US$ 325,000 | US$ 850,000 | 15,000,000 |

We may acquire the remaining 20% interest by further payments of US$4,500,000 and the issuance of 3,000,000 common shares. This additional 20% interest will be subject to a 2% net smelter return and the foregoing payments for this interest may be made over a period of up to three years.

In February 2011 we paid a finder's fee to an arm's length party of $59,325. Upon issuance of 6,000,000 common shares per the amendment dated June 21, 2012, we are due to pay a finder's fee of $71,875 to the finder.

On January 7, 2011, we announced in a news release that the first phase of the work program on our Handeni North Prospect commenced. This first phase consisted of line cutting, geological mapping, and setting up of IP and mag surveying.

On April 5, 2011, we announced in a news release that the soil samples were taken at 25 m intervals along 500 m spaced east west lines starting at the south end of the property. Three crews sampled and completed the geological mapping of the property.

On July 27, 2011, we announced in a news release that through continued geological mapping and grid soil sampling, crews uncovered a 4.5-kilometre trend of gold-related arsenic geochem anomaly, with visible arsenopyrite in amphibloitic gneiss with quartz veining cutting across the property.

On October 6, 2011, we announced in a news release that additionally, through this work, a 250 metre trench across this anomaly uncovered numerous quartz veins in the altered rock.

On December 28, 2011, we announced in a news release that we were notified by the operator that the first phase of the drill program was underway on the 250m wide trench across the 4.5 km arsenic geochem soil sampling anomaly.

On February 1, 2012, we announced in a news release that, we were informed by the operator that the first four holes had been completed on the 2011/2012 drilling program.

On March 13, 2012, we announced in a news release that the four drill holes intersected gold mineralization in amphibolite gneiss. These are the initial holes drilled in this region and have confirmed that the 4.5-kilometre arsenic gold geochem soil/coincident IP zone is associated with anomalous gold in the bedrock over the width of zone (between 200 to 250 metres) and there is increasing values at depth.

Drill holes HNAFD001, 003 and 004 were all drilled on one section covering the width of the zone.

HNAFD001 drilled on the north side of the zone intersected 119 m (0.0152 gram per tonne) from 5m to 124m which included some distinctive anomalous gold values zones.

HNAFD004 drilled in the central part of the zone intersected 137 m (0.022 g/t) from 14 m to 151 m which also included some distinctive anomalous gold values zones.

HNAFD003 drilled on the south side of the zone had anomalous gold over 105 m (0.018 g/t) from 15 m to 120 m with no significant individual zones.

The second hole HNAFD002 was completed 400 metres to the west and intersected anomalous gold over 177 m (0.034 g/t) with the main zones highlighted in the table.

| Hole No. | Interval From (m) | To (m) | (m) | TW coefficient Au (g/t) |
|---|---|---|---|---|
| HNAFD001 | 5 | 124 | 119 | 0.0152 |
| HNAFD002 | | | 117 | 0.034 |
| Incl | 51 | 54 | 3 | 0.15 |
| | 53 | 54 | 1 | 0.33 |
| | 96 | 109 | 13 | 0.068 |
| | 96 | 104 | 7 | 0.11 |
| | 97 | 98 | 1 | 0.35 |
| | 115 | 120 | 5 | 0.158 |
| | 115 | 117 | 2 | 0.325 |
| | 163 | 166 | 3 | 0.17 |
| HNAFD003 | 15 | 120 | 105 | 0.018 |
| HNAFD004 | 14 | 151 | 137 | 0.022 |

As at July 31, 2012, we have spent total of $1,009,533 in exploration expenditures on this property.

As of the date of this report, our company has already incurred and met all of our exploration commitments pursuant to the amended option agreement. Management is currently evaluating all the data gathered to date to determine the best strategy going forward.

*Ontario Lithium Claims and Yukon Quartz Claims*

On August 20, 2009, we entered into a share exchange agreement (the "Agreement") with 0854508 B.C. Ltd., a private British Columbia company ("BC Co"), and the four shareholders of BC Co (the "Shareholders"). BC Co was the sole legal and beneficial owner of 96 mineral claims prospective for lithium covering an area of approximately 3,800 acres, located in Northern Ontario, and 93 load quartz mineral claims covering an area of approximately 4,836 acres, located in the Yukon Territory. Under the terms of the Agreement, we purchased all of the issued and outstanding common shares in the capital of BC Co from the Shareholders. Consideration was $150,000 in cash and the issuance of 5,000,000 common shares. We also issued 482,142 common shares to one finder in connection with the transaction. We allocated 30% of the acquisition costs to the Ontario Lithium Claims and 70% of the acquisition costs to the Yukon Quartz Claims. This transaction resulted in the acquisition of a subsidiary. During the year ended July 31, 2011, we acquired the assets of the subsidiary in the period and dissolved the subsidiary.

*Ontario Lithium Claims*

No work was conducted on the Ontario lithium claims and we were required to either spend $38,400 in exploration costs or pay $38,400 in annual rental income on the Ontario lithium claims by June 26, 2011. During the year ended July 31, 2011, we decided not to make the payment and we allowed these claims to lapse. Accordingly, we wrote off $293,799 in acquisition costs to operations.

*Yukon Quartz Claims*

We hold a 100% interest in the Yukon quartz claims. In August 2011 we continued operations on the Yukon gold prospect that included field work and sampling throughout the claim block. In September 2012 we conducted a minor work program to follow up on the samples taken from previous work programs. The area does not have much previous work and more soil sampling, mapping and prospecting is warranted and we anticipate commencing this work in 2013.

As at July 31, 2012, we have spent a total of $30,688 in exploration expenditures on the Yukon quartz claims.

*Quebec Rare Earth Prospect*

On June 2, 2010, we entered into an option agreement to acquire 31 contiguous rare earth mineral claims in Quebec with an arm's length vendor (the "Rare Earth Vendor"). The Rare Earth Vendor currently holds a 100% interest in these claims.

On May 25, 2011, we amended the option agreement, whereby the Rare Earth Vendor waived the work commitment of $150,000 for the first year of the agreement and increased the work commitment from $400,000 to $550,000 for the fourth year of the agreement. On June 11, 2012, we amended the option agreement and the amendment dated May 25, 2011. The Rare Earth Vendor agreed to amend the option agreement and the amendment regarding the work commitments due to be spent on the prospect. We were originally due to spend $150,000 by June 17, 2012, $150,000 by June 17, 2013, and a further $550,000 by June 17, 2014. Instead, we are now required to incur exploration costs as follows:

| | Cash | Common Shares | Exploration Costs |
|---|---|---|---|
| Upon Exchange approval (paid and issued at a value of $130,000) | $ 17,500 | 2,000,000 | $ - |
| By June 17, 2014 | - | - | 150,000 |
| By June 17, 2015 | - | - | 150,000 |
| By June 17, 2016 | - | - | 550,000 |
| | $ 17,500 | 2,000,000 | $ 850,000 |

In addition, 195,000 common shares were issued as a finder's fee.

In August 2011, we acquired an additional 4,600 contiguous acres for a cost of $4,360 to bring our total rare earth acreage to approximately 8,250 contiguous acres.

No work has been conducted on the Quebec Rare Earth claims to date. We do intend to initiate exploration activities if we are able to obtain sufficient financing. While we have been successful in securing financings in the past, there is no assurance that we will be able to do so in the future, and/or that we will be able to raise sufficient funds to meet our work commitments for all of our properties.

*Gaspe Bay Aluminous Clay and Rare Earth Prospect, Quebec*

On June 8, 2012, we entered into an option agreement with an arm's length vendor (the "Gaspe Bay Vendor") to acquire 40 contiguous mineral claims (5,520 acres) located in the Gaspe Bay Region of Quebec. This prospect is located 32 km northeast of Murdochville, Quebec and is strategically located near several deepwater ports and across the St. Lawrence River from the province's major aluminum smelters. The Gaspe Bay Vendor currently owns a 100% interest in this property.

We are required to make cash payments, incur exploration costs and issue common shares as follows:

| | Cash | Exploration Costs | Common Shares |
|---|---|---|---|
| Upon Exchange approval (issued at a value of $87,500) | $ - | $ - | 2,500,000 |
| On or before July 20, 2013 | 20,000 | - | 2,500,000 |
| On or before December 20, 2013 | - | 100,000 | - |
| On or before December 20, 2014 | - | 250,000 | - |
| On or before December 20, 2015 | - | 500,000 | - |
| | $ 20,000 | $ 850,000 | 5,000,000 |

In June 2012, we acquired a 100% interest in additional claims for staking costs of $4,164.

In August 2012, we commenced a sampling program on this prospect. As disclosed in a news release on November 26, 2012, we announced that during 2012, a total of 1,071 soil samples (including 53 quality assurance/quality control duplicate samples) were collected. Soil samples were analyzed in the field via portable X-ray fluorescence (XRF) instrument, and anomalous values were confirmed by whole rock XRF analysis at ALS Minerals, North Vancouver, BC.

The soil geochemical program defined five separate zones that returned anomalous $Al_2O_3$ values based on portable XRF analysis. As a result, 36 samples were submitted for confirmation to ALS Minerals. Of the 36 samples submitted to ALS, 13 samples returned analyses of greater than 18% $Al_2O_3$; ranging from 18.02% and up to 19.08% $Al_2O_3$. Eleven of the 13 samples occur along a single survey line over a distance of 600 metres defining a single high-priority anomaly. Our company plans to mobilize exploration crews in 2013 to complete additional follow-up infill soil geochemical sampling, and conditions permitting, prospecting and geologic mapping to define the extent of the anomaly with the plan to drill once the highest priority targets are established.

*Ontario Lithium Claims, BC Cariboo Gold Prospect, BC Stewart Gold Prospect*

During the year ended July 31, 2011, we decided not to continue with these mineral properties and accordingly wrote off a total of $1,849,403.

**Overall Performance**

We are a mineral exploration company engaged in the business of acquisition, exploration and, if warranted, development of mineral properties. We do not expect to generate any revenues in the foreseeable future or until a mineable reserve is defined and economically recoverable. We expect our company to continue to incur expenses as our company works to further explore and develop our mineral properties.

Our company has conducted limited exploration on our Handeni Gold Prospect and Yukon Quartz Claims, limited sampling on our Gaspe Bay Project, and no work on our Quebec Rare Earth claims to date, due to, among other things, the availability of sufficient funds for the purposes of mineral exploration and development, access to the property due to climate conditions, the uncertainties associated with the prices of precious and base metals and other minerals, and the global economic climate. Our company is in the process of exploring our mineral properties and has not yet determined whether the properties contain reserves that are economically recoverable.

Our company's future performance is largely tied to the outcome of future exploration and the overall financial markets. The recoverability of minerals from our company's properties is dependent upon, among other things, the discovery of economically recoverable reserves, the ability of our company to obtain necessary financing to continue to explore and develop our properties and upon future profitable production. Uncertainty in credit markets, fluctuation in commodity prices and general economic downturns have led to increased difficulties in raising and borrowing funds. As a result, our company may have difficulty raising equity financing for the purposes of exploration and development of our company's properties, without diluting the interests of current shareholders of our company. See "Liquidity and Capital Resources" and "Risk and Uncertainties" for a discussion of risk factors that may impact our company's ability to raise funds.

Information about our company's commitments relating to our mineral properties is discussed above under "Nature of Business – Mineral Properties".

Our company did not generate any revenue during the years ended July 31, 2012 and 2011. Our company's net loss and comprehensive loss decreased from $2,991,085 for the year ended July 31, 2011 to $1,127,094 for the year ended July 31, 2012, mainly due to a write-down of exploration and evaluation assets totalling $1,849,403 being recognized during the year ended July 31, 2011, and no comparable write-down of exploration and evaluation assets being recognized during the year ended July 31, 2012. During the year ended July 31, 2012, we incurred slightly increased operating expenses arising from consulting fees, professional fees, and travel and promotion expenses. Our company's cash increased from $11,921 as at July 31, 2011 to $77,021 as at July 31, 2012, and our working capital deficiency decreased from $276,431 as at July 31, 2011 to $240,384 as at July 31, 2012. Our company has ongoing commitments under a license agreement for office premises for a period ending July 31, 2014, and is required to make the following payments: $19,634 by July 31, 2013, and $19,735 by July 31, 2014.

Our company's current assets have increased from $28,233 as at July 31, 2011 to $115,436 as at July 31, 2012, mainly due to increased cash, as well as increases in receivables and prepaid expenses and deposits. Our company's current liabilities have increased from $304,664 as at July 31, 2011 to $355,820 as at July 31, 2012, due to an increase in accounts payable and accrued liabilities, offset in part by the repayment of loans advanced by three arm's length lenders and $Nil interest payable. The value ascribed to our company's exploration and evaluation assets has increased from $2,903,359 as at July 31, 2011 to $3,820,089 as at July 31, 2012, mainly due to the increased value ascribed to the Handeni Gold Prospect which was $2,021,745 as at July 31, 2011 compared to $2,803,695 as at July 31, 2012.

During the year ended July 31, 2011, our company recognized an expense related to the write-down of exploration and evaluation assets totaling $1,849,403. Our company did not incur any comparative write-down of exploration and evaluation assets in the year ended July 31, 2012. The decision to write-down such properties during fiscal 2011 was mainly the result of management's decision to focus primarily on the Handeni Gold Prospect.

Additional information about the risks and uncertainties relating to our company's business and financial performance is discussed below under "Risks and Uncertainties".

*Summary of Quarterly Results*

The following table sets out selected quarterly financial data for the eight most recently completed interim quarters:

| | **2012 Fourth** | **2012 Third** | **2012 Second** | **2012 First** | **2011 Fourth** | **2011 Third** | **2011 Second** | **2011 First** |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | $Nil | $Nil | $Nil | $Nil | $Nil | $Nil | $Nil | $Nil |
| **Operating expenses** | $(180,071) | $(199,252) | $(382,647) | $(382,646) | $(241,916) | $(344,338) | $(381,470) | $(168,380) |
| **Loss before other items** | $(180,071) | $(199,252) | $(382,647) | $(382,646) | $(241,916) | $(344,338) | $(381,470) | $(168,380) |
| **Loss per share (Basic and diluted)** | $(0.003) | $(0.004) | $(0.007) | $(0.008) | $(0.006) | $(0.009) | $(0.011) | $(0.006) |
| **Other items:** | | | | | | | | |
| **Interest income** | $Nil | $330 | $175 | $290 | $345 | $9 | $891 | $465 |
| **Interest expense** | $Nil | $Nil | $Nil | $(773) | $(2,375) | $(2,683) | $(2,230) | $Nil |
| **Write-down of mineral properties** | $Nil | $Nil | $Nil | $Nil | $(1,555,604) | $(293,799) | $Nil | $Nil |
| **Flow-through share premium** | $Nil | $17,500 | $Nil | $Nil | $Nil | $Nil | $Nil | $Nil |
| **Net income (loss) and comprehensive income (loss)** | $(180,071) | $(181,422) | $(382,472) | $(383,129) | $(1,799,550) | $(640,811) | $(382,809) | $(167,915) |
| **Basic and diluted income (loss) per share** | $(0.003) | $(0.003) | $(0.007) | $(0.008) | $(0.042) | $(0.017) | $(0.011) | $(0.006) |

*Our IFRS transition date was August 1, 2010, therefore the above comparative information have been presented in accordance with IFRS. The amounts disclosed in the table above are expressed in Canadian dollars.*

*Summary of Results During Prior Eight Quarters*

Net loss increased by $214,894 from the first to second quarter of 2011 mainly due to an increase in finance fees of $149,423, consulting fees of $30,590 and share-based compensation of $31,788. Net loss increased from the second to third quarter of 2011 due to a write-down of exploration and evaluation assets of $387,789 in the third quarter and an increase in share-based payments from $65,895 in the second quarter to $160,095 in the third quarter. These were mitigated by a drop in finance fees of $149,423 to $Nil from the second to third quarter. Net loss increased substantially from the third quarter to the fourth quarter primarily due to the write-down of exploration and evaluation assets of $1,555,604 in the fourth quarter versus $293,799 in the third quarter. Net loss decreased by $1,416,421 from the fourth quarter of 2011 to the first quarter of 2012, mainly due to the write-down of exploration and evaluation assets of $1,555,604 offset by an increase in consulting fees of $31,329 and an increase in share-based payments of $100,219. Net loss was relatively stable from the first to second quarter of 2012 as the increase in travel and promotion expenses were offset by the decrease in professional fees and share-based payments. Net loss decreased by $201,050 from the second to third quarter of 2012 primarily due to a decrease in share-based payments of $164,634 and consulting fees of $13,562. Net loss was relatively stable from the third quarter of 2012 to the fourth quarter of 2012 as an increase in professional fees was offset by a decrease in travel and promotion expenses.

**Selected Annual Information**

The following table sets out selected audited financial information for our company, which has been prepared in accordance with IFRS, except as noted in the table:

| | **Year ended July 31,** | | |
|---|---|---|---|
| | **2012** | **2011** | **2010** |
| | **IFRS** | **IFRS** | **IFRS** |
| **Total revenues** | Nil | Nil | $68,022 |
| **Loss before discontinued operations and extraordinary items:** | | | |
| **Total** | $(1,127,094) | $(2,991,085) | $294,988 |
| **Per share** | $(0.02) | $(0.08) | $0.01 |
| **Per share fully diluted** | $(0.02) | $(0.08) | $0.01 |
| **Net loss:** | | | |
| **Total** | $(1,127,094) | $(2,991,085) | $294,988 |
| **Per share** | $(0.02) | $(0.08) | $0.01 |
| **Per share fully diluted** | $(0.02) | $(0.08) | $0.01 |
| **Total assets** | $3,947,069 | $2,942,135 | $1,701,213 |
| **Total long term debt** | Nil | Nil | Nil |
| **Cash dividends** | Nil | Nil | Nil |

** Revenues, loss before discontinued operations and extraordinary items, net loss, and loss per share information for fiscal 2010* *have been presented in Canadian GAAP as this financial information was not prepared in accordance with IFRS.*

*Year Ended July 31, 2012 Compared to the Year Ended July 31, 2011*

Net loss and comprehensive loss decreased by $1,863,991 to $1,127,094 for the year ended July 31, 2012 from $2,991,085 for the year ended July 31, 2011 mainly due to decreased finance fees (fiscal 2012: Nil; fiscal 2011: $149,423) and decreased expenses associated with the write-down of exploration and evaluation assets (fiscal 2012: Nil; fiscal 2011: $1,849,403), offset in part by increased consulting fees (fiscal 2012: $399,089; fiscal 2011: $315,304) and increased professional fees (fiscal 2012: $110,995; fiscal 2011: $62,685). The decreased expenses associated with the write-down of exploration and evaluation assets were due to management's decision during fiscal 2011 to focus primarily on the Handeni Gold Prospect and no comparable write-down of exploration and evaluation assets being recognized in fiscal 2012. These expenses represent the costs of administering a public company.

Total assets increased by $1,004,934 to $3,947,069 as at July 31, 2012 from $2,942,135 as at July 31, 2011 mainly due to an increase of $916,730 in exploration and evaluation assets to $3,820,089 as at July 31, 2012 from $2,903,359 as at July 31, 2011, and an increase of $65,100 in cash to $77,021 as at July 31, 2012 from $11,921 as at July 31, 2011.

Our company's current assets have increased by $87,203 from $28,233 as at July 31, 2011 to $115,436 as at July 31, 2012. This was in addition to increased current liabilities of $355,820 as at July 31, 2012 compared to $304,664 as at July 31, 2011. Current liabilities as at July 31, 2012 consisted of $355,820 (July 31, 2011: $142,289) of accounts payable and accrued liabilities, Nil of interest payable (July 31, 2011: $2,375), Nil of loans payable (July 31, 2011: $160,000). The value ascribed to our company's exploration and evaluation assets increased from $2,903,359 as at July 31, 2011 to $3,820,089 as at July 31, 2012.

*Year Ended July 31, 2011 Compared to the Year Ended July 31, 2010*

The financial information in this section has been presented in IFRS, except where noted. Please refer to the notes to our audited financial statements for the year-ended July 31, 2012 for a discussion of our adoption of IFRS and of the reconciliation of financial information presented in Canadian GAAP to IFRS. See "Changes in Accounting Policies including Initial Adoption".

Operating expenses were $1,136,104 for fiscal 2011 compared to $813,783 (presented in Canadian GAAP) for fiscal 2010. The increase of $322,321 from fiscal 2010 to fiscal 2011 was mainly due to an increase in share-based payments, consulting fees and finance fees. Share-based payments were $170,007 (presented in Canadian GAAP) during fiscal 2010 compared to share-based payments of $341,077 during fiscal 2011, such increase largely resulting from more stock options being granted during fiscal 2011 compared to fiscal 2010 (fiscal 2011: 4,604,538 stock options having a weighted average exercise price of $0.21 each; fiscal 2010: 1,519,000 stock options having a weighted average exercise price of $0.10 each). We wrote-down $1,849,403 of exploration and evaluation assets in fiscal 2011 compared to Nil (presented in Canadian GAAP) in fiscal 2010. In addition, we recognized a gain on the sale of our oil and gas properties of $1,039,960 (presented in Canadian GAAP) in fiscal 2010. There was no comparable recognition in fiscal 2011.

Total assets increased from $1,701,213 as at August 1, 2010 to $2,942,135 as at July 31, 2011, due mainly to an increase in the value ascribed to exploration and evaluation assets, offset in part by a decrease in cash and cash equivalents. Exploration and evaluation assets increased from $1,419,226 as at August 1, 2010 to $2,903,359 as at July 31, 2011, due in part to the acquisition costs associated with our Handeni Gold Prospect. Cash and cash equivalents decreased from $274,976 as at August 1, 2010 to $11,921 as at July 31, 2011.

See “Overall Performance” for a discussion of trends in financial position and financial performance of our company and “Changes in Accounting Policies including Initial Adoption” for a discussion of the trends and risks that have affected our company as a result of transition from Canadian GAAP to IFRS effective August 1, 2010.

**Discussion of Operations**

Our company did not generate any revenue for the years ended July 31, 2012 and 2011. Net loss and comprehensive loss for the year ended July 31, 2012 decreased to $1,127,094 from $2,991,085 for the year ended July 31, 2011 mainly due to decreased expenses associated with the write-down of exploration and evaluation assets from $1,849,403 during fiscal 2011 to Nil during fiscal 2012.

Total operating expenses were $1,144,616 for fiscal 2012 compared to $1,136,104 for fiscal 2011. The increase of $8,512 from fiscal 2011 to fiscal 2012 was mainly due to an increase in consulting fees of $83,785, in professional fees of $48,270 and in travel and promotion expenses of $32,192, offset, in part, by a decrease of $149,423 in finance fees. Finance fees decreased from fiscal 2011 to fiscal 2012 due to no common shares being issued to lenders as finance fees in fiscal 2012 compared to 807,692 common shares being issued to lenders as finance fees in fiscal 2011.

See “Selected Annual Information” for a discussion of our financial condition and financial performance and factors that have caused period to period variations.

See “Nature of Business – Mineral Properties” for a discussion of our mineral properties on a property by property basis, including our plans for our mineral properties, the status of our plans, expenditures made and the anticipated timing and costs to take our mineral properties to the next stage of the project plan.

See “Overall Performance” for a discussion of the commitments, events, risks and uncertainties that we believe will materially affect our company’s future performance and “Risks and Uncertainties” for a discussion of risk factors affecting our company.

*Flow-Through Share Premium*

During the year ended July 31, 2012, our company recognized a $17,500 flow-through share premium as other income compared to the year ended July 31, 2011 during which no flow-through share premium was recognized.

During the year ended July 31, 2012, our company completed a private placement pursuant to which 8,499,999 non-flow-through units were issued at $0.15 per unit and 350,000 flow-through units were issued at $0.20 per unit for gross proceeds of $1,345,000. Each flow-through unit consisted of one flow-through common share and one share purchase warrant. The premium received on the flow-through shares issued was determined to be $17,500 and was recorded as a share capital reduction while an equivalent flow-through share premium liability was also recorded. During the year ended July 31, 2012 our company renounced and incurred the exploration expenditures to shareholders and accordingly derecognized the flow-through share premium liability and recognized the flow-through share premium as other income.

## Liquidity and Capital Resources

*Liquidity*

At July 31, 2011, we had $11,921 in cash and a working capital deficiency of $276,431 as compared to cash of $77,021 and a working capital deficiency of $240,384 at July 31, 2012.

Our company's current assets have increased from $28,233 as at July 31, 2011 to $115,436 as at July 31, 2012 mainly due to an increase in cash, as well as increases in receivables and prepaid expenses. Our company's current liabilities have increased from $304,664 as at July 31, 2011 to $355,820 as at July 31, 2012, mainly due to increased accounts payable and accrued liabilities as at July 31, 2012 compared to July 31, 2011, offset in part by Nil loans payable and Nil interest payable. The value ascribed to our company's exploration and evaluation assets has increased from $2,903,359 as at July 31, 2011 to $3,820,089 as at July 31, 2012, mainly due to the increased value ascribed to the Handeni Gold Prospect which was $2,021,745 as at July 31, 2011 compared to $2,803,695 as at July 31, 2012.

Management believes that our company's cash will not be sufficient to meet our working capital requirements, including our existing commitments relating to our mineral properties and office premises, in either the short term or long term. See "Nature of Business – Mineral Properties" and "Overall Performance" for a discussion of our company's commitments relating to our mineral properties and office premises. As a mineral exploration company, our expenses are expected to increase as we explore our mineral properties further. Management does not expect our company to generate sustained revenues from mineral production in the foreseeable future.

Our company's ability to conduct the planned work programs on our mineral properties, meet our ongoing levels of corporate overhead and discharge our liabilities as they become due is dependent, in large part, on the ability of our management to raise additional funds as necessary. Management anticipates that additional equity financings will need to be conducted to raise additional funds which, if successful, will result in dilution in the equity interests of our company's current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments. During the year ended July 31, 2011, three arm's length lenders made unsecured loans to our company of $525,000 bearing 5% interest per annum and due on demand ($175,000 from each lender). As consideration, our company issued 807,692 common shares (269,231 common shares to each lender) valued at $149,423 as finance fees. As at July 31, 2012, all amounts owing under the loan had been repaid in full. Although we have secured financings in the past, there is no assurance that we will be able to do so in the future on terms that our favourable to our company or al all. Our company's ability to raise additional funds in the future and its liquidity may be negatively impacted by a number of factors, including changes in commodity prices, market volatility and general economic downturns.

There is substantial doubt about our ability to continue as a going concern as the continuation of our business is dependent upon obtaining further long-term financing, successful exploration of our property interests, the identification of reserves sufficient enough to warrant development, successful development of our property interests and, finally, achieving a profitable level of operations. Due to the uncertainty of our ability to meet our current operating and capital expenses, our independent auditors added an explanatory paragraph to their audit report issued in connection with our annual audited financial statements for the year ended July 31, 2012 regarding their substantial doubt about our ability to continue as a going concern.

*Capital Resources*

We have the following commitments for capital expenditures with respect to our mineral properties as of July 31, 2012. The expenditures are optional and we may decide not to incur such payments in the event we do not decide to pursue further exploration with respect to such properties.

- *Handeni Gold (Tanzania)*:
  - January 2011 option agreement and amendments dated March 20, 2012 and June 21, 2012: As at July 31, 2012, our company is required to pay US$50,000 prior to July 1, 2013.
- *Quebec Rare Earth Prospect*:
  - June 2010 option agreement and amendments dated May 25, 2011 and June 11, 2012: As at July 31, 2012, our company is required to: incur $150,000 in exploration expenditures on or before June 17, 2014; incur $150,000 in exploration expenditures on or before June 17, 2015; and incur $550,000 in exploration expenditures on or before June 17, 2016.
- Gaspe Bay Aluminous Clay and Rare Earth Prospect:
  - June 2012 option agreement: As at July 31, 2012, our company is required to: pay $20,000 prior to July 20, 2013; incur $100,000 in exploration expenditures on or before December 20, 2013; incur $250,000 in exploration expenditures on or before December 20, 2014; and incur $500,000 in exploration expenditures on or before December 20, 2015.
- Yukon Quartz Claims:
  - We are required to pay an annual rent of $7,300 to the Government of Yukon by July 3, 2013 for the Yukon Quartz claims, unless we spend an amount greater than that in exploration beforehand. In addition, we are also required to pay the claim recording fees of $360 to the Government of Yukon by July 3, 2013.

In addition to the above capital expenditure requirements, we are required to pay office rent of $1,645 (net of taxes) on a monthly basis pursuant to the lease agreement for office premises for a period beginning July 31, 2011 and ending July 31, 2014.

If we elect to meet these capital expenditure requirements, it is expected that in addition to using funds currently available to our company, additional funds will need to be raised through equity financings, shareholder loans or otherwise. Our company's ability to raise additional funds is subject to a number of uncertainties and risk factors. See "Liquidity and Capital Resources – Liquidity".

See "Nature of Business – Mineral Properties" for a discussion of our company's capital expenditure commitments with respect to our mineral properties.

*Operating Activities*

During the years ended July 31, 2012 and 2011, operating activities used cash of $643,396 and $585,569, respectively. The use of cash for the year ended July 31, 2012 was mainly attributable to our net loss and comprehensive loss of $1,127,094 and other items, offset mainly by non-cash share-based payments of $345,833 and by non-cash accounts payable and accrued liabilities of $175,531. The use of cash for the year ended July 31, 2011 was mainly attributable to our net loss and comprehensive loss of $2,991,085 and other items, offset mainly by non-cash share-based payments of $341,077, by non-cash write-down of exploration and evaluation assets of $1,849,403, by non-cash finance fees of $149,423, and by non-cash accounts payable and accrued liabilities of $77,737.

*Investing Activities*

During the years ended July 31, 2012 and 2011, we used $793,395 and $621,936, respectively, in investing activities, mainly due to investments in exploration and evaluation assets.

*Financing Activities*

During the year ended July 31, 2012, $1,501,891 was provided to us by financing activities due to proceeds of $1,734,000 from the issuance of share capital, offset mainly by $160,000 in repayment of loans, and $68,961 in share issue costs. During the year ended July 31, 2011, $944,450 was provided by financing activities due to proceeds of $789,363 from the issuance of share capital and $525,000 from the advance of a loan, offset mainly by $365,000 in repayment of loans.

**Changes in Accounting Policies including Initial Adoption**

International Financial Reporting Standards ("IFRS")

Effective August 1, 2011, we adopted IFRS for publicly accountable enterprises as required by the Accounting Standards Board of Canada and the Canadian Securities Administrators, and commenced to report interim and annual periods beginning on August 1, 2011 and comparative periods, as applicable, under IFRS. Our company's transition date to IFRS was August 1, 2010, and therefore the comparative periods for the periods between that date and July 31, 2011 are restated to IFRS. The financial information presented in this MD&A for periods prior to August 1, 2010 has not been restated to IFRS.

Our IFRS accounting policies presented in Note 3 *Summary of Significant Accounting Policies* to the audited financial statements have been applied in preparing these financial statements for the year ended July 31, 2012, the comparative information and the opening statement of financial position at the date of transition.

Our company's financial statements for the year ended July 31, 2012 are the first annual financial statements prepared in accordance with IFRS. We have applied IFRS 1 *First-time Adoption of International Financial Reporting Standards* in preparing these financial statements.

The effects of the transition to IFRS on equity, comprehensive loss and reported cash flows are presented in this section.

i) First-time adoption exemptions and exceptions applied

The IFRS 1 applicable exemptions and exceptions applied in the conversion from pre-changeover Canadian GAAP to IFRS are as follows:

***Mandatory Exceptions***

Estimates

The estimates previously made by us under pre-changeover Canadian GAAP were not revised for the application under IFRS except where necessary to reflect any difference in accounting policy or where there was objective evidence that those estimates were in error. As a result, we have not used hindsight to revise estimates.

***Optional Exemptions***

Share-based Payment Transactions

We have elected not to retrospectively apply IFRS 2 to equity instruments that were granted and had vested before the Transition Date.

ii) Reconciliations of pre-changeover Canadian GAAP equity and comprehensive income to IFRS

IFRS 1 requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The changes made to the statements of financial position and statements of comprehensive loss as shown below have resulted in reclassifications of various amounts on the statements of cash flows, however, as there have been no adjustments to net cash flows, no reconciliation of cash flows has been prepared.

The August 1, 2010 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

| | Canadian GAAP August 1, 2010 | Effect of transition to IFRS | IFRS August 1, 2010 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | $ 274,976 | $ - | $ 274,976 |
| Receivables | 2,079 | - | 2,079 |
| Prepaid expenses and deposits | 333 | - | 333 |
| **Total current assets** | 277,388 | - | 277,388 |
| **Non-current assets** | | | |
| Equipment | 4,599 | - | 4,599 |
| Exploration and evaluation assets (a) | 1,732,526 | (313,300) | 1,419,226 |
| **Total assets** | $ 2,014,513 | $ (313,300) | $ 1,701,213 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | $ 53,552 | $ - | $ 53,552 |
| **Total current liabilities** | 53,552 | - | 53,552 |
| **Non- current liabilities** | | | |
| Deferred income tax liability (a) | 313,300 | (313,300) | - |
| **Total liabilities** | 366,852 | (313,300) | 53,552 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 3,350,847 | - | 3,350,847 |
| Reserves | 400,831 | - | 400,831 |
| Accumulated deficit | (2,104,017) | - | (2,104,017) |
| **Total shareholders' equity** | 1,647,661 | - | 1,647,661 |
| **Total liabilities and shareholders' equity** | $ 2,014,513 | $ (313,300) | $ 1,701,213 |

The July 31, 2011 Canadian GAAP statement of financial position has been reconciled to IFRS as follows:

| | Canadian GAAP July 31, 2011 | Effect of transition to IFRS | IFRS July 31, 2011 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | $ 11,921 | $ - | $ 11,921 |
| Receivables | 14,550 | - | 14,550 |
| Prepaid expenses and deposits | 1,762 | - | 1,762 |
| **Total current assets** | 28,233 | - | 28,233 |
| **Non-current assets** | | | |
| Equipment | 4,068 | - | 4,068 |
| Rent deposit | 6,475 | - | 6,475 |
| Exploration and evaluation assets ((b) and (c)) | 3,122,669 | (219,310) | 2,903,359 |
| **Total assets** | $ 3,161,445 | $ (219,310) | $ 2,942,135 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | $ 142,289 | $ - | $ 142,289 |
| Interest payable | 2,375 | - | 2,375 |
| Loans payable | 160,000 | - | 160,000 |
| **Total current liabilities** | 304,664 | - | 304,664 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 7,271,043 | - | 7,271,043 |
| Reserves | 461,530 | - | 461,530 |
| Accumulated deficit ((b) and (c)) | (4,875,792) | (219,310) | (5,095,102) |
| **Total shareholders' equity** | 2,856,781 | (219,310) | 2,637,471 |
| **Total liabilities and shareholders' equity** | $ 3,161,445 | $ (219,310) | $ 2,942,135 |

The Canadian GAAP statement of comprehensive loss for the year ended July 31, 2011 has been reconciled to IFRS as follows:

| | Year ended July 31, 2011 | | |
|---|---|---|---|
| | Canadian GAAP | Effect of transition to IFRS | IFRS |
| **Operating expenses** | | | |
| Consulting | $ 315,304 | $ - | $ 315,304 |
| Depreciation | 963 | - | 963 |
| Finance fees | 149,423 | - | 149,423 |
| Management and directors' fees | 144,504 | - | 144,504 |
| Office and miscellaneous | 36,214 | - | 36,214 |
| Professional fees | 62,685 | - | 62,685 |
| Shareholder information | 27,891 | - | 27,891 |
| Share-based payments | 341,077 | - | 341,077 |
| Transfer agent and filing fees | 31,807 | - | 31,807 |
| Travel and promotion | 26,236 | - | 26,236 |
| **Operating expenses** | (1,136,104) | - | (1,136,104) |
| Interest income | 1,710 | - | 1,710 |
| Interest expense | (7,288) | - | (7,288) |
| Write-down of exploration and evaluation assets ((b) and (c)) | (1,943,393) | 93,990 | (1,849,403) |
| | (1,948,971) | 93,990 | (1,854,981) |
| Loss before income taxes | (3,085,075) | 93,990 | (2,991,085) |
| Deferred income tax recovery ((b) and (c)) | 313,300 | (313,300) | - |
| **Net loss and comprehensive loss for the year** | $ (2,771,775) | $ (219,310) | $ (2,991,085) |

(a) Under Canadian GAAP, we recognized a $313,300 deferred tax liability and a corresponding bump up to the carrying value of the Yukon Quartz and Ontario Lithium properties upon initial recognition at the time of acquisition of our wholly owned subsidiary, 0854508 BC Ltd. ("BC CO"). We allocated 30% of the bump up ($93,990) to the Ontario Lithium claims and 70% of the bump up ($219,310) to the Yukon Quartz claims. Under IFRS the acquisition of BC Co did not meet the criteria for a business combination and therefore the deferred tax liability cannot be recognized. The deferred tax liability and corresponding increase in the carrying value of the above mineral properties were derecognized as of the transition date.

(b) During the year ended July 31, 2011, under Canadian GAAP, we recognized a $313,300 recovery of deferred income tax for the dissolution of BC Co. Under IFRS, recovery of deferred income tax became $Nil due to the elimination of the deferred tax liability upon initial recognition at the time of acquisition of BC Co.

(c) During the year ended July 31, 2011, we abandoned the Ontario Lithium claims and the related acquisition costs of $387,789 were written off. Under IFRS, the impairment of the acquisition costs was decreased to $293,799 by $93,990 due to the elimination of the mineral property bump up upon initial recognition.

**Off-Balance Sheet Arrangements**

Our company does not utilize off-balance sheet arrangements.

**Related Parties Transactions**

During the year ended July 31, 2012, our company paid management fees of $101,251 to a director and a company controlled by a director. Also, as at July 31, 2012, we had accrued an additional $42,000 payable to a director with respect to unpaid management fees.

There are no management agreements in place and our company has no contractual requirement to continue paying management fees. Management fees are intended to compensate such persons for their time and dedication to our company.

During the year ended July 31, 2012, our company incurred share based payments of $48,681 to two directors, a company controlled by a director and an officer. As a mineral exploration issuer, our company partially relies on the issuance of stock options to compensate our directors and officers for their time and dedication to our company.

As at July 31, 2012, we had accrued $35,590 payable to a public company with a director in common with our company for reimbursement of realty tax, accounting and administrative expenses from December 2011 to July 2012, office expenses from January to July 2012, and for rent from March to July 2012. This amount is unsecured, non-interest bearing and payable on demand.

These transactions are in the normal course of operations and were measured at the exchange amount, which is a reasonable amount agreed upon by our company and the particular related party or parties.

**Fourth Quarter - Unaudited**

We did not have any revenue during the three months ended July 31, 2012 and 2011. Total operating expenses were $180,071 for the three months ended July 31, 2012, as compared to $241,916 for the three months ended July 31, 2011. The decrease resulted primarily from share-based payments of $80,980 for the three months ended July 31, 2011 compared to share-based payments of Nil for the three months ended July 31, 2012, and offset, in part, by an increase in consulting fees from $78,978 for the three months ended July 31, 2011, compared to $90,000 for the three months ended July 31, 2012.

Our net loss and comprehensive loss significantly decreased to $180,071 for the three months ended July 31, 2012 compared to $1,799,550 for the three months ended July 31, 2011 resulting mainly from a write-down of exploration and evaluation assets of $1,555,604 being recognized during the three months ended July 31, 2011 and no comparable write-down of exploration and evaluation assets being recognized during the three months ended July 31, 2012.

**Financial Instruments and Other Instruments**

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

The fair value of our company's receivables, accounts payable and accrued liabilities, interest payable, and loans payable approximates their carrying values. Our company's cash and cash equivalents are measured at fair value using Level 1 inputs.

Our company is exposed to varying degrees to a variety of financial instrument related risks:

Foreign Exchange Risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. As at July 31, 2012, our company has a minimal exposure to the US$ that is subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in this currency. Our company considers this risk to be insignificant and therefore does not hedge its foreign exchange risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Our company's cash and receivables are exposed to credit risk. Our company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at July 31, 2012, our company is not exposed to any significant credit risk.

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. Included in the loss for the year in the financial statements is interest expense on loans payable and interest income on Canadian dollar cash. Our company has debt instruments at fixed rates and is therefore not exposed to risk in the event of interest rate fluctuations. As at July 31, 2012, our company is not exposed to any significant interest rate risk.

Liquidity Risk

Liquidity risk is the risk that our company will encounter difficulty in meeting obligations associated with financial liabilities. Our company manages liquidity risk by maintaining sufficient cash balances to enable settlement of transactions on the due date. Our company addresses its liquidity through equity financing obtained through the sale of common shares and the exercise of warrants and options. Additional capital was successfully obtained during the year ended July 31, 2012 to increase liquidity. See Note 12 to the financial statements for additional details.While our company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

Price Risk

Our company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Our company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

Based on management's knowledge and experience of the financial markets, management does not believe that our company's current financial instruments will be affected by foreign exchange risk, credit risk, interest rate risk, liquidity risk and price risk.

**Proposed Transactions**

Our company does not have any proposed transactions as of the date of this report.

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

During the years ended July 31, 2012 and 2011, our company incurred expenses including the following:

| | **2012** | **2011** |
|---|---|---|
| Write-down of exploration and evaluation assets | $Nil | $1,849,403 |
| Acquisition costs | $99,010 | $3,070,448 |
| Operating expenses | $1,144,616 | $1,136,104 |
| Capitalized exploration costs | $817,720 | $263,088 |

Please refer to Note 8 *Exploration and Evaluation Assets* in the financial statements for the year ended July 31, 2012 for a description of the capitalized acquisition and exploration costs presented on a property-by-property basis.

**Additional Disclosure of Outstanding Share Data**

*Common Shares*

Our company has authorized an unlimited number of common shares without par value.

As of July 31, 2012, we had 57,350,262 common shares issued and outstanding. Subsequent to July 31, 2012, we issued 3,000,000 common shares to the Handeni Vendor pursuant to the Handeni Gold, Tanzania option agreement. As of November 28, 2012, we had 60,350,262 common shares issued and outstanding.

At July 31, 2012 and November 28, 2012, there were no shares held in escrow.

*Stock options*

As at July 31, 2012, we had 5,484,166 share purchase options outstanding and exercisable entitling the holders thereof the right to purchase one common share for each option held as follows:

| Number | Exercise Price | Expiry Date |
|---|---|---|
| 1,850,000 | $0.16 | September 14, 2012 |
| 133,333 | $0.10 | October 11, 2012 |
| 1,536,000 | $0.11 | March 31, 2013 |
| 143,333 | $0.10 | April 1, 2014 |
| 187,500 | $0.11 | September 8, 2014 |
| 306,000 | $0.10 | October 9, 2014 |
| 120,000 | $0.13 | August 31, 2015 |
| 1,150,000 | $0.10 | January 13, 2017 |
| 58,000 | $0.10 | October 11, 2017 |
| 5,484,166 | | |

* During the year ended July 31, 2012, our company amended the exercise price from $0.22 per share to $0.11 per share and increased the term to an expiry date of March 31, 2013 from March 31, 2012 on these 1,536,000 stock options. Our company has received both regulatory approval and disinterested shareholder approval for the above amendment.

Subsequent to July 31, 2012, 1,850,000 stock options at an exercise price of $0.16 per share and 133,333 stock options at an exercise price of $0.10 per share expired unexercised. As of November 28, 2012, we had 3,500,833 share purchase options outstanding and exercisable.

*Warrants*

At July 31, 2012 and November 28, 2012, we had 9,558,189 share purchase warrants outstanding. Each warrant entitles the holder the right to purchase one common share as follows:

| Number | Exercise Price | Expiry Date |
|---|---|---|
| 9,208,189 | $0.25 | September 6, 2016 |
| 350,000 | $0.30 | September 6, 2016 |
| 9,558,189 | | |

**Risks and Uncertainties**

*Because of the unique difficulties and uncertainties inherent in mineral exploration ventures, we face a high risk of business failure.*

Potential investors should be aware of the difficulties normally encountered by mineral exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration program that we intend to undertake on our properties and any additional properties that we may acquire. These potential problems include unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates. The expenditures to be made by us in the exploration of our properties may not result in the discovery of any mineral deposits. Any expenditure that we may make in the exploration of any other mineral property that we may acquire may not result in the discovery of any commercially exploitable mineral deposits. Problems such as unusual or unexpected geological formations and other conditions are involved in all mineral exploration and often result in unsuccessful and/or expensive exploration efforts. If the results of our exploration do not reveal viable commercial mineralization, we may decide to abandon or sell some or all of our property interests.

*Because of the speculative nature of the exploration of mineral properties, there is no assurance that our exploration activities will result in the discovery of any quantities of mineral deposits on our current properties or any other additional properties we may acquire.*

We intend to continue exploration on our current properties and we may or may not acquire additional interests in other mineral properties. The search for mineral deposits as a business is extremely risky. We can provide investors with no assurance that exploration on our current properties, or any other property that we may acquire, will establish that any commercially exploitable quantities of mineral deposits exist. Additional potential problems may prevent us from discovering any mineral deposits. These potential problems include unanticipated problems relating to exploration and additional costs and expenses that may exceed current estimates. If we are unable to establish the presence of mineral deposits on our properties, our ability to fund future exploration activities will be impeded, we will not be able to operate profitably and investors may lose all of their investment in our company.

*Because of the inherent dangers involved in mineral exploration and exploitation, there is a risk that we may incur liability or damages as we conduct our business.*

The search for mineral deposits involves numerous hazards. As a result, we may become subject to liability for such hazards, including pollution, cave-ins and other hazards against which we cannot insure or against which we may elect not to insure. At the present time we have no coverage to insure against these hazards. The payment of such liabilities may have a material adverse effect on our financial position.

*The potential profitability of mineral ventures depends in part upon factors beyond the control of our company and even if we discover and exploit mineral deposits, we may never become commercially viable and we may be forced to cease operations.*

The commercial feasibility of an exploration program on a mineral property is dependent upon many factors beyond our control, including the existence and size of mineral deposits in the properties we explore, the proximity and capacity of processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production and environmental regulation. These factors cannot be accurately predicted and any one or a combination of these factors may result in our company not receiving any return on invested capital. These factors may have material and negative effects on our financial performance and our ability to continue operations.

*Exploration and exploitation activities are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on our company.*

Exploration and exploitation activities are subject to foreign, federal, provincial, and local laws, regulations and policies, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. Exploration and exploitation activities are also subject to foreign, federal, provincial, and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment. Properties may also be subject to complex Aboriginal claims.

Environmental and other legal standards imposed by foreign, federal, provincial, or local authorities may be changed and any such changes may prevent us from conducting planned activities or may increase our costs of doing so, which would have material adverse effects on our business. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on us, especially, foreign laws and regulations. Additionally, we may be subject to liability for pollution or other environmental damages that we may not be able to or elect not to insure against due to prohibitive premium costs and other reasons. Any laws, regulations or policies of any government body or regulatory agency may be changed, applied or interpreted in a manner which will alter and negatively affect our ability to carry on our business.

Recent political attest in the African region may significantly impact our exploration in Tanzania.

*Because our property interests may not contain any mineral deposits and because we have never made a profit from our operations, our securities are highly speculative and investors may lose all of their investment in our company.*

Our securities must be considered highly speculative, generally because of the nature of our business and our stage of explorations. We currently have exploration stage property interests which may not contain mineral deposits. We may or may not acquire additional interests in other mineral properties but we do not have plans to acquire rights in any specific mineral properties as of the date of this Management's Discussion and Analysis. Accordingly, we have not generated any revenues nor have we realized a profit from our operations to date and there is little likelihood that we will generate any revenues or realize any profits in the short term. Any profitability in the future from our business will be dependent upon locating and exploiting mineral deposits on our current properties or mineral deposits on any additional properties that we may acquire and subsequent development. The likelihood that any mineral properties that we may acquire or have an interest in will contain commercially exploitable mineral deposits is extremely remote. We may never discover mineral deposits in respect to our current properties or any other area, or we may do so and still not be commercially successful if we are unable to exploit those mineral deposits profitably. We may not be able to operate profitably and may have to cease operations, the price of our securities may decline and investors may lose all of their investment in our company.

*As we face intense competition in the mineral exploration and exploitation industry, we will have to compete with our competitors for financing and for qualified managerial and technical employees.*

Our competition includes large established mining companies with substantial capabilities and with greater financial and technical resources than we have. As a result of this competition, we may have to compete for financing and be unable to conduct any financing on terms we consider acceptable. We may also have to compete with the other mining companies for the recruitment and retention of qualified managerial and technical employees. If we are unable to successfully compete for financing or for qualified employees, our exploration programs may be slowed down or suspended, which may cause us to cease operations as a company.

*We have a history of losses and have a deficit, which raises substantial doubt about our ability to continue as a going concern.*

We have not generated any revenues during the years ended July 31, 2012 and 2011. We will continue to incur operating expenses without revenues if and until we engage in commercial operations. Our accumulated loss as of July 31, 2012 was $6,222,196 since inception. We had cash in the amount of $77,021 as at July 31, 2012. We estimate our average monthly operating expenses to be approximately $60,000 each month. We cannot provide assurances that we will be able to successfully explore and develop our property interests. These circumstances raise substantial doubt about our ability to continue as a going concern as described in the notes to our audited financial statements for the year ended July 31, 2012, our independent auditors has added an explanatory paragraph to their audit report issued in connection with our annual audited financial statements for the year ended July 31, 2012 regarding substantial doubt about our ability to continue as a going concern. If we are unable to continue as a going concern, investors will likely lose all of their investments in our company.

*Our future is dependent upon our ability to obtain financing and if we do not obtain such financing, we may have to cease our exploration activities and investors could lose their entire investment.*

There is no assurance that we will operate profitably or will generate any positive cash flow in the future. We will require additional financing in order to proceed with the exploration and, if warranted, development of our properties. We will also require additional financing for the fees we must pay to maintain our status in relation to the rights to our properties and to pay the fees and expenses necessary to operate as a public company. We will also need more funds if the costs of the exploration of our mineral claims are greater than we have anticipated. We will require additional financing to sustain our business operations if we are not successful in earning revenues. We will also need further financing if we decide to obtain additional mineral properties. We currently do not have any arrangements for further financing and we may not be able to obtain financing when required. Our future is dependent upon our ability to obtain financing. If we do not obtain such financing, our business could fail and investors could lose their entire investment.

*Our directors and officers are engaged in other business activities and accordingly may not devote sufficient time to our business affairs, which may affect our ability to conduct operations and generate revenues.*

Our directors and officers are involved in other business activities. As a result of their other business endeavours, our directors and officers will exercise their fiduciary duties and duty of care but nonetheless may not be able to devote sufficient time to our business affairs, which may negatively affect our ability to conduct our ongoing operations and our ability to generate revenues. In addition, the management of our company may be periodically interrupted or delayed as a result of our officers' other business interests.

RISKS RELATING TO OUR COMMON STOCK

*A decline in the price of our common stock could affect our ability to raise further working capital and adversely impact our ability to continue operations*.

A prolonged decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise capital. Because a significant portion of our operations have been and will be financed through the continued sale of equity securities, a decline in the price of our common stock could be especially detrimental to our liquidity and our operations. Such reductions may force us to reallocate funds from other planned uses and may have a significant negative effect on our business plan and operations, including our ability to continue our current operations. If our stock price declines, we can offer no assurance that we will be able to raise additional capital or generate funds from operations sufficient to meet our obligations. If we are unable to raise sufficient capital in the future, we may not be able to have the resources to continue our normal operations or become insolvent.

The market price for our common stock may also be affected by our ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if minor, may have a material adverse effect on the market price of our common stock and our operations as a result.

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

Information provided in this MD&A, and in the accompanying financial statements, is the responsibility of management. In the preparation of this MD&A and the financial statements, estimates are sometimes necessary to make a determination of future value for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements. Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Lack of optimal segregation of duties has been observed due to the relatively small size of the Company, but management believes that these weaknesses have been adequately mitigated through management and director oversight.

**Additional Information**

We file annual and interim reports, information circulars and other information with certain Canadian securities regulatory authorities. The documents filed with the Canadian securities regulatory authorities are available at http://www.sedar.com.