



**Management's Discussion and Analysis**  
**of the Financial Condition and Results of Operations**  
**Three months ended April 30, 2012**

**June 26, 2012**

# Canadian Orebodies Inc.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The following discussion of financial performance and condition should be read in conjunction with the unaudited condensed financial statements of Canadian Orebodies Inc. (the "Company") for the three months ended April 30, 2012 and the year ended January 31, 2012 and the notes thereto, that have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are expressed in Canadian dollars unless otherwise indicated. This report which is dated June 26, 2012 and the Company's other public filings can be reviewed on the SEDAR website. ([www.sedar.com](http://www.sedar.com)).

### **CAUTIONARY NOTE**

This document contains or refers to forward-looking information. Such forward-looking information includes, among other things, statements regarding targets, estimates and/or assumptions in respect of future production, capital costs and future economic, market and other conditions, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to: the grade and recovery of ore which is mined varying from estimates; exploration and development costs varying significantly from estimates; inflation; fluctuations in commodity prices; delays in the development of the any project caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; termination or revision of any debt financing; failure to raise additional funds required to finance the completion of a project; and other factors. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no responsibility to update them or revise them to reflect new events or circumstances, except as required by law. Also refer to the *Risks and uncertainties* section of this MD&A.

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### ***Corporate information***

Orebodies was incorporated pursuant to the provision of the *Business Corporations Act* (of Alberta) on January 28, 2008. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts carried in the financial statements for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of Orebodies to obtain the necessary financing to complete exploration and development and upon future profitable production or proceeds from disposition of such properties.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has interests, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

### ***Company highlights***

#### ***2012 Exploration program***

Beginning in June, the Company intends to evaluate a number of high priority exploration targets in the areas around Haig Inlet on the Belcher Islands. The company has identified three large untested target areas that were selected for having the highest potential to host near surface iron mineralization that may be amenable to open pit mining. The company plans to conduct the exploration drilling this season in two phases: wide-spread exploration holes on 3 separate targets, followed by infill drilling on the areas which would be most amenable to developing an open-pit mineral resource.

#### ***Kihl Bay Anticline***

Kihl Bay is located to the northeast of Haig Inlet and is comprised of relatively closely spaced anticlines and synclines plunging north. The Company believes the anticlines may elevate the Kipalu Iron Formation stratigraphy proximal to surface, as these folds are well defined by the Aster satellite imagery work completed by Wickert in 2007. Although the iron formation is not exposed in this area, the Company is excited about the possibility for significant additional iron mineralization near surface.

#### ***Haig West Property***

Exploration in the 1950's by the Belcher Mining Corporation Ltd. included a number of regional magnetic surveys which identified a continuous magnetic anomaly along the western shore of Flaherty Island. In the fall of 2011, Canadian Orebodies staked 13 claims to cover this geophysical target, which lies approximately 10km to the west of the Haig Inlet Project. The magnetic anomaly contained within this claim group extends approximately 29.4km in a north-south direction and is coincident with a single exposure of the Kipalu Iron Formation mapped in 1959.

#### ***Haig North Extension***

The third target for further exploration is the northward extension of the Kipalu Iron Formation, which runs for an additional 17km from the northern most 2011 drill holes at Haig Inlet. Only two areas of iron formation outcrop have been examined along this trend. One occurs near the extreme north end of the property and another near the northwestern most 2011 drill holes. Exposures in both areas are comprised of Fe-rich argillite and dip towards the east.

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### ***Haig Inlet Deposit to be advanced by mineralogical and metallurgical studies***

The Company plans to begin advancing its technical knowledge of the Haig Inlet deposit by undertaking mineralogical and metallurgical studies. SGS in Lakefield has been appointed to conduct metallurgical testing using samples taken from the Company's Haig Inlet project. The goal of the testing is to provide an analysis of weight recoveries and concentrate grades. This process is critical in helping to assess the overall quality of the product that would be produced from the project.

### ***Acquisition of Haig Inlet Iron Ore Property***

On June 15, 2011, the Company closed the acquisition transaction relating the Haig Inlet Iron Ore Property having met TSX Venture Exchange; NTI and disinterested shareholder approvals.

On February 14, 2011 the Company entered into a non-arm's length Purchase Agreement (the "Agreement") to acquire up to a 100% legal and beneficial interest (subject to a 3% GOR retained by the Vendors, of which 1/3rd can be purchased by the Company for a maximum of \$3,000,000) in the Inuit Owned Lands Mineral Exploration Agreement (the "NTI Agreement") with Nunavut Tunngavik Incorporated ("NTI") which covers the Haig Inlet Iron Ore Project comprising an area of approximately 2,680 hectares, located on the Belcher Islands, Nunavut, Canada (the "Property").

#### *Terms of the Agreement:*

The Agreement is a non-arm's length transaction between Donald McKinnon, Gordon McKinnon, Randall Salo (the "Vendors") and the Company.

In order to purchase a 100% interest in the NTI Agreement, the Company is required to:

1. Issue to the Vendors an aggregate amount of 3,000,000 common shares on closing (issued) to earn a 10% interest in the NTI Agreement.
2. Issue to the Vendors an aggregate amount of 4,000,000 common shares on the first year anniversary of closing to earn an additional 15% interest in the NTI Agreement.
3. Issue to the Vendors an aggregate amount of 7,000,000 common shares on the second year anniversary of closing to earn the remaining 75% interest in the Agreement.

After the issuance of 3,000,000 common shares on closing to earn a 10% interest in the NTI Agreement, the Company may elect not to proceed with the share issuances outlined in items 2 and 3 above.

4. Grant a 3% Gross Overriding Royalty ("GOR") of which 1/3rd may be purchased at anytime by the Company for \$3,000,000, in the event that the Company has acquired the 100% interest in the NTI Agreement. If the Company has elected not to purchase a 100% interest in the NTI Agreement, the consideration for a purchase of such 1/3rd of the GOR shall be pro-rated to the Company's interest in the NTI Agreement at such time.
5. Grant a \$250,000 advance royalty, in the event that the Company has acquired the 100% interest in the NTI Agreement, commencing on the earlier of (i) the date on which a production lease is entered into pursuant to the NTI Agreement, or (ii) on the 6th year anniversary from closing. If the Company does not hold the 100% interest in the NTI Agreement at such time as the advance royalty becomes

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payable, the advance royalty shall be pro-rated to the Company's interest in the NTI Agreement at such time.

6. Enter into a joint venture agreement on closing (completed) which governs the activities of the Company and the Vendors in respect of the Property and the NTI Agreement, until such time, as the Company acquires a 100% interest in the NTI Agreement.

In addition, if the Company has acquired a 100% interest in the NTI Agreement, the Company covenants to issue and deliver to the Vendors an additional 14,000,000 common shares on the following basis:

1. Issue an aggregate 7,000,000 common shares (each such common share a "First Milestone Share") in the event that a technical report compliant with NI 43-101, which demonstrates at least 80,000,000 tonnes of Mineral Resources (defined in the Agreement as 'indicated mineral resources' or 'measured mineral resources' as those terms are defined in NI 43-101) grading at least an average of 23% iron.
2. Issue a further 7,000,000 common shares (each such common share a "Second Milestone Share") in the event that a technical report compliant with NI 43-101, which demonstrates at least 200,000,000 tonnes which includes the 80,000,000 tonnes comprising the threshold for the First Milestone Shares, of Mineral Resources grading at least an average of 23% iron.

In the event that the Company has not acquired a 100% interest in the NTI Agreement at the relevant time that First Milestone Shares or Second Milestone Shares are to be issued, the Company covenants to issue to the Sellers in aggregate a percentage of First Milestone Shares or Second Milestone Shares, as the case may be, that is equal to the Company's interest in the NTI Agreement at the relevant time.

The Agreement as provides an extended area concept whereby the 3% GOR and the requirement to issue First Milestone Shares and/or Second Milestone Shares applies beyond the Property to include (i) specified additional areas in proximity to the Property where the Company has staked mineral dispositions, and (ii) any areas or part thereof, lying within a distance of 10 kilometers from the external perimeters of the Property in which the Company has or will stake any mineral dispositions.

### ***Private placements***

On June 16, 2011, the Company closed a private placement which was held in escrow as at March 10, 2011 as follows:

On March 10, 2011 (the "Escrow Closing Date"), the Company completed a brokered private placement of 15,000,000 subscription receipts ("Subscription Receipts") at a price of \$0.35 per Subscription Receipt for aggregate gross proceeds of \$5,250,000 (the "Offering"). The gross proceeds from the sale of the Subscription Receipts (the "Escrowed Proceeds") were deposited in escrow with an escrow agent (the "Escrow Agent"). On June 15, 2011, the Company closed the private placement and the escrowed proceeds were released upon the Company satisfying the following conditions:

Each Subscription Receipt was automatically converted into one unit of the Company (a "Unit") without payment of additional consideration and without any further action by the holder thereof.

Each Unit consists of one common share in the capital of the Company (each a "Common Share") and one-half of one Common Share purchase warrant (each whole Common Share purchase warrant, a

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"Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share (a "Warrant Share") at a price of \$0.475 per Warrant Share for a period of 18 months from the date that the Escrowed Funds were released to the Company.

The Company paid to the Agents, in aggregate, a cash fee of 6% of the gross proceeds of the Offering. Additionally, the Company issued to the Agents 900,000 compensation options, equal to 6% of the number of Subscription Receipts sold under the Offering, with each such compensation option entitling the holder to purchase one Unit of the Company at a price of C\$0.35, or such other price as may be required pursuant to the rules of the TSX-V, for a period of 18 months from the date that the Escrowed Funds were released to the Company.

On November 18, 2011, the Company closed a non-brokered private placement comprising of 2,455,000 flow through units at a price of \$0.35 per unit and 1,500,000 non flow through units at \$0.30 per unit for gross proceeds of \$1,309,250. Each flow through unit and non flow through unit consists of one common share and one-half share purchase warrant. One whole warrant entitles the holder to purchase one common share of the Company at \$0.475 per share for a period of 18 months from the date of issuance.

In connection with the private placement, the Company paid finders fees of \$78,555 and issued 237,300 broker options. Each broker option entitles the holder to purchase one unit at a price of \$0.30 per unit. Each unit consists of one common share and one-half share purchase warrant. One whole share purchase warrant entitles the holder to purchase one common share of the Company at \$0.475 per share for a period of 18 months from the date of issuance.

### ***Overall performance***

As at April 30, 2012, the Company had assets of \$9,819,478 and a net equity position of \$9,503,638. This compares with assets of \$10,177,097 and a net equity position of \$9,702,885 at January 31, 2012.

### ***Review of operations***

#### ***Recent activity***

On February 21, 2012, 58,425 share purchase warrants were exercised at \$0.18 per share for gross proceeds of \$10,516.

In April 2012, the Company engaged First Canadian Capital Corp as a consultant to provide strategic marketing and investor relations services.

On April 9, 2012, the Company granted 1,725,000 share purchase options to directors, officers and consultants exercisable at \$0.25 per share for a period of five years from date of issuance. In addition, the Company granted 400,000 share purchase options as part compensation to First Canadian Capital Corp for investor relations services exercisable at \$0.25 per share for a period of five years. The share purchase options issued vest in 4 quarterly installments after the first three months of service.

On May 7, 2012, the Company issued 1,400,000 common shares of the Company to the vendors under the purchase of the Haig Inlet Iron Ore Property. The common shares issued were based on a percentage of ownership of the property by the Company.

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On June 15, 2012, the Company issued 6,100,000 common shares of the Company to the vendors under the purchase of the Haig Inlet Iron Ore Property. The common shares issued increased the Company's ownership interest from 10% to 25%.

The Company has approved a proposal to restructure its assets by spinning out the non iron ore assets into a new company to be incorporated. The Company proposes to complete the reorganization by way of a plan of arrangement (the "Arrangement"), which will be subject to regulatory, shareholder and court approval. Pursuant to the Arrangement, as currently proposed, the Company's lithium and rare metals and any related liabilities and certain other assets will be transferred to a holding company that will become a wholly-owned subsidiary of a new company to be incorporated ("SpinCo"), with the Company retaining its current interest in its iron ore assets. Under the Arrangement, holders of the Company's common shares will be entitled to receive new common shares of the Company and common shares of SpinCo in exchange for the common shares of the Company held by such holders on the record date of the Arrangement. Upon completion of the Arrangement, the Company's shareholders will continue to hold 100% indirect interest in the assets of both the Company and SpinCo, through their separate shareholdings in each of the Company and SpinCo.

### **2011 Exploration program**

The Company successfully completed the 2011 summer drill program at the Haig Inlet Iron Ore Project ("Haig Inlet"), located on the Belcher Islands in Nunavut, Canada. In total, 9,119.2 meters (m) were drilled in 64 holes, including two holes that were abandoned above the mineralized zone and one hole that was abandoned in the mineralized zone due to mechanical problems with the drill. All 64 holes were focused on the hematite rich portions of the Kipalu Iron Formation, following up on the work previously carried out on Haig Inlet in the 1950's by Belcher Mining Corporation Ltd. The Company is extremely pleased that all the completed holes intersected iron oxide mineralization and all the assay results showed excellent continuity of grade, thickness, and depth. Highlights from the drill program include:

Hole ID	From (m)	To (m)	Width of Zone (m)	Average Intercept Fe% Grade
CO11-02	49.7	63.7	14.0	35.7%
CO11-12	53.0	67.0	14.0	35.8%
CO11-16	43.9	59.9	16.0	35.0%
CO11-22	65.2	79.2	14.0	35.6%
CO11-43	71.7	85.7	14.0	36.0%
CO11-47	68.1	82.1	14.0	35.9%

The first phase of drilling this season was completed on seven lines spaced approximately 500m apart on an area measuring roughly 3km by 3km immediately north of Haig Inlet. The Kipalu Iron Formation in this target area is essentially flat lying with only very slight changes in dip. Results from the drill program indicated that the iron formation showed excellent continuity over the entire 9 square kilometer area. The second phase of drilling traced the iron mineralization from Haig Inlet to the north over a distance of approximately 7.5 kilometers. The results indicate that the iron formation shows excellent continuity over this vast area and clearly demonstrates the potential of Haig Inlet to host a large tonnage of iron ore.

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In October 2011, the Company identified and staked a parallel iron trend to the west of the Haig Inlet property. These newly staked claims (the "Staked Claims") cover an additional 10,172 hectares of Municipal Land, bringing the Company's total land position in the area to over 25,376 hectares. Results of historic magnetic geophysical surveying carried out over the Staked Claims during the 1950's by Belcher Mining Corporation Ltd. indicate that a defined magnetic signature trends over the entire 29.4km length of the Staked Claims, and was verified to be iron formation through ground truthing where an outcropping of the formation directly coincided with the magnetic signature. The formation is interpreted to be a parallel western extension of the Kipalu Formation of iron-bearing rocks, which is the same formation being targeted at Haig Inlet. The Staked Claims are considered to contain a highly prospective exploration target area, which possesses strong potential for the discovery of additional iron mineralization that Orebodies believes could be amenable to open pit mining.

On February 6, 2012, the Company announced the results of the initial independent National Instrument (NI) 43-101 Mineral Resource estimate using information from the 2011 drill program on the Haig Inlet Iron Ore Project. The estimate was completed by G H Wahl & Associates Consulting, and resulted in an indicated iron ore resource of 230 million tonnes at 35.17% iron and an additional inferred resource of 289 million tonnes at 35.47%. The current mineral resources statement for Haig Inlet is presented below.

Area	Mineral Resource Category	Million Tonnes	%Fe
Haig North	Indicated	230	35.17
Haig North	Inferred	155	35.55
Haig South	Inferred	134	35.37
<b>Haig North</b>	<b>Total Indicated</b>	<b>230</b>	<b>35.17</b>
<b>Haig North &amp; South</b>	<b>Total Inferred</b>	<b>289</b>	<b>35.47</b>

The mineral resource estimate for the Haig Inlet Deposit is based on results from 64 diamond drill holes totaling 9,119.2m and is effective as of February 6, 2012. No cut-off was applied as the lowest grade (27%Fe) within the modeled iron formation lies well above the economic cut-off of 15%Fe. The mineral resources in this press release were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council.

Further information on the summer drill program can be found on the Company's website at [www.canadianorebodies.com](http://www.canadianorebodies.com).

### *Portfolio of properties*

#### *Haig Inlet Iron Ore*

The Company has an Option to earn a 100% interest in the Haig Inlet Iron Ore Project ("Haig Inlet"), which covers over 25,376 hectares located on the Belcher Islands in Nunavut, Canada. The project consists of over 2,685 hectares of Inuit Owned Land and 32 claims covering 22,691 hectares of Municipal Land. A significant amount of exploration work, including numerous widely-spaced diamond drill holes, was carried out on the property during the 1950's by Belcher Mining Corporation Ltd. During 2011, the



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Company completed a summer exploration program consisting of 64 drill holes totaling 9,119.2 meters. The Company's summer exploration program culminated in an initial NI 43-101 Resource Estimate, which was effective February 6, 2012. Haig Inlet is host to an indicated iron ore resource of 230 million tonnes at 35.17% iron and an additional inferred resource of 289 million tonnes at 35.47%.

### *Lithium and Rare Metals*

The Company has 8 Lithium/Rare Metals properties which in total consist of 317 claim units comprising 5,072 hectares. The Zigzag and Dempster properties are located near Crescent Lake, Ontario, and together cover 145 claim units consisting of 2,320 hectares. The Company has an option to earn an 80% interest in the Zigzag property through an option agreement with Ultra Lithium, and the Company holds a 100% interest in the Dempster property. The 100%-owned Falcon, Despard, and EW Ketchican properties are located near Falcon Lake, Ontario, and cover 125 claim units consisting of 2,000 hectares. The 100%-owned Vegan and Niemi South properties are located near Barbara Lake, Ontario, and cover 32 claim units consisting of 512 hectares. The Greenbush property, located near Greenbush Lake, Ontario, is 100%-owned by the Company and covers 15 claim units consisting of 240 hectares.

### *Other Properties*

#### *Trump Property*

The Trump Property consists of 96 claim units comprising 1,536 hectares in the James Bay Lowlands near McFaulds Lake, Ontario. The Company holds an 80% interest through a joint venture agreement with Rainy Mountain Royalty. The property is located 28 km south east of the Noront Resources Ltd. ("Noront") nickel-copper-cobalt-PGE deposit, and approximately 75 km south west of the Noront Eagle Nest nickel-PGE deposit.

Data collected during airborne magnetic surveys flown in 2008 was reinterpreted using additional information uncovered by other discoveries in the "Ring of Fire" area. The resulting conclusions show that the Trump Property features a complex magnetic environment that could represent a volcanogenic environment with the potential of hosting VMS deposits and possibly magmatic sulphides. As a result, eight separate electromagnetic conductor targets that are interpreted to represent conductive sulphide zones have been outlined on the property. These occur along a magnetic feature that is interpreted to be a folded ultramafic complex which is a favourable environment for nickel-copper, or volcanogenic massive sulphide deposits.

#### *Hawkins*

The Hawkins Property, located 120 km South of Hearst, Ontario, consists of 111 claim units covering a total area of 1,776 hectares. The property is host to the historic Shenango Gold Mine. The Shenango prospect was in production during 1936, 1937 and 1945. Two shafts were sunk to 52 and 125 feet and an adit was driven 90 feet while following auriferous quartz veins cutting mafic metavolcanics. In the mid-1980's Falconbridge Exploration Ltd. carried out an extensive shallow drilling program and defined a low-grade auriferous felsic horizon with values of 1 to 4 grams per ton gold over 4 to 30 meter widths along a minimum strike length of 3 to 4 kilometers. No subsequent drilling was carried out to evaluate these felsic volcanoclastic units at depth or to the west.

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### *McFaulds Lake 'Ring of Fire' Royalty and Equity Interests*

In May 2010 the Company entered into an agreement with Noble Mineral Exploration Inc. ("NOB") (formally Hawk Uranium Inc.) by which the Company sold its interest in eight 100% owned northern properties (the "Northern Properties") and seven 50% owned southern properties (the "Southern Properties"). The agreement entitles the Company to a 10% NPI royalty on the Northern Properties and a 10% NPI royalty on the portion of the Southern Properties acquired by NOB, which would be converted to a 0.15% NSR royalty if NOB's interest in the Southern Properties is reduced to less than 10% and therefore converted to a NSR royalty.

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#### *Summary of quarterly results*

	February 1, 2011 to April 30, 2012 (\$)	November 1, 2011 to January 31, 2012 (\$)	August 1, 2011 to October 31, 2011 (\$)	May 1, 2011 to July 31, 2011 (\$)
Total revenues			-	-
Net loss and other comprehensive loss	(642,328)	(39,099)	(1,211,236)	(150,790)
Net (income) loss and comprehensive net (income) loss per share – basic and fully diluted	(0.01)	(0.00)	(0.01)	(0.00)
Total assets	9,819,478	10,177,097	9,709,239	11,186,923
Long-term debt	Nil	Nil	Nil	Nil
Shareholders' equity	9,503,638	9,702,885	8,730,270	9,888,759
Cash dividends declared per common share	Nil	Nil	Nil	Nil

	February 1, 2011 to April 30, 2011 (\$)	November 1, 2010 to January 31, 2011 (\$)	August 1, 2010 to October 31, 2010 (\$)	May 1, 2010 to July 31, 2010 (\$)
Total revenues		-	-	
Net loss and other comprehensive loss	(597,235)	986,932	68,554	438,011
Net (income) loss and comprehensive net (income) loss per share – basic and fully diluted	(0.01)	(0.02)	0.00	0.00
Total assets	4,674,710	4,112,512	3,826,624	3,735,506
Long-term debt	Nil	Nil	84,000	96,200
Shareholders' equity	4,258,549	3,543,122	3,099,001	3,149,555
Cash dividends declared per common share	Nil	Nil	Nil	Nil

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### ***Results of operations***

For the three months ended April 30, 2012, the Company incurred a loss of \$642,328 compared to \$597,235 for the corresponding period of the prior year for an increase of \$45,093.

In addition, the Company had other comprehensive gain of \$25,000 compared to \$615,300 for the comparative period with respect to marketable securities held on hand.

### **Results of Operations for the three months ended April 30, 2012 as compared to the three months ended April 30, 2011**

For the three months ended April 30, 2012, the Company expensed \$91,243 in professional and consulting expenses as compared to \$166,718 in the corresponding period of the preceding year for a decrease of \$75,475. This decrease is primarily due to legal costs for the acquisition of the Haig Inlet Iron property in the comparative period.

The Company granted 2,125,000 (2011: 925,000) share options to directors, officers and consultant as incentives. The value of the stock options aggregating \$371,565 (2011 - \$285,200) were derived by using the Black-Scholes model for options pricing.

For the three months ended April 30, 2012, the Company incurred \$83,290 (2011 - \$31,000) for management and administrative expenses with respect to payroll. The increase in expenses was due to the hiring of an additional employee to be the Company's Manager of Corporate Development to assist the President commencing August 1, 2011, due to the increased activity of the Company. In addition, there was also an incremental increase in salaries.

Shareholder information expense for the three months ended April 30, 2012 was \$70,922 (2011 - \$89,148) for a decrease of \$18,226

Office and administrative expenses was \$44,589 for the three months ended April 30, 2012 as compared to \$21,347 for the corresponding period of the preceding year for a net increase of \$23,242.

During the three months ended April 30, 2012, the Company recovered \$34,674 with respect to the Webequie property.

For the three months ended April 30, 2012, the Company earned interest on its cash investments aggregating \$5,879 (2011 - \$Nil).

In accordance with IFRS reporting, an investment loss of \$1,200 (2011: - \$Nil) is recognized in operations and is the difference between the fair value of the 4,000,000 warrants at April 30, 2012 and January 31, 2012. Previously under GAAP, the amount was recognized in other comprehensive income.

In addition, an unrealized gain of \$25,000 (2011: - \$615,300) with respect to marketable securities were recognized on other comprehensive income.

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### ***Objectives and milestones***

The objectives of the Company are to (i) enhance its geological knowledge of its Haig Inlet Iron Ore Project and its Lithium/Rare Metals Properties (ii) develop targets on the properties for future sampling and drilling programs; and (iii) target, review and, if desirable, acquire and develop additional mineral assets in order to augment and strengthen its current mineral property portfolio.

In conducting its search for additional mineral properties, the Company may consider acquiring properties that it considers prospective based on criteria such as the exploration history or location of the properties, or a combination of these and other factors. Risk factors to be considered in connection with the Company's search for and acquisition of additional mineral properties include the significant expenses required to locate and establish mineral reserves; the fact that expenditures made by the Company may not result in discoveries of commercial quantities of minerals; environmental issues; land title; competition; and, the potential failure of the Company to generate adequate funding for any such acquisitions. See the ***Risks and uncertainties*** section of this MD&A.

### ***Liquidity and capital resources***

As at April 30, 2012, the Company had working capital of \$1,716,223 (January 31, 2012 – \$2,316,244). See ***Risks and uncertainties – Liquidity risk***. The working capital at April 30, 2012 and at January 31, 2012 includes \$233,035 due to related parties that accrues no interest and has no fixed term of repayment.

On June 15, 2011, the Company completed a brokered private placement for gross aggregating \$5,250,000 through the issuance of 15,000,000 units at \$0.35 per unit. The proceeds were held in escrow and were released on fulfilling the conditions as outlined in the narrative on the acquisition of the Haig Inlet Iron Ore Property. Net proceeds from the private placement were \$4,941,979.

On November 18, 2011, the Company completed a non-brokered private placement through the issuance of 2,455,000 flow through units at \$0.35 per unit and 1,500,000 non flow through units at \$0.30 per unit for net proceeds of \$1,230,695.

During the year ended January 31, 2012, the Company received \$948,363 (2011: \$24,000) from the exercise of 5,593,021 (2011: - 400,000) share purchase warrants at prices between \$0.09 and \$0.20 (2011: - \$0.06) per share.

During the three months ended April 30, 2012, the Company received \$10,516 (2011: \$Nil) from the exercise of 58,425 (2011: - Nil) share purchase warrants at prices of \$0.18 per share.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future from the end of the reporting period. The Company believes it has sufficient working capital to meet its short-term obligations over the next six months. In order to meet its medium to long-term working capital obligations, the Company will require and is actively seeking further financing to ensure that those obligations are properly discharged. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. Accordingly, the Company's interim financial statements do not give effect to adjustments that

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would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the interim financial statements.

The exploration and development of the Company's properties depends on the ability of the Company to obtain financing. If the Company's exploration programs are successful, additional funds will be required to develop the Company's properties and, if successful, to place them in commercial production. The only sources of future funds available to the Company are further offerings of either debt or equity capital of the Company, or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its interests in some or all of its properties and reduce or terminate its operations.

### ***Capital management***

In managing its capital, the Company's primary objective is to ensure the entity can continue as a going concern as well as to provide optimal returns to its shareholders, in the long term. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative returns on capital criteria for management due to the nature of the industry, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company considers its capital to be equity, which is comprised on share capital, reserves and accumulated deficit, which at April 30, 2012 totaled \$9,503,638 (January 31, 2012 - \$9,702,885).

The properties in which the Company currently has an interest are in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

1. attempting to maintain a liquidity cushion in order to address any potential disruptions or industry downturns;
2. minimizing discretionary disbursements;
3. reducing or eliminating exploration expenditures that are of limited strategic value; and
4. exploring alternative sources of liquidity.

As such, the Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management reviews its capital management approach on an ongoing basis and believes that this approach, given the Company's relative size, is reasonable.

There were no changes in the Company's approach to capital management during the three months ended April 30, 2012. The Company is not subject to externally imposed capital requirements.

### ***Critical accounting policies and estimates***

#### ***Mineral properties and deferred exploration expenditures***

The Company is in the exploration stage with respect to its investment in mineral properties and follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral claims and crediting all revenues received against the cost of the related claims. Such costs include, but are not limited to geological, geophysical studies, exploratory drilling and sampling. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition. The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditures are not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

#### ***Use of estimates***

The preparation of these condensed interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

#### ***Share-based compensation***

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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an expense is adjusted to reflect the actual number of share options that are expected to vest.

### ***Related-party transactions***

During the three months ended April 30, 2012, a total of \$16,500 (2011 - \$13,500), was paid for consulting services rendered by the Chief Financial Officer.

During the three months ended April 30, 2012, 1,500,000 (2011 - 900,000) share options were granted to directors and officers.

As at April 30, 2012, a balance due to a company controlled by a director, related to corporate and administrative expenses acquired on behalf of the Company, totalled \$233,035 (2011 - \$233,035).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### ***Corporate re-organization***

On April 24, 2012, the Company announced a proposal to restructure its assets by spinning out the non iron ore assets into a new company to be incorporated. The objective of such restructuring is to enhance shareholder value by, among other things, improving the recognition and value of its iron ore and lithium and rare metals assets by separating such assets between two companies. The Company's Board of Directors believes:

- The Company's current capitalization understates the intrinsic value of its iron ore and lithium and rare metals assets.
- Market participants tend to prefer 'pure play' single commodity focused entities for undertaking valuations and market comparisons.
- Providing shareholders with a shareholding in a new company that holds the lithium and rare metals assets, pro-rata to their shareholding in the Company (which will continue to hold the iron ore assets), will offer exposure to the potential value to be created from each set of assets.
- Following the completion of the Arrangement (as defined below), each of the Company's and SpinCo (as defined below) will be better positioned to finance their respective businesses and grow through exploration and acquisition.

The Company proposes to complete the reorganization by way of a plan of arrangement (the "Arrangement"), which will be subject to regulatory, shareholder and court approval. Pursuant to the Arrangement, as currently proposed, the Company's lithium and rare metals assets and any related liabilities (as well as an estimated \$400,000 in cash and cash equivalents, and certain other assets) will be transferred to a holding company that will become a wholly-owned subsidiary of a new company to be incorporated ("SpinCo"), with the Company retaining its current interest in its iron ore assets. Under the Arrangement, holders of the Company's common shares will be entitled to receive new common shares of the Company and common shares of SpinCo in exchange for the common shares of the Company held by such holders on the record date of the Arrangement. Upon completion of the Arrangement, the Company's shareholders will continue to hold a 100% indirect interest in the assets of both the Company and SpinCo, through their separate shareholdings in each of the Company and SpinCo. Further information can be found on the Company's website at [www.canadianorebodies.com](http://www.canadianorebodies.com).



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### ***Off balance sheet transactions***

During the three months ended April 30, 2012, there were no off-balance sheet transactions. The Company has not entered into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk.

### ***Dividends***

The Corporation has neither declared nor paid any dividends on its Common Shares. The Corporation intends to retain its earnings, if any, to finance growth and expand its operations and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

### ***Risks and uncertainties***

#### **Credit risk**

The Company deposits cash with financial institutions it believes to be creditworthy. In some circumstances, cash balances at these financial institutions may exceed the federally guaranteed amount. The Company's current credit risk is primarily attributable to cash and HST recoverable. Cash is held with a reputable, Tier A Canadian chartered bank and as such, management believes the risk of loss to be minimal. HST recoverable is due from the federal government of Canada. Management believes that the credit risk with respect to financial instruments included in HST recoverable is minimal and remote.

#### **Liquidity risk**

The Company's ability to remain liquid over the long term depends on its ability to obtain financing necessary to complete exploration and development of its mineral properties and their future profitable production or, alternatively, upon the Corporation's ability to dispose of its interest on an advantageous basis.

As mentioned previously in this MD&A, as at April 30, 2012, the Company had a working capital of \$1,716,223 (January 31, 2011 – \$2,316,244). The Company is also seeking additional capital to increase its liquidity over the medium to long term. All of the Company's accounts payable and accrual liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. As such, the Company believes that its liquidity risk is minimal.

#### **Market risk**

#### ***Currency risk***

The Company has no foreign currency denominated assets or liabilities. Major purchases are transacted in Canadian dollars and therefore the Company has no material foreign currency exposure at April 30, 2012.

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### ***Interest rate risk***

The Company's cash balance is subject to changes in interest rates. As at April 30, 2012, a change in the interest rate of 1% with all other variables held constant, the loss for the three months ended April 30, 2012 would be changed by \$2,911, as a result of a change in interest income from cash.

### ***Equity price risk***

Market risk arises from the possibility that changes in market prices will affect the value of financial instruments of the Company. Except for marketable securities, the Company's other financial instruments (cash, HST recoverable, accounts payable and accrued liabilities and due to related parties) are not subject to price risk.

### ***Commodity price risk***

The Company is exposed to price risk with respect to gold and other commodity prices, such prices impacting the future economic feasibility of its exploration properties. The Company closely monitors gold and other commodity prices to determine the appropriate course of action to be taken by the Company.

### ***Sensitivity analysis***

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period.

The Company's marketable securities are sensitive to a plus or minus 50% change in Canadian equity prices which would affect comprehensive income (loss) by approximately \$374,300.

### ***Fair value***

The Company has designated its cash as held-for-trading. HST recoverable is classified for accounting purposes as loans and receivables, which are measure at amortized costs which equals fair value. Marketable securities are valued at the bid price as at April 30, 2012. Accounts payable and accrued liabilities and amounts due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equal fair value. Fair values of accounts receivable, marketable securities, accounts payable and accrued liabilities and amounts due to related parties are determined from transaction values which were derived from observable market inputs. Fair values of these financial instruments are based on Level 2 measurements.

As at April 30, 2012, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

### ***Additional risk factors***

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of mining properties. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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operations. If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected.

### **Additional capital**

The exploration activities of the Company may require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and development of any of the Company's properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financings will be favourable to the Company. In addition, low commodity prices may affect the Company's ability to obtain financing.

### **Environmental and permitting**

All aspects of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations, among other things, mandate the maintenance of air and water quality standards, land reclamation, transportation, storage and disposal of hazardous waste. Environmental legislation is evolving in a manner which 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 future changes in environmental regulation, if any, will not adversely affect the Company's operations.

### **Acquisition**

The Company uses its best judgment to acquire mining properties for exploration and development. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable agreements, including arrangements to finance the acquisitions and development, or integrate such opportunity and their personnel with the Company. The Company cannot assure that it can complete any acquisition that it pursues or is currently pursuing, on favourable terms, or that any acquisition completed will ultimately benefit the Company.

### **Competition**

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than the Company. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospectus for mineral exploration in the future.

### **Political risk**

All of the Company's properties are located in Canada. Accordingly, the Company is subject to risks normally associated with exploration for and development of mineral properties in Canada, which the Company believes to be low. The Company's mineral exploration activities could be affected in varying degrees by future political instability and or government regulation relating to foreign investment and the mining business. Although not expected, operations may also be affected in varying degrees by terrorism, military conflict or repression, crime, extreme fluctuations in currency rates and high inflation.

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### **Business risk**

There are numerous business risks involved in the mineral exploration industry, some of which are outlined below. The Company may not always own 100% of the mineral concessions. Similarly, any non-compliance with or non-satisfaction of the terms of the Option by the Company could affect its ability to exercise the Option and earn its interest in the mining concessions and assets relating to properties.

Mining concessions may not include surface rights and there can be no assurance that the Company will be successful in negotiating long term surface rights access agreements in respect of the properties. Failure to obtain surface rights could have an adverse impact on the Company's future operations.

The Company's current or future operations, including development activities, are subject to environmental regulations which may make operations not economically viable or prohibit them altogether.

The success of the operations and activities of the Company is dependent to a significant extent on the efforts and abilities of its management, outside contractors, experts and other advisors. Investors must be willing to rely to a significant degree on management's discretion and judgement, as well as the expertise and competence of the outside contractors, experts and other advisors. The Company does not have a formal program in place for succession of management and training of management. The loss of one or more of the key employees or contractors, if not replaced on a timely basis, could adversely affect the Company operations and financial performance.

### ***Disclosure of outstanding share information***

The following table sets forth information concerning the outstanding securities of the Company as at June 26, 2012:

<b>Common Shares of no par value</b>	<b>Number</b>
Shares	114,148,901
Warrants (including finder's unit warrants)	15,977,969
Options	8,325,000

### ***Internal Controls over financial reporting***

The Company has established procedures and internal control systems to ensure the timely and accurate preparation of financial management and other reports. The Chief Executive Officer and Chief Financial Officer certify the financial reports. Disclosure controls are in place to ensure all reporting meets statutory reporting requirements.

The Company's management is responsible for establishing and maintaining adequate internal controls. These controls have been designed to provide reasonable, but not absolute, assurance with respect to

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Internal controls however well conceived will provide only reasonable and not absolute assurance that the objectives of the internal controls over financial reporting will be met. It should not be expected that the disclosure and internal controls and procedures would prevent all errors or fraud.

Due to the small size of the Company's accounting and finance department, there are a limited number of personnel handling accounting and financial matters and as a result, there is a lack of segregation of duties. Management believes that it has designed sufficient compensating internal controls to mitigate these limitations, including dual signatories on all cheques. Additional internal controls include audit committee and senior management review and oversight.

### ***Disclosure Controls and Procedures***

Disclosure controls and procedures are designed to provide reasonable, but not absolute, assurance that all material information is obtained, analyzed and reported to senior management on a timely basis in order for management to make reasonable decisions regarding public disclosure.

The Company's certifying officers, the Chief Executive Officer and the Chief Financial Officer, have reviewed the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on their review, they have concluded that the Company's disclosure controls and procedures, as defined in National Instrument 52-109 – Certification of Disclosure in Issuer's Annual and Interim Filings of the Canadian Securities Regulators, were effective and provide reasonable assurance that information required to be disclosed in interim, annual and special filings are submitted under Canadian securities laws and are recorded, processed, summarized and reported in a timely fashion.

### ***Additional information***

Additional information relating to the Company is available on the Internet at the SEDAR website located at [www.sedar.com](http://www.sedar.com).