Management's Discussion and Analysis

of Financial Condition and Results of Operations

Six Months Ended July 31, 2011

September 19, 2011

Canadian Orebodies Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion of financial performance and condition should be read in conjunction with the unaudited condensed interim financial statements of Canadian Orebodies Inc. ("Orebodies" or the "Company") for the period ended July 31, 2011 and 2010 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 September 19, 2011 and the Company's other public filings can be reviewed on the SEDAR website. (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 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.

Canadian Orebodies Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Corporate information

Canadian Orebodies was incorporated pursuant to the provision of the *Business Corporations Act* (of Alberta) on January 10, 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

Acquisition of the Haig Inlet Iron Ore Property

On June 16, 2011, the Company closed the acquisition transaction relating to 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 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 NTI 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 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:

(i) 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.

(ii) 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 provides for 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 placement

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 C$0.35 per Subscription Receipt for aggregate gross proceeds of C$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"). The escrowed proceeds were released upon the Company satisfying the following conditions:

(i) disinterested shareholders' approval on the acquisition of a 100% legal and beneficial interest in the Inuit Owned Lands Mineral Exploration Agreement (the "Exploration Agreement") with Nunavut Tunngavik Incorporated which covers the Haig Inlet Iron Ore Project, located on the Belcher Islands, Nunavut, Canada (see below) in accordance with applicable corporate and securities laws, including the rules of TSX Venture Exchange (the "TSX-V");

(ii) the Agents having been provided with a favourable opinion regarding legal ownership of the land underlying the Exploration Agreement; and

(iii) on the Company delivering to the Agents a certificate confirming that all regulatory and other approvals required in respect of the Acquisition have been obtained.

The Escrow Agent released the Escrowed Proceeds plus any interest or income earned thereon (the "Escrowed Funds") to the Company (less the Agents' commission related to the sale of the Subscription Receipts, which amount shall be released to the Agents) and 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 will consist 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 "Warrant"). Each Warrant will entitle the holder thereof to purchase one Common Share (a "Warrant Share") at a price of C$0.475 per Warrant Share for a period of 18 months following the date that the Escrowed Funds are released to the Company.

The Company paid to the Agents, in aggregate, a cash fee of 6% of the gross proceeds of the Offering, which commission will be payable upon the Escrowed Funds being released to the Company. Additionally, the Company has issued to the Agents, 900,000 compensation options, which is 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 are released to the Company.

Description of the Property

The Haig Inlet Iron Ore Project covers over 14,180 hectares, located on the Belcher Islands, Nunavut, Canada. 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 ("BMC"). BMC's exploration programs targeted the Kipalu Formation of iron-bearing rocks containing laterally extensive magnetite (with subordinate hematite) iron formations of the Superior type. The Property is host to a significant unclassified historical resource estimate of 907 million tonnes grading 27% iron as defined in the government publication, "Northern Mineral Policy Series; NM1: Mines and Important Mineral Deposits of the Yukon and Northwest Territories, 1982*".

**The mineral resource outlined here is a non-compliant NI 43-101 Mineral Resource since it is historical in nature and should not be relied upon. There is no direct evidence that these numbers or any portion thereof will ever be achieved at any time with further exploration work. These are historical resource estimates that do not comply with the current Canadian Institute of Mining, Metallurgy and Petroleum Resources (CIM) Definition Standards on Mineral Resources and Mineral Reserves as required by National Instrument 43-101 (NI 43-101) "Standards of Disclosure for Mineral Projects." Historical BMC exploration results were studied by a qualified person and compared with other non-BMC exploration programs carried out on the Belcher Islands. Although conclusions support the presence of a large area of iron mineralization, the historical results are not considered reliable given an incomplete database of diamond drill hole logs and the lack of accurate collar surveying related to the BMC historical exploration programs. In addition, the unknown level of quality assurance/quality control implemented during the historic BMC programs, which is currently required to be carried out under the supervision of a qualified person as defined by NI 43-101 policy, questions the reliability and confidence in the historic estimate.*

Exploration Program

On July 21, 2011, the Company announced the commencement of the 2011 drill program. The program is designed to test the Kipalu Formation of iron-bearing rocks by following up on the work previously carried out on the Property by BMC, with the goal of establishing a NI 43-101 compliant resource estimate.

As of September 12, 2011, 50 drill holes totaling 7,430 metres had been completed. All the drilling to date has been focused on the Kipalu Formation of iron-bearing rocks in the central location around Haig Inlet, and all of the 50 holes completed have intersected iron oxide mineralization. The second phase of drilling is currently underway, infilling between the current 500m drill hole spacing in order to prepare for an initial NI 43-101 compliant resource estimate. This phase of drilling should be completed by the end of September 2011 with assay results expected this fall. An initial resource estimate and technical report is anticipated to be completed by the first quarter of 2012.

The first phase of drilling this season was completed on seven lines spaced approximately 500 metres apart on an area measuring roughly 3km by 3km immediately north of Haig Inlet. On each line, drill holes were also spaced approximately 500m apart. The Kipalu Iron Formation in this target area is essentially flat lying with only very slight changes in dip. Drilling has indicated that the iron formation shows excellent continuity over the entire nine square kilometer area in the drilling completed during the first phase of the program.

Assay Results

On September 12, 2011, the Company announced the first drill results from the 2011 drill program. Assays were released for the first fourteen drill holes, which were spaced over an area of roughly 1.5km north-south by 2.5km east-west. In the first set of assays, the top of the iron formation averages 59m below surface and ranges from 41m to 94m below surface. Thickness of the iron formation ranges from 32m to 52m and

averages 45m, while average iron (Fe) grades over these intervals range from 28.4%Fe to 30.2%Fe and average 29.2%Fe. A table of the results is included below:

Hole ID	Average Intercept Fe % Grade	Width of Zone (m)	Depth to Top of Zone (m)
CO11-01	29.4	52.1	43.5
CO11-02	29.4	44.8	49.7
CO11-03	28.4	32.2	72.9
CO11-04	28.5	47.0	59.1
CO11-05	28.6	42.0	54.3
CO11-06	29.4	50.7	46.8
CO11-07	29.9	43.7	67.8
CO11-08	29.1	48.3	67.8
CO11-09	29.1	48.2	56.9
CO11-10	29.3	44.0	41.5
CO11-15	29.4	44.0	65.7
CO11-16	29.5	44.0	43.9
CO11-17	30.2	41.7	94.0
CO11-22	28.6	46.0	65.2
Average	29.2	44.9	59.2
Minimum	28.4	32.2	41.5
Maximum	30.2	52.1	94.0

Overall performance

As at July 31, 2011, the Company had assets of $11,186,923 and a net equity position of $9,888,759. This compares with assets of $4,112,512 and a net equity position of $3,543,122 at January 31, 2011.

Total assets increased by $7,074,411. Of significance, the Company's cash position increased by $3,361,394 and mineral properties and deferred exploration costs (including exploration advances) increased by $3,177,469. In addition, the value of marketable securities as at July 31, 2011 increased by $431,300.

Review of operations

Recent activity

On August 5, 2011, the Company granted 200,000 share options to an employee exercisable at $0.265 for a period of five years from issuance.

On June 15, 2011, the Company received net proceeds of $4,941,979.41 on final closing of a private placement that were held in escrow on March 10, 2011.

Between February 1 and September 19, 2011, 3,199,721 share purchase warrants were exercised at prices between $0.09 per share and $0.20 per share for proceeds aggregating $540,158.

On March 24, 2011, 925,000 share options were granted to Directors, officers and employees of the Company exercisable at $0.335 per share for a period of five years from issuance.

Portfolio of properties

Iron Ore and other properties

	Haig Inlet		**Trump Property**	**Hawkins**	**Coral Rapids**
	NTI Agreement	Claims Staked			
Interest	Option to earn 100% Interest	Option to earn 100% Interest	80% Interest	100% Interest	100% Interest
Location	Belcher Islands, NU	Belcher Islands, NU	McFaulds Lake, ON	Sault Ste. Marie, ON	Porcupine, ON
Mining claims	NTI Mineral Exploration Agreement	19 Claims	Interest in 96 claim units	111 claim units	13 claim units
Area	2,685 hectares	11,529 hectares	1,536 hectares	1,776 hectares	208 hectares
Exploration Minerals	Iron Ore	Iron Ore	Nickel-copper-PGE	Gold	Diamonds, uranium, VMS base metals, limestone
Vendor net smelter return (NSR)	N/A	N/A	N/A	3% on all minerals and base metals mined and removed and sold	3% on all minerals, base metals and other materials (except diamonds and limestone)
Vendor gross production royalty	3% on all minerals[1]	3% on all minerals[1]	N/A	N/A	40¢/tonne on limestone
Vendor net sales return royalty	N/A	N/A	N/A	N/A	10% on diamonds mined, removed and sold
Net Profits Royalty (NPI)	12% (with available deductions from gross revenues capped at 83%)	N/A	N/A	N/A	N/A

[1] 1/3 of the royalty can be purchased for $3,000,000

Lithium / Rare metals properties

	Crescent Lake Area					Georgia Lake Area		Greenbush Area
	Zigzag (Ultra Lithium Option)	Falcon	Despard	Dempster	EW Ketchican	Vegan	Niemi South	Greenbush
Interest	Option to earn 80% interest	100% Interest	100% interest	100% interest	100% interest	100% Interest	100% Interest	100% Interest
Location	Crescent Lake, ON	Falcon Lake, ON	Falcon Lake, ON	Crescent Lake, ON	Falcon Lake, ON	Barbara Lake, ON	Barbara Lake, ON	Greenbush Lake, ON
Mining claims	Interest in 129 claim units	Interest in 60 claim units	Interest in 16 claim units	Interest in 16 claim units	Interest in 49 claim units	Interest in 16 claim units	Interest in 16 claim units	Interest in 15 claim units
Area	2,064 hectares	960 hectares	256 hectares	256 hectares	784 hectares	256 hectares	256 hectares	240 hectares
Exploration minerals	Lithium /Rare Metals	Lithium /Rare Metals	Lithium /Rare Metals	Lithium /Rare Metals	Lithium /Rare Metals	Lithium /Rare Metals	Lithium /Rare Metals	Lithium /Rare Metals
Vendor net smelter return (NSR)	2% NSR[2]	2% NSR[2]	2% NSR[2]	N/A	N/A	2% NSR[2]	2% NSR[2]	2% NSR[2]

[2] 50% of the royalty may be purchased for $1.0 million.

McFaulds Lake 'Ring of Fire' Royalty and Equity Interests

In May 2010, the Company entered into an agreement with Ring of Fire Resources Inc. ("ROF") (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 ROF, which would be converted to a 0.15% NSR royalty if ROF's interest in the Southern Properties is reduced to less than 10% and therefore converted to a NSR royalty.

Summary of quarterly results

	May 1, 2011 to July 31, 2011 ($)	February 1, 2011 to April 30, 2011 ($)	November 1, 2010 to January 31, 2011 ($)	August 1, 2010 to October 31, 2010 ($)
Total revenues	-	-	-	-
Net loss	(150,790)	(597,235)	986,932	68,554
Net loss per share – basic and fully diluted	(0.00)	(0.01)	(0.02)	0.00
Total assets	11,186,923	4,674,710	4,112,512	3,826,624
Long-term debt	Nil	Nil	Nil	84,000
Shareholders' equity	9,888,759	4,258,549	3,543,122	3,099,001
Cash dividends declared per common share	Nil	Nil	Nil	Nil

	May 1, 2010 to July 31, 2010 ($)	February 1, 2010 to April 30, 2010 ($)	November 1, 2009 to January 31, 2010 ($)	August 1, 2009 to October 31, 2009 ($)
Total revenues		-	-	-
Net loss and other comprehensive loss	438,011	105,243	1,671,491	135,142
Net (income) loss and comprehensive net (income) loss per share – basic and fully diluted	0.00	0.00	0.03	0.00
Total assets	3,735,506	4,075,790	4,216,873	5,448,079
Long-term debt	96,200	130,000	122,000	486,483
Shareholders' equity	3,149,555	3,457,981	3,584,224	4,471,577
Cash dividends declared per common share	Nil	Nil	Nil	Nil

Results of operations

For the six months ended July 31, 2011, the Company incurred a loss of $748,025 compared to $342,854 for the corresponding period of the prior year. The increase of $405,171 in loss is primarily attributed to two captions: share based compensation and professional consulting fees.

In addition, the Company had other comprehensive gain of $431,300 compared to a loss of $200,400 for the comparative period with respect to marketable securities held on hand.

Results of Operations for the six months ended July 31, 2011 as compared to the six months ended July 31, 2010

During the six months ended July 31, 2011, the Company incurred $210,165 (2010 - $85,126) in professional and consulting expenses, and increase of $125,039 over the corresponding period of the preceding year. This increase was primarily due to legal costs for the acquisition of the Haig Inlet Iron property and the private placement.

For the six months ended July 31, 2011, the Company incurred $63,730 (2010 - $62,487) for management and administrative expenses with respect to payroll.

Office and administrative expenses were $47,585 (2010 - $48,384) for the six months ended July 31, 2011, a decrease of $799 relative to the corresponding period of the preceding year.

Shareholder information expense for the six months ended July 31, 2011 was $145,570 (2010 - $52,925) and increased by $92,645 over the corresponding period of the preceding year. This increase was the result of the Company incurring significant filing fees in connection with the property acquisition and private placement.

The Company granted 925,000 (2010: Nil) share options to directors, officers and consultant as incentives. The value of the stock options totaled $285,200 (2010 - $Nil) and was derived by using the Black-Scholes model for options pricing.

During the six months ended July 31, 2011, the Company earned interest on its cash investments totaling $9,170 (2010 - $Nil).

For the comparative period ended July 31, 2010, the write down was $43,983 related to the Webequie property and there was an income tax recovery aggregating $74,800.

Objectives and milestones

The objectives of the Company are to (i) enhance its geological knowledge of its recently acquired 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 ***Risk factors*** section of this MD&A.

Liquidity and capital resources

As at July 31, 2011, the Company had a working capital of $4,780,972 (January 31, 2010 – $832,805). See ***Risks and uncertainties – Liquidity risk***, below). The working capital at July 31, 2011 and at January 31, 2011 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 proceeds of $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.

Between February 1, 2011 and September 19, 2011, the Company received $540,158 from the exercise of 3,199,721 share purchase warrants at prices between $0.09 and $0.20 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 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 of share capital, reserves and accumulated deficit, which at July 31, 2011 totaled $9,888,759 (January 31, 2011 - $3,543,122).

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.

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 six months ended July 31, 2011. 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 expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is 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 an expense is adjusted to reflect the actual number of share options that are expected to vest.

Related-party transactions

For the six months ended July 31, 2011, a total of $27,000 (2010 - $24,500), was paid for consulting services rendered by the Chief Financial Officer.

During the six months ended July 31, 2011, 900,000 (2010: Nil) share options were granted to directors and officers.

During the six months ended July 31, 2011, the Company made an exploration cost advance of $225,000 and incurred additional exploration drilling costs aggregating $297,617 to Cyr Drilling International Inc, a company controlled by a director.

As at July 31, 2011, 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 (2010 - $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.

Off balance sheet transactions

During the six months ended July 31, 2011, 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 Company has neither declared nor paid any dividends on its Common Shares. The Company 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 July 31, 2011, the Company had working capital of $4,780,973 (January 31, 2011 – $832,805). 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 July 31, 2011.

Interest rate risk

The Company's cash balance is subject to changes in interest rates. As at July 31, 2011, a change in the interest rate of 1% with all other variables held constant, the loss for the six months ended July 31, 2011 would be changed by $5,100, 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, iron, and other commodity prices, as such prices impacting the future economic feasibility of its exploration properties. The Company closely monitors gold, iron, and other commodity prices to determine the appropriate course of action to be taken by the Company.

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 measured at amortized costs which equals fair value. Marketable securities are valued at the bid price as at July 31, 2011. 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 July 31, 2011, 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

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.

Acquisitions

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. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospects 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.

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 the 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 September 19, 2011:

Common Shares of no par value	Number
Shares	100,092,176
Warrants (including finder's unit warrants)	17,634,244
Options	6,200,000

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 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 is 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.

International Financial Reporting Standards ("IFRS")

Effective January 1, 2011 Canadian publicly listed entities were required to prepare their financial statements in accordance with IFRS. Due to the requirement to present comparative financial information, the effective transition date is February 1, 2010. The six months ended July 31, 2011 is the Company's second reporting period under IFRS. Note 12 to the condensed interim financial statements provides the detail on the key Canadian GAAP to IFRS difference, the accounting policy decisions and IFRS 1, First-Time Adoption of International Financial Reporting Standards, optional exemptions for significant or potentially significant areas that have had an impact on the financial statements on transition to IFRS or may have an impact in future periods.

IFRS did not have a significant impact on contractual arrangements and information technology and systems.

The Company will continue to monitor changes to IFRS for future accounting periods. The standard setting bodies that determine IFRS have significant ongoing projects that could impact the accounting policies that the Company has selected.

Additional information

Additional information relating to the Company is available on the Internet at the SEDAR website located at www.sedar.com.