FORM 51-102F1

MANAGEMENT'S DISCUSSION & ANALYSIS
KOKANEE MINERALS INC.
(THE "COMPANY")

January 25, 2012

The following management's discussion & analysis ("MD&A") provides a review of activities, results of operations and financial condition of the Company for the year ended September 30, 2011 in comparison with those for the year ended September 30, 2010. The following discussion and analysis should be read in conjunction with the Company's annual audited financial statements for the year ended September 30, 2011 and September 30, 2010. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars.

Forward-Looking Statements

Except for statements of historical fact, this MD&A contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. In particular, forward-looking information in this MD&A includes, but is not limited to, statements with respect to future events and are subject to certain risks, uncertainties and assumptions. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the United States and globally; industry conditions, including fluctuations in commodity prices; governmental regulation of the mining industry, including environmental regulation; geological, technical and drilling problems; unanticipated operating events; competition for and/or inability to retain drilling rigs and other services; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for commodities; liabilities inherent in mining operations; changes in tax laws and incentive programs relating to the mining industry; and the other factors described herein under "Risks and Uncertainties" as well as in our public filings available at www.sedar.com. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

Management's Responsibility for Financial Statements

The Company's management is responsible for the presentation and preparation of annual financial statements and the MD&A. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The MD&A has been prepared

in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

Overview

The Company is a public company incorporated, on August 25, 2005, under the laws of British Columbia. The Company is a reporting issuer in British Columbia and its common shares are listed and posted for trading on the TSX Venture Exchange under the trading symbol "KOK". The Company's offices recently moved and are now located at 302 – 1620 West 8th Avenue, Vancouver, B.C., V6J 1V4.

The Company is a natural resource company engaged in the acquisition and exploration and development of resource properties with its primary focus on the development of its mineral property interests in Tanzania, while it continues to evaluate new business opportunities.

Jackson Gold Project, Bulyanhulu-Geita area of Tanzania:

On September 7, 2010, the Company entered into an option agreement to acquire a 51% interest in the Jackson Gold Project for US$375,000 payable in installments (US$75,000 paid). Following full payment, the Company is able to purchase up to an additional 29% interest in the property and thereafter, an additional 15% interest for specified payments of cash and issuances of shares.

As of September 30, 2011, management decided to discontinue the exploration on the property owing to assay results taken from the samples were of no commercial value. The Company has recorded a write-off of $93,591 for the year ended September 30, 2011.

Morogoro area of Tanzania:

The Company entered into an option agreement with AFGF (Tanzania) Limited (the "Optionor") dated May 2, 2011 for an 80% interest in the MEG South Property located in the Morogoro area of east central Tanzania. The agreement was approved by the TSX-V in October 2011. To acquire its interest the company is required to make the following concessions over the next 5 years:

	Acquisition in Cash	Acquisition in Shares	Exploration Work Commitments
Within 5 business days of written approval of this Agreement by the TSX Venture Exchange	$500,000	1,200,000	-
12 months after exchange approval	$500,000	-	$350,000
24 months after exchange approval	$500,000	-	$525,000
36 months after exchange approval	$500,000	-	$525,000
60 months after exchange approval	-	-	$2,100,000
Total	**$2,000,000**	**1,200,000**	**$3,500,000**

Following the company's acquisition of its initial 80% interest in the property, it will be granted a second option to acquire some or all of the Optionor's 20% interest (subject to a 2% net smelter return royalty) at a cost of $3 million for each additional 5%. If the Company acquires the additional 20% interest as described above, it shall be entitled to an option to repurchase up to 1% of the 2% royalty held by the Optionor by payment of $750,000 for each 0.5% net smelter return purchased.

Joint Venture:

Upon the Company acquiring an 81% interest in the Property, the Optionor and the Company shall be deemed to have entered into a joint venture (the "**Joint Venture**") for the further

exploration and development of the Property and any operation of the Property as a mine. Until the commencement of commercial production, the Optionor's interest in the Joint Venture shall be fully carried and the Company shall be responsible for payment of all Joint Venture costs including those of the Optionor. The Company shall not be entitled to recover or recoup the costs incurred by it during the existence of the Joint Venture. For the purposes of this Agreement, the "commencement of commercial production" starts if a mill is located on the Property, the first day the mill processes ore from the Property and if no mill is located on the Property, the first day during which ore has been shipped from the Property on a reasonably regular basis for the purposes of earning revenues.

Handeni area of Tanzania:

The Company entered into an option agreement with AFGF (Tanzania) Limited (the "Optionor") dated May 2, 2011 for an 80% interest in the Handeni North 500 Property located in the Handeni area of east Tanzania. The agreement was approved by the TSX-V in October 2011.To acquire its interest the company is required to make the following concessions over the next 5 years:

	Acquisition in Cash	Acquisition in Shares	Exploration Work Commitments
Within 5 business days of written approval of this Agreement by the TSX Venture Exchange	$500,000	1,500,000	-
12 months after exchange approval	$500,000	-	$650,000
24 months after exchange approval	$1,000,000	-	$975,000
36 months after exchange approval	$1,000,000	-	$975,000
60 months after exchange approval	-	-	$3,900,000
Total	**$3,000,000**	**1,500,000**	**$6,500,000**

Following the company's acquisition of its 80% interest, it will be granted a second option to acquire some or all of the Optionor's 20% interest (subject to a 2% net smelter return royalty) at a cost of $6,250,000 for each additional 5%. If the Company acquires the additional 20% interest described above, it will be entitled to an option to repurchase up to 1% of the 2% royalty held by the Optionor, by payment of $750,000 for each 0.5% net smelter return purchased.

Joint Venture:

Upon the Company acquiring an 81% interest in the Property, the Optionor and the Company shall be deemed to have entered into a joint venture (the "**Joint Venture**") for the further exploration and development of the Property and any operation of the Property as a mine. Until the commencement of commercial production, the Optionor's interest in the Joint Venture shall be fully carried and the Company shall be responsible for payment of all Joint Venture costs including those of the Optionor. The Company shall not be entitled to recover or recoup the costs incurred by it during the existence of the Joint Venture. For the purposes of this Agreement, the "commencement of commercial production" starts if a mill is located on the Property, the first day the mill processed ore from the Property and if no mill is located on the Property, the first day during which ore has been shipped from the Property on a reasonably regular basis for the purposes of earning revenues.

In December 2010, the Company issued 7,443,332 units for total proceeds of $1,116,500. Each unit consists of one common share of the Company and one share purchase warrant having a two-year term for the purchase of one further common share of the Company in the first year the exercise price of $0.20 per shares after first year the exercise price is $0.25 per share. Finder's fees paid consisted of $22,050 in cash and 250,000 shares value at $37,500.

The company has received a notice from AFGF Holdings Ltd. stating that it considers the company in default under the terms of the May 2, 2011 option agreement on the Handeni and North Hills 500 property. The notice alleges that the company is not proceeding in a workmanlike manner on the property. It is the company's view that the notice is baseless. The company is in the process of reviewing past expenditures by its contractor on the North Hills 500 property and will resume work on the property when the review has been completed to the satisfaction of the company. The company is current in all option payments due on the North Hills 500 property.

Financing activities:

As of September 30, 2011, a total of 3,354,283 options were exercised for gross proceeds of $771,485.

As of September 30, 2011, a total of 1,607,017 warrants were exercised for gross proceeds of $305,333.

On September 20, 2011, the Company issued 226,414 common shares as loan bonuses with a value of $49,811.

In October 2011, the Company paid $1,000,000 and issued 2,700,000 common shares as option payments pursuant to the Morogoro and Handeni option agreements.

On October 11, 2011, the Company issued 50,000,000 units for total proceeds of $7,500,000. Each unit consists of one common share of the Company and one share purchase warrant having a one year term for the purchase of one further common share at exercise price of $0.30 per shares. A cash finder's fee of $517,407 was paid. As at September 30, 2011, the Company had received $257,450 in advance subscriptions and incurred $71,784 in costs related to the financing.

Risks and Uncertainties

The Company is in the mineral exploration and development business and, as such, is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Some of the possible risks include the following:

a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates. The recovery of the Company's investment in resource properties and the attainment of profitable operations are dependent upon the discovery and development of economic ore reserves and the ability to arrange sufficient financing to bring the ore reserves into production.

b) The most likely source of future funds for further acquisitions and exploration programs undertaken by the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another interested party carrying out further exploration or development. If such exploration programs are successful, the development of economic ore bodies and commencement of commercial production may require future equity financings by the Company which are likely to result in substantial dilution to the holdings of existing shareholders.

c) The Company's capital resources are largely determined by the strength of the resource markets and the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

d) The prices of metals greatly affect the value of and the potential value of its properties. This, in turn greatly affects its ability to raise equity capital, negotiate option agreements and form joint ventures.

e) The Company must comply with health, safety, and environmental regulations governing air and water quality and land disturbances and provide for mine reclamation and closure costs. The Company's permission to operate could be withdrawn temporarily where there is evidence of serious breaches of such regulations, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations.

f) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue exploration and development activities in the future.

g) Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by such undetected defects.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in any forward looking statement. The development and exploration activities of the Company are subject to various laws governing exploration, development, and labour standards which may affect the operations of the Company as these laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are, or were conducted.

Overall Performance and Results of Operations

During the year ended September 30, 2011 the Company changed it's accounting policy. Please see page 8 for details of this change.

During the year ended September 30, 2011, the Company incurred a net loss of $2,882,028 from operations compared to a net loss of $1,138,412 (as restated) for the year ended September 30, 2010. Operating expenses for the year ended September 30, 2011 were $1,962,864, compared to $1,028,318 (as restated) for the year ended September 30, 2010.

Included in the current year is $813,938 of Exploration advances written-off. These advances were made to an exploration contracting company controlled by a former director. The amount written off represent funds forwarded to such contracting company that are in excess of amounts for which applicable detailed accounting has been received by the Company. Management is currently considering its options with respect to recovery.

Resource property exploration $1,128,975 for the year ended September 30, 2011 compared to $659,375 (as restated) for the year ended September 30, 2010. The increase is due to the additions of the Morogoro and Handeni properties in Tanzania, where the Company incurred expenditures of $277,999 and $475,593, respectively, during the most recent fiscal year (see note 5 to the financial statements).

During the three month period ended September 30, 2011, the Company incurred a net loss of $1,718,917 from operations compared to a net loss of $692,430 for the three month period ended September 30, 2010. Operating expenses for the three month period ended September 30, 2011 were $799,753, compared to $582,336 for the three month period ended September 30, 2010. The increased loss is attributable to the write-off of exploration advances $813,938 discussed above and increased resource property exploration expenditures.

These expenses are itemized in the Statements of Loss, Comprehensive Loss and Deficit in the Company's Financial Statements for the year ended September 30, 2011.

Selected Annual Information

The following table sets out selected annual financial information for the last three financial years ended 2011, 2010 and 2009. The financial data has been prepared in accordance with Canadian generally accepted accounting principals and audited in accordance with Canadian generally accepted auditing standards:

Years Ended	September 30, 2011	September 30, 2010	September 30, 2009
Total Revenue	$ Nil	$ Nil	$ Nil
Loss before other items - per share[(1)]	($1,962,864) ($0.07)	($1,028,318) ($0.06)	($63,092) ($0.01)
Loss and comprehensive loss - per share[(1)]	($2,882,028) ($0.10)	($1,138,412) ($0.07)	($47,027) ($0.00)
Total Assets	$335,566	$362,178	$544,268
Total Long Term Financial Liabilities	$Nil	$Nil	$Nil
Cash Dividends Declared - per common share	$ Nil	$ Nil	$ Nil

Note:
1. Fully diluted earnings (loss) per share was not calculated as the effect was anti-dilutive.

Operating Expenses

Year ended September 30, 2011 compared to year ended September 30, 2010

Operating expenses for the year ended September 30, 2011 were $1,962,864 compared to $1,028,318 for year ended September 30, 2010. The major contributors to this increase are:

1. Resource property exploration increased to $1,128,975 ($659,375 – 2010). The increase is due to the additions of the Morogoro and Handeni properties in Tanzania.

2. Stock-based compensation increased to $374,811 ($181,523 – 2010) due to additional stock options granted in the current year.

3. Management fees increased to $131,660 ($19,215 – 2010) as the Company entered into new management agreements with certain related parties in the current year.

4. Professional fees increased to $153,427 ($74,313 – 2010) due to increases in audit costs for the current year.

The Company's assets decreased to $335,566 as at September 30, 2011 compared to $362,178 as at September 30, 2010. This decrease resulted from operations, the write-off of the Jackson Gold Project ($93,591) and a reclamation bond ($11,635). These decreases were partially off set by cash raised by issuing common shares pursuant to private placements, warrants exercised and options exercised.

Three months ended September 30, 2011 compared to three months ended September 30, 2010

Operating expenses for the three month period ended September 30, 2011 were $799,753 compared to $582,336 for the three month period ended September 30, 2010. The major contributor to this increase was an increase in Resource property exploration $838,937 ($351,851 – 2010).

Summary of Quarterly Results

The following table sets out selected consolidated unaudited financial information for the eight most recently completed quarters:

Three Months Ended	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010
Total Revenue	$Nil	$Nil	$Nil	$Nil
Loss before other items - per share[(1)]	($799,754) ($0.029)	$463,855 $0.015	($697,409) ($0.024)	($929,556) ($0.043)
Loss and comprehensive loss - per share[(1)]	($1,718,918) ($0.062)	$463,855 $0.015	($697,409) ($0.024)	($929,556) ($0.043)

Three Months Ended	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009
Total Revenue	$Nil	$Nil	$Nil	$Nil
Loss before other itmes - per share[(1)]	($582,336) ($0.035)	($19,768) ($0.001)	($414,911) ($0.040)	($11,303) ($0.001)
Loss and comprehensive loss - per share[(1)]	($692,430) ($0.042)	($19,768) ($0.001)	($414,911) ($0.040)	($11,303) ($0.001)

Note:

1. Fully diluted earnings (loss) per share was not calculated as the effect was anti-dilutive.

Liquidity and Capital Resources

The Company's cash position was $259,782 as at September 30, 2011, compared to $55,946 as at September 30, 2010. The Company had working capital deficiency of $513,345 as at September 30, 2011 compared to a working capital deficiency of $500,595 as at September 30, 2010. The increase in the Company's cash position and working capital was a direct result of financing activities offset by its operating expenses.

Off Balance Sheet Arrangements

The Company is not a party to any off-balance sheet arrangements or transactions.

Transactions with Related Parties

The following were transactions with related parties during the year ended September 30, 2011:

1. Paid or accrued management fees of $66,600 (2010 - $37,800) to Antonia Bold-de-Haughton a director of the Company and to Bullfrog Financial Inc., a company controlled by Antonia Bold-de-Haughton.

2. Paid or accrued management fees of $65,000 (2010 - $Nil) to Souhail Abi-Farrage, a director of the Company and to Bahega Consulting., a company controlled by Souhail Abi-Farrage, a director of the Company.

3. Paid or accrued investor relations of $nil (2010 - $117,700) to Souhail Abi-Farrage, a director of the Company.

4. Paid or accrued investor relations fees of $41,455 (2010 - $Nil) to John Ulmer, a director of the Company.

5. Paid or accrued resource property exploration advances of $1,265,103 (2010 - $754,500) to Kokanee Placer Inc. a company controlled by Laurence Stephenson, a former director of the Company. Included in the amount advanced is $813,938 of Exploration advances written-off in the current year. The amount written off represents funds forwarded to Kokanee Placer Inc. that are in excess of amounts for which detailed accounting has been received by the Company. Management is currently considering its options with respect to recovery.

6. Paid or accrued interest of $12,573 (2010 - $nil) to Souhail Abi-Farrange, a director of the Company and $1,566 (2010 - $6,868) to Laurence Stephenson a former director of the Company.

As at September 30, 2011 accounts payable and accrued liabilities included $141,380 (2010 - $288,245) owing to directors and companies controlled by a common director for fees and expenses and $209,949 (2010: $156,619) due to a former director or a company owned by the former director bearing interest at 5% per annum.. The amounts owing are unsecured, non-interest bearing and have no fixed repayment terms.

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

Proposed Transactions

The Company does not have any current proposed asset or business acquisitions or dispositions, however, the Company continues to seek new business opportunities and to raise capital.

Subsequent Events

Subsequent to September 30, 2011, the Company

a) issued 50,000,000 units for total proceeds of $7,500,000. Each unit consisted of one common share of the Company and one share purchase warrant having a one year term for purchasing of one further common share at exercise price of $0.30 per share. Finder's fees paid totaled $517,707. As at September 30, 2011, the Company had received $257,450 of advance subscriptions and had incurred $71,784 in costs related to the financing; and

b) paid $1,000,000 and issued 2,700,000 common shares as option payments pursuant to the Morogoro and Handeni options agreements.

Change in Accounting Policy:

On October 1, 2010, the Company changed its accounting policy for mineral property exploration expenditures. In prior years, the Company capitalized the acquisition cost of mineral properties and deferred mineral property exploration expenditures directly related to specific mineral properties, net of recoveries received.

Under the new policy, mineral property exploration expenditures incurred prior to the determination of the feasibility of mining operations and prior to a decision to proceed with development are charged to operations as incurred.

Development expenditures incurred subsequent to a development decision and to increase or extend the life of existing production are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves.

Management considers this policy change provides more relevant information because of the nature of the expenditures.

The impact of this change was to decrease mineral properties and increase the deficit by $425,439 for the year ended September 30, 2009 and to decrease mineral properties by $334,974, increase the deficit by $334,974 and increase the loss by $334,974 or $0.01 per share for the year ended September 30, 2010. The total effect of this change in accounting policy was to decrease mineral properties and increase the deficit

Recent Accounting Pronouncements

International Financial Reporting Standards (“IFRS”)

In February 2008, the Canadian Accounting Standards Board (“AcSB”) announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of the Company is October 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended September 30, 2011. The Company continues to monitor and assess the impact of Canadian GAAP and IFRS.

Business combinations, financial statements and non-controlling interests

In January 2009, the CICA issued Section 1582 – Business Combinations, which replaces Section 1581 – Business Combinations, and Section 1601 – Consolidated Financial Statements and Section 1602 – Non-Controlling Interests, which replace Section 1600 – Consolidated Financial Statements. These new sections are effective for years beginning on or after January 1, 2011 with earlier adoption permitted. Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. As well acquisition costs are not part of the consideration and are to be expensed when incurred. These new sections are not expected to have a material impact on the Company’s financial condition or operating results.

International Financial Reporting Standards

The Company will adopt IFRS on September 30, 2011, with a transition date of October 1, 2011. Under IFRS 1 “First-time Adoption of International Financial Reporting Standards”, the IFRS are applied retroactively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemption are applied. The Company is not currently planning on applying any exemptions on first-time adoption of IFRS except to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at the transition date including those foreign currency differences which arise on the adoption of IFRS.

Management has determined that the transition to IFRS will have minimal impact on the Company's financial statements except in the following areas:

- reclamation provisions; and
- stock-based compensation where the incentive option in question vests over time.

IFRS 6 currently allows for the expensing of exploration costs except in certain circumstances. The Company has adopted a policy of expensing exploration and as a result there will be no impact on the financial statements.

IFRS requires earlier recognition of reclamation provision than Canadian GAAP. Under Canadian GAAP, a reclamation provision is only recognized when the amount can be reliably measured. In many cases, due to the uncertain timing of reclamation work and the amount of exploration and/or development that will occur, it is difficult to measure future reclamation costs. Under IFRS, the fair value of costs at the end of the reporting period is considered a reliable measure.

IFRS 2-19 requires that stock-based incentive awards that vest over a period of time be recognized as individual awards as the options vest, and have the fair value of the options measured for the options that vest each date. This is different to Canadian GAAP, which measures the fair value of the entire award at the date of grant, and records the stock option expense on a straight line basis over the vesting period. As the Company has no stock options that vest over time, and as a rule does not grant options with a vesting period, it is estimated that the change in valuation methods will have no significant impact.

The Company is still evaluating the impact of the conversion on its accounting systems. However, based on the differences identified to date, the Company believes its accounting data systems, disclosure and internal controls can accommodate the required changes. Senior financial management is attending seminars, and the Company has subscribed to a web-based IFRS transition template service to aid with the education and training with respect to the transition.

Management has reviewed the impacts of IFRS on our contractual and standard business practices and management has not identified any material compliance issues arising from its standard business practices.

Financial Instruments and Other Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents and restricted deposit is determined using level one of the fair value hierarchy.

The carrying value of receivables, advance on acquisition and accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors approves and monitors the risk management processes.

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk by investing its cash and cash equivalents with Canadian Chartered banks. The Company's exposure to credit risk is on its cash and cash equivalents and receivables.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liability. The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts and is available on demand. The Company has no cash equivalents at year end.

Market risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. These fluctuations may be significant.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at September 30, 2011, the Company is not exposed to significant interest rate risk.

Foreign currency risk
The Company is exposed to foreign currency risk. Most of the monetary assets are denominated in Canadian dollars and foreign currency requirements are funded on an as needed basis. Certain liabilities are denominated in foreign currency and fluctuations in foreign currency exchange give rise to foreign currency risk.

Price risk
The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and other precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Disclosure of Outstanding Share Data

The authorized capital of the Company consists of an unlimited number of common shares without par value.

Shares Issued and Outstanding:

As at the effective date of this MD&A there were 84,454,959 common shares issued and outstanding.

Warrants:

As at the effective date of this MD&A, the Company had 64,739,640 share purchase warrants outstanding.

Stock options:

As at the effective date of this MD&A, the Company had 1,144,370 stock options outstanding and exercisable.

Additional Information

Additional information relating to the Company is available under the Company's profile on SEDAR, located on the internet at www.sedar.com.

Directors and Officers

The Company's directors and officers as at the effective date of this MD&A are:

Directors:

Michelle Gahagan
Garry Clark
Antonia Bold-de-Haughton
Souhail Abi-Farrage
John Ulmer

Officers:

Michelle Gahagan, President
John Jardine, CFO
Leah Martin, Corporate Secretary