FORM 51-102F1

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

March 27, 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 three months ended December 31, 2011 in comparison with those for the three months ended December 31, 2010. The condensed unaudited interim financial statements have been prepared in accordance with first time preparation under International Financial Reporting Standards ("IFRS") for interim financial statements and, as a result, do not contain all disclosure required under IFRS for annual financial statements. The following management discussion and analysis should be read in conjunction with the Company's annual audited financial statements for the years ended September 30, 2011 and September 30, 2010. All 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 IFRS. 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 are 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 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(paid)	1,200,000 (issued)	-
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 (paid)	1,500,000 (issued)	-
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.

On March 7, 2012, the Company terminated its Tanzanian exploration consultant, Mr Laurence Stephenson and his companies AFGF (Tanzania) Ltd. ("AFGF") and Kokanee Placer Ltd. ("Placer") for cause. The termination was unanimously approved by the Board of Directors and follows a failure by Stephenson to satisfactorily reconcile cash advances provided by the Company for exploration expenses in Tanzania. As reported in the Company's September 30, 2011 audited financial statements, exploration advances totaling $813,938 to Stephenson, AFGF and Placer have not been reconciled to the satisfaction of the Company. The Company is initiating arbitration proceedings to force reconciliation or collection of the $813,938.

AFGF is both optionor of the Company's Morogoro and North Hills 500 properties in Tanzaina and a co-exploration consultant with Stephenson and Placer under a consulting agreement dated January 22, 2010 ("the Consulting Agreement"). The Company has received notice from AFGF that it considers the Company in default of its obligations under the Morogoro and North Hills 500 option agreements based on payments that AFGF deems owing under the Consulting Agreement. All required option payments under the Morogoro and North Hills 500 option agreements have been made by the Company. No further payments are required until October 7, 2012. It is the opinion of management and counsel for the Company that the Morogoro and North Hills 500 option agreements are in good standing and that the Consulting Agreement dispute does not impact the option agreements.

The Company is seeking resolution of the issues which have given rise to the termination of Stephenson, AFGF and Kokanee Placer as exploration consultants. The Company is considering the options available to continue its exploration program on the Morogoro and North Hills 500 properties through 2012.

Financing activities:

In the three months ended December 31, 2011, the Company 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.

In October 2011, the Company paid $1,000,000 and issued 2,700,000 common shares valued at $594,000 as option payments pursuant to the Morogoro and Handeni option agreements.

In the three months ended 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, wherein in the first year, the exercise price of $0.20 per share and after the 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.

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 its accounting policy with respect to its resource property exploration expenditures. Please see page 9 for details of this change.

During the three months ended December 31, 2011, the Company incurred a net loss of $533,242 from operations compared to a net loss of $1,237,614 (restated) for the three months ended December 31, 2010. Operating expenses for the three months ended December 31, 2011 were $541,790, compared to $1,237,614 (restated) for the three months ended December 31, 2010.

Resource property exploration were $269,985 for the three months ended December 31, 2011 compared to $834,985 (restated) for the three months ended December 31, 2010. The decrease is due to suspended exploration as the exploration consultant failed to satisfactorily reconcile

cash advances provided by the Company for exploration expenditures on the Morogoro and Handeni properties in Tanzania.

These expenses are itemized in the Condensed Interim Statement of Comprehensive Loss in the Company's unaudited Financial Statements for the three months ended December 31, 2011 and 2010.

Selected Annual Information

The following table sets out selected annual financial information for the financial years ended 2011 and 2010. The financial data has been prepared in accordance with IFRS:

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

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

Operating Expenses

Three months ended December 31, 2011 compared to the three months ended December 31, 2010

Operating expenses for the three months ended December 31, 2011 were $541,790 compared to $1,237,614 for the three months ended December 31, 2010. The major contributors to this change are:

1. Resource property exploration decreased to $269,985 (2010 - $834,985). The decrease is due to the suspension of exploration work in Tanzania.

2. Interest expense increased to $35,268 (2010 - $4,660) due to a short term loan advanced in August 2011 and repaid in the current quarter.

3. Management fees increased to $72,080 (2010 - $4,500) as the Company entered into new management agreements with certain related parties in the current period.

4. Professional fees increased to $103,555 (2010 - $10,607) due to increases in audit costs and IFRS transitions in the current period.

5. Travel increase to $51,789 (2010 - $Nil) for property diligence in the current period.

6. Share-based compensation decreased to $nil (2010 - $374,811). The decrease is due to no options being issued.

The Company's assets increased to $6,699,361 as at December 31, 2011 compared to $849,431 as at December 31, 2010. This increase resulted from cash raised by issuing common shares and common shares issued as part of the option agreement during the current quarter.

Summary of Quarterly Results

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

Three Months Ended	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011
Total Revenue	$Nil	$Nil	$Nil	$Nil
Loss before other items - per share[1]	($541,790) ($0.007)	($31,027) ($0.001)	($305,425) ($0.010)	($763,609) ($0.026)
Loss and comprehensive loss - per share[1]	($533,242) ($0.007)	($950,191) ($0.034)	($305,425) ($0.010)	($763,609) ($0.026)

Three Months Ended	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Total Revenue	$Nil	$Nil	$Nil	$Nil
Loss before other items - per share[1]	($1,237,614) ($0.056)	($45,339) ($0.003)	($19,768) ($0.001)	($948,776) ($0.054)
Loss and comprehensive loss - per share[1]	($1,237,614) ($0.056)	($155,433) ($0.009)	($19,768) ($0.001)	($948,776) ($0.054)

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 $5,096,813 as at December 31, 2011, compared to $259,782 as at September 30, 2011. The Company had working capital of $4,652,029 as at December 31, 2011 compared to a working capital deficiency of $513,345 as at September 30, 2011. 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 three months ended December 31, 2011:

1. Paid or accrued management fees of $18,480 (2010 - $9,000) to Bullfrog Financial Inc., a company controlled by Antonia Bold-de-Haughton a former director of the Company.

2. Paid or accrued management fees of $15,000 (2010 - $Nil) to Bahega Consulting., a company controlled by Souhail Abi-Farrage, a director of the Company.

3. Paid or accrued management fees of $38,600 (2010 - $nil) to Carsonby Enterprises Inc., a Company controlled by Michelle Gahagan a director of the Company.

4. Paid or accrued accounting fees of $11,200 (2010 - $Nil) to J W Jardine & Company Ltd. a Company controlled by John Jardine, CFO of the Company.

5. Paid or accrued resource property exploration advances of $240,000 (2010 - $1,265,103) to Kokanee Placer Inc. a company controlled by Laurence Stephenson, a former director of the Company.

6. Paid or accrued interest of $17,059 (2010 - $nil) to Souhail Abi-Farrage, a director of the Company.

As at December 31, 2011 accounts payable and accrued liabilities included $128,116 (2010 - $500,932) owing to directors and companies controlled by a common director for fees. 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 December 31, 2011, the Company:

- terminated its Tanzanian exploration consultant, Mr Laurence Stephenson and his companies AFGF (Tanzania) Ltd. (“AFGF”)and Kokanee Placer Ltd. (“Placer”) for cause. The termination was unanimously approved by the Board of Directors and follows a failure by Stephenson to satisfactorily reconcile cash advances provided by the Company for exploration expenses in Tanzania. As reported in the Company’s September 30, 2011 audited financial statements, exploration advances totaling $813,938 to Stephenson, AFGF and Placer have not been reconciled to the satisfaction of the Company. The Company is initiating arbitration proceedings to force reconciliation or collection of the $813,938.

  AFGF is both optionor of the Company’s Morogoro and North Hills 500 properties in Tanzaina and a co-exploration consultant with Stephenson and Placer under a consulting agreement dated January 22, 2010 (“the Consulting Agreement”). The Company has received notice from AFGF that it considers the Company in default of its obligations under the Morogoro and North Hills 500 option agreements based on payments that AFGF deems owing under the Consulting Agreement. All required option payments under the Morogoro and North Hills 500 option agreements have been made by the Company. No further payments are required until October 7, 2012. It is the opinion of management and counsel for the Company that the Morogoro and North Hills 500 option agreements are in good standing and that the Consulting Agreement dispute does not impact the option agreements.

  The Company is seeking resolution of the issues which have given rise to the termination of Stephenson, AFGF and Kokanee Placer as exploration consultants. The Company is considering the options available to continue its exploration program on the Morogoro and North Hills 500 properties through 2012.

Change in Accounting Policy:

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

Under the new policy, resource 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 profit or loss as incurred.

The impact of this change in accounting policy was to decrease exploration and evaluation assets and increase the deficit by $334,974 to $2,112,456 for the period beginning October 1, 2010. The total effect of this change in accounting policy was to decrease exploration and evaluation assets and increase the deficit.

During the three month period ended December 31, 2010, the Company restated resource property exploration costs previously expensed from $901,738 to $834,985 to reflect a decrease in actual expenditures incurred by $66,753, this increased the amount of exploration advances by $66,753.

New standards, Interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective, and have not been applied in preparing this interim financial statement. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

Financial instruments disclosure

In October 2010, the IASB issued amendments to IFRS 7 – Financial Instruments: Disclosures that improve the disclosure requirements in relation to transferred financial assets. The amendments are effective for annual periods beginning on or after July 1, 2011, with earlier adoption permitted.

Financial instruments

In November 2009, the IASB published IFRS 9, “Financial Instruments”, which covers the classification and measurement of financial assets as part of its project to replace IAS 39, “Financial Instruments: Recognition and Measurement.” In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entitles would be required to reverse the portion of the fair value change due to their own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective on January 1, 2015. Early adoption is permitted and the standard is required to be applied retrospectively.

Consolidated financial statements

IFRS 10, “Consolidated Financial Statements”, requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, “Consolidation - Special Purpose Entities”, and parts of IAS 27, “Consolidated and Separate Financial Statements”. The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the

'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 11, "Joint Arrangements", IFRS 12, "Disclosure of Interests in Other Entities", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures".

Joint arrangements

IFRS 11, "Joint Arrangements", requires a venturer to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures", and SIC-13, "Jointly Controlled Entities - Non-monetary Contributions by Venturers". The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, "Consolidated Financial Statements", IFRS 12, "Disclosure of Interests in Other Entities", IAS 27 (2011), "Separate Financial Statements" and IAS 28 (2011), "Investments in Associates and Joint Ventures".

Fair value measurement

IFRS 13, "Fair Value Measurement", is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Presentation of financial statements

In June 2011, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" to: (a) require companies to group together items within other comprehensive income ("OCI") that may be reclassified to the statement of operations; and (b) require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax). The amendments also reaffirm existing requirements that items in OCI and income or loss should be presented as either a single statement or two separate statements. The amended standard is effective for annual periods beginning on or after July 1, 2012.

Income Taxes

The IASB issued amendments to IAS 12, "Income Taxes" to introduce an exception to the general measurement requirements in respect of investment properties measured at fair value. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amended standard is effective for annual periods beginning on or after January 1, 2012.

Financial Instruments and Risk Management

Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities.

The Company classified its cashas fair value through profit or loss; receivables as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities. The fair value of cash is measured on the statement of financial position using level 1 of the fair value hierarchy. The fair values of receivables, and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

Financial instrument risk exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company has no material counterparties to its financial instruments with the exception of the financial institutions which hold its cash. The Company manages this credit risk by ensuring that these financial assets are placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist primarily of harmonized sales tax due from the Canada Revenue Agency. The Company does not believe it has a material exposure to credit risk.

Liquidity risk

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 which are available on demand. The Company only has one contractual obligation, see note 16, other than current accounts payable and accrued liabilities.

Interest rate risk

The Company is exposed to interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rates.

Foreign exchange Risk

The Company expects to continue to raise equity predominantly in Canadian dollars. In 2011 and going forward, the Company anticipates doing business in Africa which uses the US Dollar as its currency. As such, it is subject to risk due to fluctuations in the exchange rates between the U.S. and Canadian dollars. The Company does not enter into derivative financial instruments to mitigate its exposure to foreign currency risk. The effect of a one percent change in the foreign exchange rate on the Company's cash held in foreign currencies would be approximately $nil.

Commodity 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 precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

Political uncertainty

In conducting operations in other countries, the Company is subject to considerations and risks not typically associated with companies operating in North America. These include risks such as the political, economic and legal environments. Among other things, the Company's results may be adversely affected by changes in the political and social conditions, and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

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 84,458,959 common shares issued and outstanding.

Warrants:

As at the effective date of this MD&A, the Company had 64,735,640 share purchase warrants outstanding.

Stock options:

As at the effective date of this MD&A, the Company had 1,050,000 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
Michael Curtis
Souhail Abi-Farrage
Wayne Tisdale

Officers:

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