FORM 51-102F1

MANAGEMENT'S DISCUSSION & ANALYSIS
DECLAN RESOURCES INC. (formerly Kokanee Minerals Inc.)

January 24, 2013

The following management's discussion & analysis ("MD&A") provides a review of activities, results of operations and financial condition of Declan Resources Inc. (formerly Kokanee Minerals Inc.) ("the Company or Declan") for the year ended September 30, 2012 in comparison with those for the year ended September 30, 2011. The following discussion and analysis should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended September 30, 2012 and September 30, 2011 which were prepared in accordance with International Financial Accounting Standards ("IFRS"). 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 consolidated financial statements and the MD&A. The consolidated 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 changed its name from Kokanee Minerals Inc. to Declan Resources Inc. on April 6, 2012. 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 "LAN". 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 exploration and evaluation asset interests in Sierra Leone, while it continues to evaluate new business opportunities.

Sierra Leone Property

The Company received TSX Venture Exchange approval for Declan's proposed acquisition of 100% of the issued common shares of Talos Minerals Ltd. ("Talos") through the exchange of one common share of Declan for each one common share of Talos which is issued and outstanding. Talos is a closely held private B.C. corporation. Talos currently has 24,470,002 issued and outstanding common shares. Talos' principal assets are three mineral exploration licenses in the Kono and Bo districts of Sierra Leone. Talos' exploration licenses are held by its two 85% owned Sierra Leone subsidiaries, Greenstone Minerals (SL) Limited ("Greenstone") and Revonah Resources (SL) Limited ("Revonah"). The remaining 15% of Greenstone and Revonah is held equally by Mr. Jamal Shallop and Mr. Craig McLean, both residents of Sierra Leone.

The Talos license area in the Nimini Hills greenstone formation is in the Kono District in Eastern Sierra Leone. Its Western boundary is contiguous with Polo Resources' Komahun gold discovery which was purchased from AXMIN in December 2011. The Komahan discovery is the second most advanced gold project in Sierra Leone and Polo is currently undertaking a 10,000m drill program. This Talos license is 54 sq km and is approximately 200km east of Freetown, the capital of Sierra Leone. Talos completed an initial sampling program on this license in 2012 and recently completed a VTEM (airborne electro-magnetic) survey. A technical report prepared in accordance with National Instrument 43-101 has been completed on the Nimini Hills property.

The other Talos exploration licenses are in the southern extension of the Kangari Hills in the Bo District in Central Sierra Leone. Their Northern boundary is contiguous with Cluff Gold's Baomahan gold project which is in the mine construction phase and is the largest and most advanced gold project in Sierra Leone. The two licenses are 144 sq km and 186sq km and are located approximately 120km east of Freetown. The Kangari Hills licenses include the Southern end of the Sula Mountains greenstone formation and there is extensive artisanal activity in the area.

The Company issued 24,470,002 common shares in a share for share exchange with Talos. The Company now owns 100% of Talos.

The Company issued 1,500,000 stock options as part of the acquisition of Talos. Each option entitles the holder to purchase one common share for $0.15 per share. The stock options vest as to one third on date of grant, one third on February 1, 2013 and one third on November 1, 2013. The stock options expire on July 12, 2015.

During the period from July 12, 2012 to January 24, 2013, the Company completed the construction of an exploration camp in the Nimini Hills area from which it is conducting its exploration program. Drilling commenced in late October, as per the October 22, 2012 press release and is ongoing. Concurrently to the drilling, a Gradient IP (Induced Polarization) geophysical survey is being carried out to further delineate future drill targets. Soil and pit sampling work also continues at Talos' Baomahun 1&2 license areas.

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 that 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, subsequently amended, 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.

During fiscal 2012, the Company paid $500,000 and issued 1,200,000 common shares valued at $264,000.

As of September 30, 2012, management decided to discontinue exploration on the property to concentrate its effort in Sierra Leone. The Company recorded a write-off of $764,000.

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.

During fiscal 2012, the Company paid $500,000 and issued 1,500,000 common shares valued at $330,000.

The Company terminated the Handeni agreement on October 7, 2012, and wrote off $830,000 as at the year ended September 30, 2012.

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") (collectively called the "Stephenson Group") for cause.

The Company initiated the arbitration process as contemplated by the agreement.

On October 1, 2012, the Company settled the dispute with Mr. Laurence Stephenson. Details of the dispute were the subject of a news release issued by Declan on March 7, 2012. Under the settlement, Declan will withdraw its arbitration action BCICAC File No. DCA-1380 against the Stephenson Group. AFGF will grant concessions to Declan under an amending agreement to the Morogoro Property option agreement. Declan will receive a 12 month extension for the next cash option payment on the Morogoro Property of $500,000. Additionally, Declan's initial minimum work commitment on the Morogoro Property will be reduced to $100,000 and will also be extended by 12 months. The Stephenson Group will waive entitlement to repayment of $120,263 which has been recorded by Declan as cash advances by the Stephenson Group. Stephenson has agreed to cancel 537,786 escrowed common shares of Declan and Placer has agreed to cancel 37,500 escrowed common shares of Declan. Declan will pay $1,534 in outstanding Tanzanian government license fees owing on the Morogoro Property.

Financing activities

During the year ended September 30, 2012, the Company issued 50,000,000 units for total gross 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.

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 exploration and evaluation assets 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 exploration and evaluation assets. 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 exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such assets 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. Please see page 9 for details of this change.

During the year ended September 30, 2012, the Company incurred a net loss of $3,511,691 from operations compared to a net loss of $2,882,028 (as restated) for the year ended September 30, 2011. Operating expenses for the year ended September 30, 2012 were $2,147,779, compared to $1,962,864 (as restated) for the year ended September 30, 2011.

Included in the current year is $158,449 of exploration advances previously written-off that were recovered and $23,250 of escrow shares that were cancelled, as part of the negotiated settlement with Lawrence Stephenson.

Exploration and evaluation expenditures were $1,033,194 for the year ended September 30, 2012 compared to $1,128,975 (as restated) for the year ended September 30, 2011. The Company incurred exploration expenditures in the current year in Sierra Leone of $736,493 (2011 - $375,383 and in Tanzania of $296,701 (2011 - $753,592 (see note 9 to the consolidated financial statements).

Management fees are $222,325 for the year ended September 30, 2012 compared to $131,660 (as restated) for the year ended September 30, 2011. The increase is due to former management contract payouts in the current year.

Professional fees are $352,994 for the year ended September 30, 2012 compared to $153,427 (as restated) for the year ended September 30, 2011. The increase is due the extra cost in accounting and audit fees for the IFRS transition, and legal fees for the arbitration of the Lawrence Stephenson matter.

Share-based payments are $198,439 for the year ended September 30, 2012 compared to $374,811 (as restated) for the year ended September 30, 2011. The decrease is due to share-based payment assigned to stock options issued in the prior year being in excess of current year stock options.

Travel expenses are $169,789 for the year ended September 30, 2012 compared to $25,920 (as restated) for the year ended September 30, 2011. Travel increased due to the management of the Sierra Leone project in the current year.

These expenses are itemized in the Consolidated Statements of Loss and Comprehensive Loss in the Company's Consolidated Financial Statements for the year ended September 30, 2012.

During the three month period ended September 30, 2012, the Company incurred a loss and comprehensive loss of $2,520,687 compared to $1,219,749 for the three month period ended September 30, 2011. Operating expenses for the three month period ended September 30, 2012 were $1,144,729, compared to $306,100 for the three month period ended September 30, 2011. The increased loss is attributable to the write-off of exploration and evaluation assets in the current year discussed above.

Exploration expenditures were $736,493 during the three months ended September 30, 2012 compared to $70,210 during the three months ended September 30, 2011. The Company was actively exploring its Sierra Leone properties in the current period, while activity in the prior period was limited due to availability of cash.

Selected Annual Information

The following table provides a brief summary of the Company's financial operations for the prior three fiscal years. The consolidated financial statements supporting the financial data therein for the years ended September 30, 2012 and 2011 have been prepared in accordance with IFRS with comparative figures for the year ended September 30, 2010 prepared in accordance with Canadian generally accepted accounting principles ("GAAP"):

Years Ended	September 30, 2012	September 30, 2011	September 30, 2010
Total Revenue	$ Nil	$ Nil	$ Nil
Operating loss - per share[(1)]	($2,147,779) ($0.02)	($1,962,864) ($0.07)	($1,028,318) ($0.06)
Loss and comprehensive loss - per share[(1)]	($3,511,691) ($0.04)	($2,882,028) ($0.10)	($1,138,412) ($0.07)
Total Assets	$6,460,968	$335,566	$362,178
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, 2012 compared to year ended September 30, 2011

Operating expenses for the year ended September 30, 2012 were $2,147,779 compared to $1,962,864 for year ended September 30, 2011. The major contributors to this increase are:

1. Exploration and evaluation expenditures decreased to $1,033,194 (2011 - $1,128,975). The decrease is due to the addition of the Sierra Leone property and the write-off of the Morogoro and Handeni properties in Tanzania.

2. Share-based compensation decreased to $198,439 (2011 - $374,811) due to different vesting periods for stock option grants. Stock options granted in 2012 vest over an 18 month period while stock options granted in 2011 vested on issue.

3. Management fees increased to $222,325 (2011 - $131,660) as the Company entered into new management agreements with certain related parties and paid termination payment to former management in the current year.

4. Professional fees increased to $352,994 (2011 - $153,427) due to increases in audit costs, conversion to IFRS, and for the cost of the arbitration against Lawrence Stephenson in the current year.

5. Travel expenses increased to $169,789 (2011 - $25,920) due to management travel to Sierra Leone.

The Company's assets increased to $6,460,968 as at September 30, 2012 compared to $335,566 as at September 30, 2011. This increase resulted from the financing completed in October 2011 and acquired interests in certain exploration and evaluation assets.

Three months ended September 30, 2012 compared to three months ended September 30, 2011

Operating expenses for the three month period ended September 30, 2012 were $1,144,729 compared to $306,100 for the three month period ended September 30, 2011. The major contributor to this increase was an increase in exploration and evaluation expenditures to $736,493 (2011 - $70,210).

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, 2012[(2)]	June 30, 2012[(2)]	March 31, 2012[(2)]	December 31, 2011[(2)]
Total Revenue	$Nil	$Nil	$Nil	$Nil
Operating loss - per share[(1)]	($1,144,729) ($0.01)	($209,955) ($0.00)	($251,305) ($0.00)	($541,790) ($0.01)
Loss and comprehensive loss - per share[(1)]	($2,520,687) ($0.03)	($208,494) ($0.00)	($249,268) ($0.00)	($533,242) ($0.01)

Three Months Ended	September 30, 2011[2]	June 30, 2011[2]	March 31, 2011[2]	December 31, 2010[3]
Total Revenue	$Nil	$Nil	$Nil	$Nil
Operating loss - per share[1]	($306,100) ($0.01)	($305,426) ($0.01)	($119,239) ($0.00)	($1,237,614) ($0.06)
Loss and comprehensive loss - per share[1]	($1,225,264) ($0.04)	($305,426) ($0.01)	($119,239) ($0.00)	($1,237,614) ($0.06)

Note:

1. Fully diluted earnings (loss) per share was not calculated as the effect was anti-dilutive.
2. Financial information prepared in accordance with IFRS.
3. Financial information prepared in accordance with Canadian GAAP.

Liquidity and Capital Resources

The Company's cash position was $3,650,417 as at September 30, 2012, compared to $259,782 as at September 30, 2011. The Company had working capital of $3,239,325 as at September 30, 2012 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 year ended September 30, 2012:

1. Paid or accrued management fees of $26,525 (2011 - $66,600) to Antonia Bold-de-Haughton a former director of the Company and to Bullfrog Financial Inc., a company controlled by Antonia Bold-de-Haughton.
2. Paid or accrued management fees of $60,000 (2011 - $65,000) to Souhail Abi-Farrage, a former director of the Company and to Bahega Consulting., a company controlled by Souhail Abi-Farrage.
3. Paid or accrued management fees of $107,800 (2011 - $nil) to Carsonby Enterprises Inc., a company controlled by Michelle Gahagan, a director of the Company.
4. Paid or accrued investor relations fees of $4,382 (2011 - $41,455) to John Ulmer, a former director of the Company.
5. Paid or accrued interest of $17,634 (2011 - $12,573) to Souhail Abi-Farrange, a former director of the Company and $17,634 (2011 - $nil) to a company owned by Wayne Tisdale, President and CEO of the Company.

6. Paid or accrued resource property exploration advances of and exploration and evaluation asset acquisition costs of $1,240,000 (2011 - $1,265,103) to Kokanee Placer Inc. a company controlled by Laurence Stephenson, a former director of the Company. Included in the amount advanced in 2011 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. During 2012, the Company recovered $158,449 of exploration advances previously written off and $23,250 of escrow shares were cancelled as part of the settlement agreement.

7. Granted options with a fair value of $178,493 (2011 - $464,203) to various directors and officers of the Company.

8. Paid or accrued accounting fees of $64,300 (2011 - $nil) to J. W. Jardine & Company Ltd., a company controlled by John Jardine, an officer of the Company.

As at September 30, 2012 accounts payable and accrued liabilities included amounts due to related parties at September 30, 2012 of $419,035 (2011 - $141,380), and $nil (2011 - $209,949) due to a former director or a company owned by the former director, of which $nil (2011 - $120,263) bears interest at 5% per annum.

Included in accounts receivable at September 30, 2012 is $14,582 due from an officer or director of the Company.

In July 2011, the Company received an aggregate amount of $300,000 in short-term loans from Souhail Abi-Farrange, a former director of the Company and from a company owned by Wayne Tisdale, President and CEO of the Company. The loan was repaid in October 2011.

In June 2012, the Company received an aggregate amount of $400,000 in short-term loans from a company owned by Wayne Tisdale, President and CEO of the Company and Gordon King, a director of the Company. These amounts are included in accounts payable at September 30, 2012.

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, 2012, the Company:

- Granted 500,000 stock options exercisable at $0.15 per share. One third of the options vest on November 9, 2012, one third on August 9, 2013 and one third on May 9, 2014, and expire on November 8, 2017.

- 7,439,332 warrants exercisable at $0.25 expired unexercised on October 8, 2012.

- 50,000,000 warrants exercisable at $0.30 expired unexercised on October 11, 2012.

- had its arbitration settled, whereby certain property payments and exploration commitments were reduced and extended, and all amounts owed to a company controlled by the former director, and the former director have been waived. In addition, 575,286 escrowed common shares of the Company were cancelled.

- Granted 100,000 stock options exercisable at $0.10 per share. One third of the options vest December 3, 2012, one third on September 3, 2013, and one third on June 3, 2014, and expire on December 3, 2017.

Change in Accounting Policy

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

Under the new policy, 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. Comparative figures have been restated as necessary.

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.

Accounting Standards issued and Effective January 1, 2013

Consolidated financial statements

IFRS 10 Consolidated Financial Statements establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard:

i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements.

ii) defines the principle of control, and establishes control as the basis for consolidation

iii) sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee

iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation-Special Purpose Entities.

Joint Ventures

IFRS 11 Joint Arrangements establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

Disclosure of involvement with other entities

IFRS 12 Disclosure of Involvement with Other Entities requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effect of those interest on its financial position, financial performance and cash flows.

Fair value measurement

IFRS 13 Fair Value Measurement defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosure about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less cost to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

Separate financial statements

IAS 27 Separate Financial Statements has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

Investment in associates and joint ventures

IAS 28 Investments in Associates and Joint Ventures prescribes the accounting for investment in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

Financial Instruments: Presentation

The IASB amended IAS 32, “Financial Instruments: Presentation” to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of ‘currently has a legally enforceable right of set-off;
- the application of simultaneous realization and settlement;
- the offsetting of collateral amounts; and
- the unit of account for applying the offsetting requirements.

The amended standard is effective for annual periods beginning on or after January 1, 2014.

Financial instruments

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement ("IAS 39") in its entirety with IFRS 9 – Financial Instruments ("IFRS 9") in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities classified as financial assets at fair value through profit or loss, financial guarantees and certain other exceptions.

The IASB has issued exposure drafts addressing impairment of financial instruments, hedge accounting and the offsetting of financial assets and liabilities. The complete IFRS 9 is anticipated to be issued during the second half of 2011.

Financial Instruments and Risk Management

Financial risk management

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

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The 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, accounts payable and accrued liabilities and notes payable.

The Company classified its cash as fair value through profit or loss; receivables as loans and receivables; and accounts payable and accrued liabilities and notes payable 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 and notes payable 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 government. 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's only obligation is 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. The effect of a one percent change in interest rates on the Company's invested cash would be approximately $25,000.

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 $1,000.

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 108,353,676 common shares issued and outstanding.

Warrants:

As at the effective date of this MD&A, the Company had 7,296,308 share purchase warrants outstanding.

Stock options:

As at the effective date of this MD&A, the Company had 6,350,000 stock options outstanding of which 2,116,667 are fully vested 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
Craig McLean
Wayne Tisdale
Gordon King

Officers:

Wayne Tisdale, President
John Jardine, CFO
Leah Martin, Corporate Secretary