

## **KOKANEE MINERALS INC.**

Management's Discussion and Analysis of Results of  
Operations and Financial Condition of Kokanee Minerals Inc.  
For the nine months ended June 30, 2011  
(Expressed In Canadian Dollars)

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This management discussion and analysis has been prepared as at August 29, 2011 and should be read in conjunction with the financial statements of the Company for the nine months ended June 30, 2011. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

### **Description of Business:**

The Company commenced operations in May 1, 2006 and is in the business of acquisition and exploration of mineral properties. From the Company's incorporation on August 25, 2005 until the commencement of operations, the Company was inactive.

The company intends to obtain and explore additional mineral properties of merit as and when the opportunities arise.

The Company's geological consultant, Kokanee Placer Ltd. ("Placer") was instructed to further investigate the potential gold prospects it had uncovered in the United Republic of Tanzania, for possible acquisition. This was in light of the tremendous success of other junior companies in that country, the favorable political climate and the initial discovery of amounts of free gold that that company had seen in its consulting work in the region.

During the past few months, Placer has made significant progress identifying a high grade gold property in the same belt of rocks that hosts Barrick's 400,000 ounce per year Bulyanghulu mine and south of Anglo Ashanti's 380,000 ounce per year Geita Mine in the Victoria Lake gold belts in northern Tanzania. The company is commissioning a technical report and will evaluate the prospect of acquiring the property.

Jackson Gold Project, Bulyanhulu-Geita area of Tanzania:

On September 7, 2010, the Company entered into an Option agreement with Jackson Mpemba Nkwabi. The Optionor granted the Company a sole and exclusive option (the "**Option**") which may be exercised at the sole discretion of the Company to acquire an undivided **51%** legal and beneficial interest in the Property free and clear of all encumbrances, for the full price and consideration of payment to the Optionor of the sum of **US\$375,000** (the "**Payment**"). Upon the completion of the Payment, the Company may exercise the Option by delivering to the Optionor written notice of the Company's intention to exercise the Option.

The Payment shall be made to the Optionor as follows:

- (a) **US\$75,000** on or before the execution of this Agreement (paid);
- (b) A further payment of **US\$100,000** on or before the 90th day after written approval by the TSX Venture Exchange ("**Exchange Approval**"); and
- (c) A further payment of **US\$200,000** on or before the 180th day after Exchange Approval.

The Optionor further grants the Company an option to purchase up to an additional **29%** interest in the Property (the "**Second Option**") exercisable for a period of 2 years after Exchange Approval that will earn the Company a 51% interest in the Property. The Second Option may be exercised by the Company by paying **US\$400,000** and issuing **3,000,000 common shares** (the "**Shares**") to the Optionor and delivering to the Optionor written notice of the Company's intention to exercise the Second Option.

Provided the Option and the Second Option have been completely exercised, the Optionor further grants the Company an option to purchase an additional 5% interests in the following order:

- (1) A payment of **US\$750,000** for an additional 5% interest in the Property (cumulative 85%);
- (2) A further payment of **US\$1,000,000** for an additional 5% interest in the Property (cumulative 90%); and
- (3) A further payment of **US\$1,250,000** for an additional 5% (cumulative 95%).

Joint Venture:

Upon the Company acquiring a 51% 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 paying 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" is: if a milling facility is located on the Property, the first day the mill processes ore from the Property and, if no milling facility is located on the Property OR the first day ore starts to be shipped from the Property on a regular basis for the purposes of earning revenues.

As of June 30, 2011, the Company has paid \$75,000 US for the execution of this agreement as noted in payment (a) above.

#### Morogoro area of Tanzania:

The Company entered into an option agreement with AFGF (Tanzania) Limited (the "Optionor") (Insiders: Kokanee Placer Ltd/Laurence Stephenson) dated May 2, 2011 for an 80% interest in a prospective property in the Morogoro area of east central Tanzania (the "MEG South Property") for cash payments of \$2 million over three years, the issuance of 1.2 million shares and an exploration work commitment of \$3.5 million to be expended over the next 5 years. The agreement is subject to regulatory approval.

	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
<b>Total</b>	<b>\$2,000,000</b>	<b>1,200,000</b>	<b>\$3,500,000</b>

When the Company exercises its option to acquire an 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 paying 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" 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.

#### Handeni area of Tanzania:

The Company entered into an option agreement with AFGF (Tanzania) Limited (the "Optionor") (Insiders: Kokanee Placer Ltd/ Laurence Stephenson) dated May

2, 2011 for an 80% interest in a prospective property in the Handeni area of east Tanzania (the "Handeni North 500 Property") for cash payments of \$3 million over three years, the issuance of 1.5 million shares and an exploration work commitment of \$6.5 million to be expended over the next 5 years. The agreement is subject to regulatory approval

	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
<b>Total</b>	<b>\$3,000,000</b>	<b>1,500,000</b>	<b>\$6,500,000</b>

When the Company exercises its option to acquire an 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 \$6.25 million 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 paying 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" 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.

#### Overall Performance

- Capitalized mineral property costs incurred for the nine months ended June 30, 2011 totaled \$ 661,700 (June 2010 - \$536,997).
- General and administrative expenses for the nine months ended June 30, 2011 totaled \$1,163,110 (June 2010 - \$445,981) which included \$290,038 of general exploration costs and 649,884 stock based compensation costs.

- The Company raised \$2,069,085 (June 2010 - \$1,200,000) in cash through private placement, options and warrants exercising. Cash used in operations was \$1,372,304 (June 2010 - \$439,972) and cash used in investing activities was \$650,065 (June 2010 -\$536,997). The Company maintains a positive cash position and is expected to be able to continue operations for the coming year and beyond.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements.

## Market Trends

In 2011 the price of gold continues to fluctuate. The price of gold was \$1,788 on August 26, 2011 and \$1,237 on August 26, 2010.

## Selected Annual Information

The following selected financial data should be read in conjunction with the company's financial statements:

	Year Ended Sep. 30, 2010	Year Ended Sep. 30, 2009	Year Ended Sep. 30, 2008
<b>Financial Results</b>			
Other expenses	\$ 875,743	\$ (16,065)	\$ 6,026
Operating Expenses	\$353,134	\$63,092	\$261,457
Net Loss	\$1,228,877	\$47,027	\$267,483
Loss per Share	\$(0.075)	\$(0.004)	\$(0.021)
Weighted average number of outstanding shares	16,410,473	10,470,588	12,495,923
Total Assets	\$697,152	\$544,268	\$475,480
Working Deficiency	\$500,595	\$264,089	\$466,881
Mineral Properties	\$428,565	\$490,533	\$475,306
Long-Term Liabilities	\$ -	\$ 318,618	\$ -
Total Liabilities	\$757,547	\$582,870	\$467,055
Share Capital	\$1,449,018	\$510,003	\$510,003
Deficit	\$1,777,482	\$548,605	\$501,578

## Results of Operations

### General Administration costs:

The Company's net loss for the nine months ended June 30, 2011 was \$1,163,110. The major portion of expenses was related to \$290,038 of general exploration cost and \$649,884 of stock based compensation expense on stock option granted to two directors and two consultants. These were recorded in consulting fees of \$185,681 and stock based compensation of \$464,203.

## Nine Months Ended June 30, 2011 and 2010

The company has reclassified eligible deferred exploration costs of \$661,700 from general exploration costs to resource property interest as a result that the Company entered into two option agreements with AFGF (Tanzania) Limited (Insiders: Kokanne Placer Ltd/ Laurence Stephenson) to acquire the Morogoro and Handeni area in Tanzania on May 2, 2011.

Accounting and legal fees increased by 151% and 152% respectively. Legal fees increased due to documentation preparation for option agreements and associated financing documentation. The accounting fees were primarily attributable to audit fees.

Management fee increase was due mainly to mine co-ordination and management services in Tanzania.

Investor relations decrease was attributable to less demand for marketing materials over this period.

## Three Months Ended June 30, 2011 and 2010

Investor relations costs were increased as the company was active with drafting and disseminating news releases.

Travel expenses increased through visits to Tanzania to view the properties.

### **Capitalized mineral property costs:**

Capitalized mineral property costs incurred during nine months ended June 30, 2011 totaled \$661,700 (June 2010 – \$536,997).

	Tanzania Morogoro	Tanzania Handeni	Total
<u>Cost of Mining Property</u>			
Additional cost:			
Consulting fees	\$ 283,750	\$ 50,000	333,750
Field crew & related expenses	61,000	11,100	72,100
Geological	115,000	9,000	124,000
Option & lease	14,450	-	14,450
Supplies & Miscellaneous	-	9,000	9,000
Travel & Accommodation	-	108,400	108,400
Balance, June 30, 2011	474,200	187,500	661,700

Kokanee Minerals Inc. has optioned a prospective property in the Morogoro, Handeni area of eastern Tanzania. The preliminary work identified quartz veins and artisanal workings'.

## Selected Quarterly Results

The following financial information is derived from various audited and interim financial statements, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). While these statements follow the same accounting policies and methods of application as the September 30, 2010. The unaudited interim financial statements do not contain all the information presented in the annual audited financial statements and should, therefore, be read in conjunction with same.

	2011 Jun 30 Unaudited	2011 Mar 31 Unaudited	2010 Dec 31 Unaudited	2010 Sep 30 Unaudited	2010 Jun 30 Unaudited	2010 Mar 31 Unaudited	2009 Dec 31 Unaudited	2009 Sep 30 Unaudited
Sales/Interest Revenue								
Income / (Loss) For Period	\$463,855	(\$697,409)	(\$929,556)	(\$782,895)	(\$19,768)	(\$414,911)	(\$11,303)	(\$38,171)
Basic and Fully Diluted Income (Loss) Per Share	\$0.015	(\$0.024)	(\$0.043)	(\$0.047)	(\$0.001)	(\$0.001)	(\$0.004)	(\$0.002)

The Issuer does not derive revenue from its operations. Its primary focus is in the acquisition and exploration of resource properties.

The Income / ( Loss) for the period has fluctuated widely, depending on the Issuer's activity level and periodic items that may or may not be incurred in each period, including stock based compensation and legal expenses to prepare the preliminary prospectus.

On January 1<sup>st</sup>, 2009, the Company entered into a rescission agreement (the "Placer Rescission Agreement") with Placer to agree that the Placer Consulting Agreement is deemed to be void. Therefore, a total of \$39,109 of management services properly recorded and unpaid were written off from the book and recorded in the other expenses as gain on forgiveness of debt.

In the 2<sup>nd</sup> quarter of 2010, the Company further investigated the potential gold prospects it had uncovered in the United Republic of Tanzania, for possible acquisition. The Company incurred a preliminary research study in Tanzania, and located several junior mines that may offer potential for acquisition. This research cost the Company about \$307,524 for the initial discovery and some consulting work in the region, and this amount was capitalized in the 4<sup>th</sup> quarter of 2010.

In the 4<sup>th</sup> quarter of 2010, the major increase in net loss was due to write-down costs in the amount of \$859,934 for the Diamond Peak Property and the incurred stock based compensation of \$181,523.

In the 1<sup>st</sup> quarter of 2010, the major increase was due to approximately of \$890,000 in general exploration cost on various potential properties in Tanzania.

In the 2<sup>nd</sup> quarter of 2011, the major increase was due approximately of \$650,000 of stock based compensation costs.

In the 3<sup>rd</sup> quarter of 2011 the major decrease was due to approximately \$662,000 reclassification from general exploration costs to resource property interest as eligible deferred exploration costs. This was owing to the fact that the two option agreements were signed on May 2, 2011.

## **Liquidity and Capital Resources**

The Issuer has had no revenue; in addition, the Issuer had a working capital of \$675,823 as at June 30, 2011 (June 2010 - deficit of \$994,586). The Issuer generates cash primarily through financing activities. The Issuer will require additional financing in order to continue operations.

As of June 30, 2011, a total of 1,587,017 warrants were exercised at the price between \$0.15 - \$0.20 for the gross proceeds of \$299,514.

In November 2010, a total of 1,604,283 options were exercised at \$0.25 for the gross proceeds of \$401,071.

In June 2011, a total of 1,200,000 options were exercised at \$0.21 for the gross proceeds of \$252,000.

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.

The Issuer does not have any cash flow from operations and is unable to generate sufficient cash to complete current projects without obtaining additional financing. The Issuer receives funds for use in its operations primarily from issuing common shares in the Issuer. This is not expected to change in the short or medium term.

## **Risk and Uncertainties**

Mineral exploration and development involves a high degree of uncertainty and risk. The Company is active in acquisition and exploration of properties and concessions that have not yet been determined to contain economic mineralization. In addition, certain jurisdictions in which the Company operates can be subject to environmental and political disturbance, which may affect the Company's mineral tenure and access.

Although the Company endeavours to work utilizing Best Management Practices, changes to environmental regulations can negatively affect the Company's ability to access, explore and develop its properties.



### Off-Balance Sheet Items

The Company does not have any off-balance sheet items.

### Related Party Transactions

The following table provides details of the balance included in due to related parties:

Parties		June 30, 2011	Sep 30, 2010
Due to Kokanee Placer Ltd. ("Placer") (former director)	(a)	\$144,761	\$156,619
Due to director	(b)	21,977	273,245
Due to Sidon International Resources Inc. ("Sidon")	(c)	10,000	10,000
Due to Encore Renaissance Resources Corp. ("Encore")	(d)	5,000	5,000
		\$181,738	\$444,864

In the normal course of operations, the Company has entered into certain related party transactions which have been measured at the respective exchange amounts, being the consideration established and agreed by the related parties.

a) The Company's mining and mining management functions are performed by Placer. Placer is 100% owned by Laurence Stephenson, a former director of the Company (resigned December 2010). The Company and Placer entered into a service agreement on January 5th, 2007 (the "Placer Service Agreement") whereby Placer was engaged to provide corporate management, administration and geological consulting services to the Company for a term of 3 years. Pursuant to the Placer Service Agreement, the Company was to pay all of the operating costs and disbursements incurred by Placer on behalf of the Company and a fee equal to 5% of such costs and disbursements. The Placer Service Agreement was superseded by a consulting agreement dated August 1, 2008 (the "Placer Consulting Agreement") between the Company and Placer. Under the Placer Consulting Agreement, Laurence Stephenson is to provide similar services as under the Placer Services Agreement under the title of Vice President, Exploration. The compensation under the Placer Consulting Agreement is \$250 per diem.

As of June 30, 2011, Placer charged interest of \$7,577 (June 2010 - \$3,712) calculated at 5% on the balance owed. The amount due to Placer is unsecured.

Additionally, during the nine months end of June 30, 2011, the Company incurred the following expenses and charges for Placer:

	June 30, 2011	June 30, 2010
Mining services	\$ 1,311,103	\$816,423
Interest charges	\$ 7,272	\$ 3,712

b). As of June 30, 2011, the Company repaid \$132,600 to the Company CEO Mr. Abby Farrage. In November, he exercised his stock options of \$118,668 that

was offset against amounts owed. As of June 30, 2011, the outstanding balance owed is unsecured, non-interest bearing and due on demand.

During the nine months end of June 30, 2011, the Company incurred the following expenses and charges for Mr. Abby Farrage:

	June 30, 2011	June 30, 2010
Management service	\$30,000	\$ -
Travel	\$10,215	\$19,419
Telephone	\$1,750	\$ -

- c). The advances from Sidon, a company related by virtue of common directors, are non-interest bearing and unsecured.
- d). The advances from Encore, a company related by virtue of common directors, are non-interest bearing and unsecured.
- e). The Company's accounting and administration services have been performed by Ms. Antonia Bold-de-Haughton under her companies for a fee of \$3,000 per month. Ms. Bold de Haughton has been a director of the company since October 20<sup>th</sup>, 2007.

The details of the services and associated fees to Ms. Bold-de-Haughton's companies are as follows:

	June 30, 2011	June 30, 2010
Accounting services	\$12,000	\$14,175
Administration services	\$12,000	\$14,175
Investor relations	\$15,000	-
Amounts included in accounts payable	\$79,063	\$106,483

### **Critical Accounting Estimates**

By definition the Company is a venture Company and as such utilizes limited critical accounting estimation. The Company's recoverability of the recorded value of its mineral property costs is dependent upon many factors beyond the Company's control. The Company is engaged in an industry that is dependent on a number of conditions including property tenure, environmental and permitting risks, legal and political risks and the Company's ability to obtain necessary financing to maintain, explore and develop its mineral properties.

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to establish accounting policies and to make estimates that affect both the amount and timing of the recording of assets, liabilities and expenses. Some of these estimates require judgment about matters that are inherently uncertain. Note 3 to the financial statements for the nine months ended June 30, 2011 include a summary of the significant accounting policies adopted by the Company. The applicable portion

of note 3 is considered to be the critical accounting policies as they involve the use of significant estimates.

### **Mineral properties and deferred costs**

Mineral property acquisition costs and related exploration and exploration overhead expenditures are capitalized in the accounts of the Company. The Company defers these costs until the property is placed into production, abandoned, sold or it is determined that there has been an impairment and the carrying values may not be recovered. At that time, the deferred costs are amortized on a unit-of-production basis, or written-down, as appropriate. Costs applicable to abandoned properties are charged to operations in the year of abandonment. The carrying values of these properties are periodically assessed by management and if management determines that the carrying values may not be recovered, the unrecoverable amounts are written off against operations in the year such determination is made. The amounts shown for mineral properties and deferred costs represent costs incurred to date, less write-downs, and do not necessarily reflect present or future values.

### **Changes in Accounting Policy**

#### *Adoption of new accounting standards*

##### i) Financial Instruments Disclosures

Company has adopted the amendments to CICA Handbook Section 3862, *Financial Instruments - Disclosures*. The amendments set out new standards for disclosures about the fair value measurements of financial instruments and the nature and extent of liquidity risk. The amendments require an entity to classify fair value measurements using a fair value hierarchy in levels ranging from 1 to 3 that reflect the significance of the inputs used in making these measurements. These amendments are consistent with recent amendments to financial instrument disclosure standards under International Financial Reporting Standards ("IFRS"). Upon application by the Company, the fair value hierarchy level used in the determination of fair value of the Company's financial instruments has been disclosed in note 8.

##### ii) Credit risk and fair values of financial assets and liabilities:

In January 2009, the CICA issued Emerging Issues Committee ("EIC") Abstract No. 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* ("EIC-173"). EIC-173 provides guidance on evaluating credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. The application of EIC-173 had no effect on the Company's consolidated financial statements.

## *New Accounting Standards issued, but not yet adopted*

### i) International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The conversion date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company’s transition date of October 1, 2011 will require a reconciliation of any significant differences identified and restatement if applicable for comparative purposes of amounts reported by the Company for the year ended of September 30, 2011. The Company has begun assessing the implications of the change over to reporting under IFRS and had begun the quantification process of starting the opening IFRS balance sheet. Management plans for conversion to IFRS to include further internal training, external consulting on complex issues, Board and Audit Committee oversight and determining what additional qualitative and supplementary information will be required of the information systems. The conversion plan, training and assessment process will continue through 2011.

### ii) Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582 Business Combinations, 1601 Consolidated Financial Statements and 1602 Non-controlling Interests which replace CICA Handbook Sections 1581 Business Combinations and 1600 Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after March 1, 2011. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for interim and annual consolidated financial statements for fiscal years beginning on or after December 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently. Adoption is not expected to have a material impact on the company’s financial reporting based on current operations.

## FINANCIAL INSTRUMENTS RISK EXPOSURE AND MANAGEMENT

### *Fair Value Measurement*

The fair values of the Company's financial assets and liabilities as of June 30, 2011 were calculated as follows:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash	\$ 110,160	-	-

The Company's risk exposure and the impact on the Company's financial instruments are summarized as below:

### *Credit risk*

Credit risk reflects the risk that the Company may be unable to fulfill its payment obligations and is primarily attributable to interest on its cash balance. Cash is held with a reputable Canadian financial institution, from which management believes the risk of loss to be minimal.

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company has significant financial liabilities outstanding including accounts payable and accrued liabilities and loan payable. The Company is exposed to the risk that it may not have sufficient liquid assets to meet its commitments associated with these financial liabilities. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity transactions.

### *Market Risks*

#### i) Other Price Risk

The ability of the Company to finance the exploration and development of its properties and the future profitability of the Company is directly related to the market price of the primary minerals identified in its mineral properties. Mineral prices fluctuate on a daily basis and are affected by a number of factors beyond the Company's control. A sustained, significant decline in the prices of the primary minerals could have a negative impact on the Company's ability to raise additional capital. Sensitivity to price risk is remote since the Company has not established any reserves or production.

## ii) Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's mineral properties are located in the Tanzania and value at US Dollar ("US") with the majority of related expenditures being conducted in US currency. The Company is exposed to moderate currency risk as a result of fluctuations in the US dollar.

## iii) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk is minimal as the Company does not have any interest bearing assets or any interest bearing liabilities that are tied into market rates.

## **Industry Trends & Risk Factors**

The Company operates within the context of the exploration, development and mining industry. This industry involves substantial risk and is considered a highly cyclical industry. The Company's current focus is primarily on the exploration of prospective gold and base metals properties and the development of such properties to a feasibility or pre-feasibility phase, and is therefore highly dependent on the raising of risk or venture capital by way of equity issuances to fund exploration activities. Complex factors and competitive forces including commodity trends, inflation, interest rates, supply and demand of metals and minerals, as well as economic cycles and their respective expansion or contraction periods influence the business of the Company. Furthermore, the Industry is especially dependant on the price of precious and base metals in the global commodities market. Strong precious and base metals prices make it substantially easier for the Company to raise funds by way of equity in the capital markets. During the past financial year the price of gold and copper has been strong. If this strengthening commodity trend continues, the Company anticipates that it will be able successfully raise equity to fund all of the exploration and development activities over the foreseeable future. In addition, the prices of commodities such as copper, zinc and molybdenum have increased based on the increasing demand for minerals from Asia, specifically China that is experiencing robust growth. This atmosphere bodes well for the future outlook of the Company as it currently depends on equity financing.

## **Outstanding Share Data at August 29, 2011:**

### **Share Capital**

The Issuer has an authorized share capital of an unlimited number of common shares without par value.

Issued and Outstanding Capital: 30,958,545 shares issued and outstanding

Outstanding options at August 29, 2011 were as follows:

Expiry	Price (\$)	Outstanding 1-Oct-10	Granted (Expired) (Forfeited)	Exercised	Outstanding 29-Aug-11
15-Jan-15	0.25	1,887,392	-	(1,604,283)	283,109
03-Dec-15	0.21	-	2,800,000	(1,200,000)	1,600,000
		1,887,392	2,800,000	(2,804,283)	1,883,109

Outstanding share purchase warrants at August 29, 2011 were as follows:

Expiry	Price (\$)	Outstanding 30-Sept-10	Exercised	Expired	Granted	Outstanding 29-Aug-11
15-Jan-15	0.2/0.25 <sup>(i)</sup>	8,103,325	(1,332,550)	-	-	6,770,735
15-Jan-15	0.15	800,000	(254,467)	-	-	545,533
08-Oct-13	0.2/0.25 <sup>(ii)</sup>	-	-	-	7,443,332	7,443,332
		8,903,325	(1,587,017)	-	7,443,332	14,759,600

(i) The exercise price of these warrants is \$0.20 in the first two years and \$0.25 for the remaining three years.

(ii) The exercise price of these warrants is \$0.20 in the first year and \$0.25 for the remaining one year.

## Subsequent Events

No subsequent.

## Outlook

Financing efforts will be continued for the near future.

## Disclosure Controls

Management has designed disclosure controls and procedures, or has caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Company, is made known to management by others within the Company, particularly during the period in which the annual filings are being prepared.

Management has also designed such internal controls over financial reporting, or caused it to be designed under management's supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for the nine months ended June 30, 2011 in accordance with Canadian generally accepted accounting principles ("GAAP"). Canadian GAAP has become very complex and, as a venture Company, the Company has limited personnel and resources. Therefore, despite management's efforts, there is a risk that interim financial statements may not conform to Canadian GAAP.

There has been no change in the Company's disclosure controls and procedures or in the Company's internal control over financial reporting that occurred during the most recently completed quarter that has materially affected, or is reasonably likely to materially affect, the Company's disclosure controls and procedures or internal control over financial reporting.

**Addition Information**

Additional information related to the Company is available on SEDAR's website at 'www.sedar.com'.

*Cautionary Note Regarding Forward-Looking Statements*

*Certain statements contained in the foregoing Management's Discussion and Analysis and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth above.*