# EXPLOREX CAPITAL LTD

**(A DEVELOPMENT STAGE COMPANY)**

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS

## AND RESULTS OF OPERATIONS

## FOR THE THREE MONTHS ENDED JUNE 30, 2011

---

The following is management's discussion and analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations of Explorex Captial Ltd. ("Explorex" or the "Company") as at June 30, 2011.

This MD&A which should be read in conjunction with the audited financial statements for the period from incorporation on January 6, 2011 to March 31, 2011 and a summary of significant accounting policies and other explanatory information. These financial statements have been prepared using accounting policies consistent with IFRS as issued by the International Accounting standards Board ("IASB").

All monetary amounts are in Canadian dollars unless otherwise specified. The effective date of this MD&A is August 26, 2011. Additional information relating to the Company is available on SEDAR at www.sedar.com.

CONTENTS OF THE MD&A

## 1. Overview

The Company was incorporated under the Business Corporations Act (British Columbia) on January 6, 2011 and is classified as a Capital Pool Company as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition of or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

## 2. Highlights for the quarter ended June 30, 2011

The Company filed a prospectus with the securities regulatory authorities in British Columbia and Alberta and the Yukon Territory with the TSX-V with the purpose of listing the common shares of the Company on the TSX Venture Exchange.

### 2.1 Highlights subsequent to the quarter ended JUNE 30, 2011

The Company successfully completed its initial public offering (“IPO”) of 3,000,000 common shares at $0.10 per share for gross proceeds of $300,000. The Exchange has conditionally approved the listing of the Corporation’s Common Shares and the Corporation now intends to make application for final approval. The Corporation’s Common Shares commenced trading on the Exchange under the trading symbol “EX.P” on August 8, 2011.

## 3. Results of operations for the three months ended June 30, 2011

The following table sets forth consolidated information for the three months ended June 30, 2011.

| For the three months ended June 30, | | 2011 |
|---|---|---|
| **Financial results:** | | |
| Net (loss) for the period | $ | (3,424) |
| Basic and diluted gain (loss) per share | | (0.00) |
| **Balance sheet data:** | | |
| Cash and cash equivalents | | 166,912 |
| Total assests | | 205,709 |
| Shareholders' equity | | 200,983 |
| **Cash flow data:** | | |
| Common share proceeds (gross) | | 10,000 |

The table below sets forth selected results of operations for the Company's two most recently completed quarters since incorporation.

| | Quarter Ended | | | |
|---|---|---|---|---|
| | June 30 2011 | | March 31 2011 | |
| Net loss | $ | (3,424) | $ | (18,093) |
| Basic and diluted loss per share | | - | | - |
| Total assets | | 205,709 | | 204,080 |
| Working capital | | 162,186 | | 157,524 |

Quarter ended June 30, 2011 compared to quarter ended March 31, 2011

For the three-month period ended June 30, 2011, the Company recorded a net loss of $3,424 compared to $18,093 in the comparable period in the prior year. The increased loss in the current quarter compared to previous quarter is primarily due to increases in legal expenses incurred during the previous quarter related incorporation and initial public offering fees.

The Company's working capital of $162,186 is relatively unchanged due to the Company being in its initial public offering stage and currently has no projects or business.

**Summary of previous quarterly results**

March 31, 2011

The Company incurred a consolidated net loss for the quarter of $18,093 which is the first quarter since the Company's incorporation. Expenses incurred during this quarter are related to the costs of incorporation.

## 3.1 Exploration Projects

The Company currently has no exploration projects.

## 4. Liquidity and Capital Resources

The following table summarizes the Company's cash on hand, working capital and cash flow.

| **As at June 30,** | | 2011 |
|---|---|---|
| Cash and equivalents | $ | 166,912 |
| Working capital | | 164,100 |

| **Period ended June 30,** | | 2011 |
|---|---|---|
| Cash used in operating activities | | (8,766) |
| Cash used in investing activities | | - |
| Cash provided by financing activities | | 10,000 |
| Change in cash | $ | 1,234 |

The Company is dependent on the sale of treasury shares to finance its exploration activities, property acquisition payments and general and administrative costs.

## 4.1 Share Capital

The Company has authorized share capital of an unlimited number of common shares of which 4,450,000 shares were issued and outstanding at the end of June 30, 2011.

The Company has 4,450,000 shares remaining in escrow at June 30, 2011.

At the end of the three-months dated June 30, 2011, there were no options outstanding.

## 5. Related Parties

As at June 30, 2011, $2,019 was payable to a company controlled by a director of the Company and $2,707 was due to a director of the Company. These amounts represent expense reimbursements to related parties and these transactions were in the normal course of operations.

Management did not receive any compensation during the period from incorporation on January 6, 2011 to June 30, 2011. The directors and officers currently own 51.76% of the issued and outstanding common shares.

## 6. Financial Instruments

**The Company's main financial risk exposures and its risk management policies are as follows:**

**Credit Risk**
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentration of credit risk through cash and cash equivalents. The Company limits its exposure to credit loss by placing its cash with major institutions.

**Interest Rate Risk**
Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

**Liquidity Risk**
Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The Company's approach to managing liquidity risk is to ensure that bit will have sufficient liquidity to meet liabilities when due.

**Fair Value**
The recorded value of the Company's financial assets and liabilities, except for amounts due to related parties, approximate their fair values due to their demand nature and their short term maturity.

**Capital Risk Management**
The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital and deficit.

**Use of Estimates**
The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to the determination of environment obligations and impairment of mineral properties and deferred cost. Actual results may differ from these estimates. By their nature, these estimates are subject to

measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

**Risk and Uncertainties**

The Company's Operations and results are subject to a number of different risks at any given time. These factors , include but are not limited to disclosure regarding exploration , additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards , insurable risk and limitations of insurance, management , foreign country and regulatory requirements, currency fluctuations and environmental regulation risk.

(a) the state of the capital markets, which will affect the ability of the Company to finance mineral property acquisitions and expand its contemplated exploration programs;
(b) the prevailing market prices for base metals and precious metals;
(c) the consolidation and potential abandonment of the Company's property as exploration results provide further information relating to the underlying value of the property;
(d) the ability of the Company to identify and successfully acquire additional mineral properties in which the Company may acquire an interest whether by option, joint venture or otherwise, in addition to or as an alternative to the property;

**OTHER RISK FACTORS**

**Additional Financing**

The Company has limited financial resources and provides no assurance that it will obtain additional funding for future acquisitions and development of projects or to fulfill its obligations under applicable agreements. The Company provides no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's Properties with the possible dilution or loss of such interests. Further, revenues, financings and profits, if any, will depend upon various factors, including the success, if any, of exploration programs and general market conditions for natural resources. The Company provides no assurance that it can operate profitably or that it will successfully implement its plans for its further exploration and development of its Properties.

**Permits and Licenses**

The Company will require licenses and permits from various governmental and non-governmental authorities for its operations. The Company has obtained, or plans to obtain all necessary licenses and permits required carrying on the activities it is currently conducting or which it proposes to conduct under applicable laws and regulations. However, such licenses and permits are subject to change in regulations and in various operating circumstances. The Company provides no assurance that it will obtain all necessary licenses and permits required to carry out exploration, development and mining operations.

**Political Regulatory Risks**

Any changes in government policy may result in changes to laws affecting ownership of assets, mining policies, monetary policies, taxation, rates of exchange, environmental regulations, labour relations, repatriation of income and return of capital. This may affect both the Company's ability to undertake exploration and development activities in respect of the Principal Properties in the manner currently contemplated, as well as its ability to continue to explore, develop and operate the Principal Properties. The possibility that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

**Currency Risk**

Currency fluctuations may affect the cash flow which the Company may realize from its operations, since most mineral commodities are sold in a world market in United States dollars. The Company's costs are incurred primarily in Canadian dollars.

**Dependence on Key Individuals**

The Company is dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on the Company. In addition, the Company will be highly dependent upon contractors and third parties in the performance of its exploration and development activities. The Company provides no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Company or be available upon commercially acceptable terms.

**Competitive Factors in the Precious and Base Metals Markets**

Most mineral resources including precious and base metals are essentially commodities markets in which we would expect to be a small producer with an insignificant impact upon world production. As a result, production, if any, would be readily sold and would likely have no impact on world market prices. In recent months due to the significant downturn in the world economies has driven the commodities prices much lower which has made raising capital more difficult more competitive than past years.

Overall the upward trend in the price of gold (US$1100 an ounce) in the last year with a more consistent price above US$1000 in 2010 has been a benefit to Gold exploration companies. As these higher gold prices and the difference between the Canadian dollar and US dollar spread will help the Company in raising capital. Base metal prices have been improving in the past few months will help the company as it also has some historic base metal mines.

## 8. Internal Control over Financial Reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company, together with the Company's management, are responsible for the information disclosed in this MD&A and in the Company's other external disclosure documents. For the period ended June 30, 2011, the CEO and the CFO have designed, or caused to be designed under their supervision, the Company's disclosure controls and procedures ("DCP") to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries has been disclosed in accordance with regulatory requirements and good business practices and that the Company's DCP will enable the Company to meet its ongoing disclosure requirements. The CEO and CFO have evaluated the effectiveness of the Company's disclosure controls and procedures and have concluded that the design and operation of the Company's DCP were effective as of June 30, 2011 and that the Company has the appropriate DCP to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable.

The CEO and the CFO are also responsible for the design of the internal controls over financial reporting ("ICFR") within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS"). During 2010, the Company engaged an international business advisory firm to assess the effectiveness of the Company's ICFR.

During the design and evaluation of the Company's ICFR, management identified certain nonmaterial deficiencies, a number of which have been addressed or are in the process of being addressed in order to enhance the Company's processes and controls. The Company employs entity level and compensating controls to mitigate any deficiencies that may exist in its process controls. Management intends to continue to further enhance the Company's ICFR.

The Company's management, including its CEO and CFO, believe that any DCP and ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override to the future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected. There have been no changes in the Company's ICFR during the period ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

## 9. Critical Accounting Estimates

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Depreciation*

The Group's management exercises its judgement in estimating the useful lives of the depreciable assets. The estimated useful lives reflect the management's estimate of the periods the Group intends to derive future economic benefits from the use of these assets. The Group depreciates its property, plant and equipment in accordance with the accounting policies. The carrying amount of the property, plant and equipment is disclosed in Note 8 of its interim condensed consolidated statements.

*Asset retirement obligations*

The Group recognises the liability for an asset retirement obligation. The relevant costs in associated with the assets retirement obligations are estimated based on the Group's interpretation of current regulatory requirements. Based on the assessment, the Group did not have any significant asset retirement obligations at the reporting dates.

**Critical judgements in applying the Group's accounting policies**

The following is the critical judgement, apart from those involving estimations that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

*Exploration and evaluation assets*

When there are events or changes in the circumstances which indicate the carrying amount of the exploration and evaluation assets may not be recoverable, the Group will take into consideration of the recoverable amounts of the relevant cash generating unit ("CGU"). After taking into account the current economic environment, the management reviews the developing projects and exploration plans and confirms that there is no indicator for impairment on the exploration and evaluation assets of the Group at the reporting dates.

*Impairment of available-for-sale investments*

For available-for-sale investments, a significant or prolonged decline in fair value below its cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant and/or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account.

## 10. Cautionary Statement on Forward-Looking Information

This MD&A, which contains certain forward-looking statements, are intended to provide readers with a reasonable basis for assessing the financial performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward looking statements. Forwardlooking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies.

Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, fluctuations in the currency markets such as Canadian dollar, and U.S. dollar, fluctuations in the prices of commodities, changes in government legislation, taxation, controls, regulations and political or economic developments in Canada, the United States, or other countries in which the Company carries or may carry on business in the future, risks associated with mining or development activities, the speculative nature of exploration and development, including the risk of obtaining necessary licenses and permits, and quantities or grades of reserves. Many of these uncertainties and contingencies can affect the Company’s actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company.

Readers are cautioned that forward-looking statements are not guarantees of future performance. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those acknowledged in such statements. Specific reference is made to the Company's most recent Annual Information Form on file with Canadian provincial securities regulatory authorities for a discussion of some of the factors underlying forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable laws.