SIGNAL EXPLORATION INC.

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE QUARTER ENDED JUNE 30, 2012

INTRODUCTION

Signal Exploration Inc. (the "Company") was incorporated in the province of British Columbia on March 9, 2010. The Company is a resource exploration company that is acquiring and exploring mineral properties. On December 28, 2011 the Company completed an Initial Public Offering ("IPO") and its shares commenced trading on the TSX-Venture Exchange (TSX-V) on January 9, 2012 under the symbol SNL. The Company is currently exploring for base metals on its Scotch Creek property in British Columbia.

The following management discussion and analysis (MD&A) of the financial position of the Company and results of operations for the quarter ended June 30, 2012 should be read in conjunction with the audited annual financial statements and accompanying notes for the year ended December 31, 2011. The unaudited interim financial statements for the quarter ended June 30, 2012 together with the following MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to potential future performance.

This MD&A includes material occurring up to and including August 28, 2012.

FORWARD LOOKING STATEMENTS:

This MD&A may contain forward-looking statements including but not limited to comments regarding the timing and content of upcoming operation, exploration and business development plans. Forward-looking statements address future events and conditions and therefore involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated in such statements. Forward looking statements are usually identified by our use of certain terminology, including but not limited to "will", "believes", "may", "expects", "should", "seeks", "anticipates" or "intends" or by discussions of strategy or intentions.

Forward-looking statements used in this discussion are subject to various risks and uncertainties, most of which are difficult to predict and generally beyond the control of the Company. If risks or uncertainties materialize, or if underlying assumptions prove to be incorrect, our actual results may vary materially from those expected, estimated or projected. Forward-looking statements in this document are not a prediction of future events or circumstances, and those future events or circumstances may not occur. Given these uncertainties, users of the information included herein, including investors and prospective investors are cautioned not to place undue reliance on such forward-looking statements.

BUSINESS OF THE COMPANY:

Overview

The Company's principal asset and project is its interest in the Scotch Creek Property, comprised of 8 map-staked mineral claims covering a total area of approximately 1,384.12 hectares (3,418.78 acres) located in the Kamloops Mining Division and in the Kamloops Land District in Shuswap Highland of south-central British Columbia. The current expiry dates of these claims ranges from June 18, 2018 to November 25, 2020. In the current fiscal year and for the foreseeable future, the Company intends to continue to focus its efforts on advancing the exploration and, if merited, the development of the Scotch Creek Property.

Summary of Projects

Scotch Creek property:

During the fiscal year ended December 31, 2010 the Company completed a geological mapping program. A total of 482 hectares (1,190 acres) were mapped at a scale of 1:5,000 across most of the property-area. A total of 42 samples of mineralization were taken. An estimated 100 hectares (247 acres) of area was prospected with varying degrees of intensity in numerous areas throughout the property-area. Prospecting was conducted as an adjunct to geological mapping in several areas in order to locate old workings, drill sites, mineralization, and outcrop. Standard prospecting methods were employed. Soil survey was conducted over a grid comprising a total of 22.95 km (14.0 miles) of survey line and 2.4 km (1.5 miles) of base line for a total of 25.35 km (15.5 miles). A total of 481 soil samples were taken.

The Company will complete phase one of the recommended exploration program during the fiscal year ended December 31, 2012 and provided that phase one exploration results are positive, complete phase two of the recommended exploration program. The phase one exploration program consists of additional geological mapping, prospecting and soil sampling as well a electromagnetic and magnetic 3-D induced polarization survey. The additional geological mapping, prospecting and soil sampling will be conducted on parts of the Scotch Creek Property that, to date, has not been explored. The results of the additional geological mapping, prospecting and soil sampling will be used to identify additional areas for electromagnetic and magnetic 3-D induced polarization surveys.

The electromagnetic and magnetic 3-D induced polarization survey will be conducted to cover soil anomalies identified during the initial exploration of the Scotch Creek Property. The results of the electromagnetic and magnetic 3-D induced polarization survey will, if successful, identify drill targets for the second phase of the recommended exploration program. The Company intends to complete the phase one exploration in the third quarter of 2012. The timing of the phase is dictated by weather and historically the property has been clear of snow from the beginning of April to the end of October. It is expected that the exploration program recommended by the Technical Report will take approximately 2 month to complete following the commencement thereof.

The cost of this first phase is estimated to be $221,170, excluding HST and contingencies. The phase one exploration cost will be funded from proceeds of the Company's IPO.

Terra property:

During the quarter ended June 30, 2012 the Company entered into an option agreement to earn a 51% interest in the Terra Property, located in British Columbia, by paying $7,000 in cash and incurring exploration expenses of $20,000 before December 31, 2012. The Company can earn an additional 24% in the Terra Property by incurring an additional $300,000 in exploration expenses before December 31, 2016. Subsequent to June 30, 2012 the Company decided not to pursue this agreement and all related costs were expensed during the quarter ended June 30, 2012.

SUMMARY OF QUARTERLY RESULTS:

The following table sets out selected quarterly information for each of the Company's most recent eight completed quarters. As all Company's activities were focused on the completion its IPO and listing its shares on the TSX –V during the year ended December 31, 2011, there was no revenue producing activities as part of Company operations. Virtually all expenses incurred during the year ended December 31, 2011 were related to legal, consulting and other professional fees necessary to execute the above activities. The variability of loss and loss per share between quarters was directly related to the costs associated with different portions of the above processes that fell in different quarters of 2011.

	Total Revenues $	Net loss $	Net loss per share (Basic and diluted) $
September 30, 2010	-	-	0.00
December 31, 2010	-	50,173	0.01
March 31, 2011	-	18	0.00
June 30, 2011	-	33,896	0.00
September 30, 2011	-	18,060	0.00
December 31, 2011	-	209,443	0.03
March 31, 2012	-	15,890	0.00
June 30, 2012	-	27,368	0.00

RESULTS OF OPERATIONS - FINANCIAL:

The Company is an exploration stage company and normally at this stage, without revenues. Net loss for the quarter ended June 30, 1012 was $27,368, compared with $33,896 for the quarter ended June 30, 2011. The decrease was primarily the result of the Company incurring expenses related to its IPO during the quarter ended June 30, 2011. Significant line item changes during the quarters were as follows:

- Increase in general and administration fees resulting from an increase in management fees. Management fees was $12,000 for the quarter ended June 30, 2012 compared to $Nil for the quarter ended June 30, 2011, an increase of $12,000, due to management fees paid to two companies controlled by two directors of the Company, commencing January 9, 2012(the date of listing the Company's shares on the TSX-V).
- Decrease in general and administration fees resulting from a decrease in expenses relating to the Company's IPO. During the quarter ended June 30, 2011 the Company incurred IPO related expenses of $27,329 where as no such expenses were incurred during the quarter ended June 30, 2012.

LIQUIDITY AND CAPITAL RESOURCES:

As at June 30, 2012 current assets were $321,257 consisting of $317,016 in cash, $4,241 in amount receivable. Current liabilities at June 30, 2012 were $4,480, which consisted of amounts owing to related parties. As at June 30, 2012, the Company had working capital of $316,777 which management considers sufficient to continue operations for the 2012 fiscal year.

For the quarter ended June 30, 2012, net cash used in operating activities was $99,334.

There are no other known demands, commitments, events or uncertainties that would adversely affect the trends and expected fluctuations in the Company's liquidity. However, at this time, the Company does not own any operating mines and has no operating income/sales from mineral production. Funding for operations is raised primarily through equity financings. Realization of the carrying value of mineral interests is dependent upon funding, the ability of the Company and third parties to bring mineral interests into profitable production, or recovery from sale. In the longer term, in order to continue operations, the Company will need to raise additional capital through equity financings. There is no guarantee that financing will be available on terms acceptable to the Company, given the current climate in the financial markets and reduced availability of funding.

The Company has no debt obligations, other than short-term liabilities incurred in the normal monthly activities of exploration and administration. The Company has no long-term debt.

OFF BALANCE SHEET ARRANGEMENTS:

The Company has no off-balance sheet arrangements that would potentially affect current or future operations, or the financial condition of the Company.

RELATED PARTY TRANSACTIONS:

During the quarter ended June 30, 2012 the Company incurred management fees of $12,000 to two companies controlled by two directors of the Company. At June 30, 2012, $4,480 was due to two companies controlled by two directors of the Company for unpaid management fees.

PROPOSED TRANSACTIONS:

The Company does not currently have any proposed transactions approved by the Board of Directors.

ACCOUNTING POLICIES:

Basis of presentation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared on a historical cost basis, modified where applicable. The financial statements are presented in Canadian dollars, which is the Company's functional currency.

Recent Accounting Pronouncement, Not Yet Adopted

A number of new standards and amendments to standards and interpretations are not yet effective for the quarter ended June 30, 2012. The Company has not early-adopted these new and revised standards and is currently assessing the impact that these standards will have on its financial statements. Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

RISKS AND UNCERTAINTIES:

Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by the Company in the exploration of properties will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required to locate and estimate ore reserves, and further the development of a property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies. There is no assurance that the Company will be able to arrange sufficient financing to bring ore bodies into production. The following are some of the risks to the Company, recognizing that it may be exposed to other additional risks from time to time:

- Limited business history of the Company, including lack of revenues and no assurance of profitability;
- Dependence on key management personnel;
- Reliance on availability and performance of independent contractors;
- Challenges by other unknown parties to property title;
- Environmental issues;
- Federal and provincial political risk;
- Commodity price risk; and
- Financial markets.

The Company is diligent in minimizing exposure to business risk, but by the nature of its activities and size, will always have some risk. These risks are not always quantifiable due to their uncertain nature. 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 on forward-looking statements.

FINANCIAL INSTRUMENTS:

The carrying value of cash, amount receivable, accounts payable and amounts due to related parties their fair values due to the relatively short periods to maturity of these financial instruments.

Financial assets that may be exposed to credit risk consist primarily of cash, which is placed with a major Canadian financial institution.

The Company's functional currency is the Canadian dollar and the Company does not operate in foreign jurisdictions, which could give rise to exposure to market risk from foreign currency rate changes.

ADDITIONAL INFORMATION:

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.SEDAR.com). No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

DISCLOSURE BY VENTURE ISSUER WITHOUT SIGNIFICANT REVENUE:

An analysis of the material components of the Company's general and administrative expenses is disclosed in the unaudited interim financial statements for the quarter ended June 30, 2012 to which this MD&A relates. An analysis of the material components of the acquisition and deferred exploration costs of the Company's mineral property is disclosed in Note 3 to the audited annual financial statements for the year ended December 31, 2011.

SHARE CAPITAL:

At August 28, 2012, the Company had the following number of securities outstanding:

Securities	Number	Exercise Price	Expiry date
Common shares issued and outstanding	10,350,000		
Stock options	1,000,000	$0.15	October 30, 2016
Share purchase warrants	377,000	$0.15	December 27, 2014
Fully diluted share capital	11,727,000		