

APPIA ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended December 31, 2012

APPIA ENERGY CORP.

Management's Discussion and Analysis – December 31, 2012 As of February 20, 2013

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Appia Energy Corp. ("Appia" or the "Company") constitutes management's review of the factors that affected the Company's condensed interim financial and operating performance for the three months ended December 31, 2012. The MD&A was prepared as of February 20, 2013 and should be read in conjunction with the unaudited condensed interim financial statements ("Financial Statements") of the Company for the three months ended December 31, 2012, and the audited financial statements for the year ended September 30, 2012, including the notes thereto. Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars. These Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as described in Note 2 to the Financial Statements. For further information regarding the accounting policies used in preparation of these Financial Statements readers should refer to the Company's annual financial statements for the year ended September 30, 2012.

Executive Summary

Appia Energy Corp. is a Canadian mineral exploration company in the business of the acquisition, exploration and development of mineral properties with a primary focus on Uranium and Rare Earth Elements. Currently, the Company owns a 100% interest in 31,000 acres (12,545 hectares) located in Buckles, Bouck, Beange, Bolger, Gunterman, Joubin and Lehman Townships near the town of Elliot Lake (the "Property"). The Company also holds between a 50% and a 90% interest in 10 mineral properties totalling 26,657ha in the Athabasca Basin of Saskatchewan which are prospective for uranium and rare earths.

Appia's independent consultants, Watts, Griffis and McQuat Ltd. ("WGM"), completed a NI 43-101 technical report on the Teasdale Zone (the "Technical Report") entitled, "A Technical Review of the Appia Energy Corp. Rare Earth and Uranium Property, Elliot Lake District, North-Central Ontario, Canada." dated July 18, 2011, with certificates dated November 7, 2012, written by Al Workman, P. Geo and Kurt Breede, P. Eng (collectively the "Authors") of WGM. The Technical Report has been prepared in accordance with the requirements of National Instrument 43-101- "Standards of Disclosure for Mineral Projects ("NI 43-101") and was filed at www.sedar.com on December 12, 2012. The Technical Report outlines mineral resources for two principal zones on the Elliot Lake Property – the Teasdale Zone and the Banana Lake Zone. For further particulars please refer to the heading "Exploration and Evaluation Assets – Ontario" below.

Effective December 14, 2012, the Company received a receipt from the Ontario Securities Commission for the Company's Long Form Non-Offering Prospectus ("Prospectus") dated December 12, 2012. As a result of this process, Appia is now a reporting issuer in British Columbia, Alberta, Saskatchewan and Ontario. Full particulars relating to the Company are set out in the Prospectus which is available for review at www.sedar.com.

The Company substantially performed the Phase 1 Program on the Teasdale Zone as set out in the Technical Report and completed 17 drill holes in late August, 2012. The objective of the drill program was to increase both the uranium and rare earth resources at the Teasdale Zone and advance the zone towards the completion of a revised NI 43-101 resource estimate. The results of this drill program are set out in the Prospectus at pages 8A to 8F. The Technical Report had budgeted for a 4,000 metre drill program at \$1.7 million but as a result of lower drilling costs and the use of a barge rather than a helicopter to mobilize the drill, the Company completed 8,177 metres of drilling for approximately \$1.3 million. It therefore had a surplus of \$400,000 after completing the Phase I Program at the Teasdale Zone, which funds were otherwise allocated to Canadian exploration expenditures ("CEE") for 2012. In order to incur the necessary CEE expenditures by December 31, 2012, the Company completed a 1,650 metre hole at Banana Lake (being the first hole from the Phase I drill program at Banana Lake) at a cost of \$224,000. The drill program focused on an area northwest of the Banana Lake Zone. The Company has also commenced metallurgical test work and retained WGM to prepare a Preliminary Economic Assessment ("PEA") on the Teasdale Zone. The PEA is nearing completion to satisfy the Company's objective of updating the mineral resource estimate. Management believes that completion of

the PEA at this time will provide the Company with substantial information to determine the next phase of exploration for the Property. The Company does not anticipate proceeding with further exploration on the Banana Lake Zone or the Teasdale Zone in accordance with the budgets set out in the Technical Report without completing a further equity financing.

The Company intends to monitor the market conditions and plans to complete a financing when the market conditions improve. In addition, it continues to be receptive to a joint venture opportunity or a strategic partner.

Exploration and evaluation assets

Ontario:

Appia holds over 31,000 acres (12,545 hectares) encompassing five mineralized zones in the Elliot Lake area of northern Ontario. The zones are called Teasdale, Banana Lake, Canuc, Bouck Lake and Buckles Lake. The Elliot Lake area has produced over 300 M lbs of U₃O₈ and is the only mining camp in Canada with significant historical commercial rare earth production.

The following disclosure concerning the Property is taken from the Technical Report.

WGM prepared Mineral Resource estimates for mineralized zones belonging to the Teasdale and Banana Lake Zones that have sufficient data to show continuity of geology and grades set out in the tables below. Please see the table entitled "NI 43-101 Compliant Uranium Mineral Resources on the Appia Property" below (the "Prior Resource Estimate"). The current Teasdale Zone Mineral Resource estimate was prepared from a polygonal model using a geological cut-off and a minimum bed thickness of 2.44 metres (8 ft.) which takes into consideration the continuity of grade within the various mineralized beds and historical mining practices. No grade cut-off or high capping was used for this estimate as the grades were themselves quite robust and the utilization of a cut-off grade would require complex economic modelling of individual metals that is not required at this time. The estimate was based on total rare earth element content ("TREE") as the main subject of interest, however the average grade of the most abundant individual rare earth elements ("REE") was estimated. The mineralized zone was geologically constrained by the well defined markers provided by the upper surface of the highest mineralized bed and the lower surface of the basal bed. The estimated uranium (U) REE resource is a smaller volume (tonnage) of mineralized rocks that is contained within the Prior Resource Estimate which was a U-only resource estimate.

Current Rare Earth Metals and Uranium Mineral Resource Estimate on Teasdale Zone

(La-Lanthanum; Ce-Cerium; Pr-Praseodymium; Nd-Neodymium; Sm-Samarium; Eu-Europium; Gd-Gadolinium; Tb-Terbium; Dy-Dysprosium; Ho-Holmium; Er-erbium; Tm-Thulium; Yb-Ytterbium; Lu-Lutetium; Hf-Hafnium; Y-Yttrium)

Summary of Teasdale Zone Rare Earth Metal and Uranium Resource Estimate

Category	Tonnes (‘000)	Tons (‘000)	TREE (%)	U ₃ O ₈ (lb/ton)	Average Thickness (m)	Contained TREE (‘000 lbs)	Contained U ₃ O ₈ (‘000 lbs)
Indicated	3,366	3,710	0.146	0.506	9.76	10,852	1,878
Inferred	21,217	23,388	0.181	0.615	7.22	85,895	14,379

Notes:

1. The Mineral Resources are effective as of July 18, 2011.
2. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
3. The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.

- The Mineral Resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council December 11, 2005.
- S.G. of 2.85 tonnes/m³ (or 3.14 tons/m³) was used.
- Indicated amounts may not precisely sum due to rounding.

The average grades for the most abundant REEs comprising the TREE are shown in the table below.

Individual REE Resource Grade Composition Summary

Category	Light REE (lbs/ton)						Heavy REE (lbs/ton)									
	La	Ce	Pr	Nd	Sm	Eu	Gd	Tb	Dy	Ho	Er	Tm	Yb	Lu	Hf	Y
Ind.	0.75	1.33	0.13	0.43	0.07	0.002	0.04	0.01	0.03	0.004	0.010	0.002	0.01	0.002	0.01	0.11
Inf.	0.93	1.64	0.16	0.53	0.09	0.004	0.06	0.01	0.03	0.016	0.012	0.002	0.01	0.002	0.01	0.13

Notes:

- The Mineral Resources are effective as of July 18, 2011.
- Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
- The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
- The Mineral Resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council December 11, 2005.
- S.G. of 2.85 tonnes/m³ (or 3.14 tons/m³) was used.
- Indicated amounts may not precisely sum due to rounding.

Banana Lake Zone Resource Estimate

WGM has prepared a NI 43-101 compliant Mineral Resource estimate for the Banana Lake deposit. The Mineral Resource estimate is based on a total of seven (7) diamond drill holes, the results of which are summarized in the table below and described in greater detail in this section. The estimate was prepared from a block model using a 0.6 lb U₃O₈/ton cut-off grade based on a uranium price of US\$65/lb and a C\$:US\$ exchange rate of 1:0.9, and a minimum vertical thickness of 5 m to accommodate larger mining equipment. The challenge for Appia is to demonstrate that sufficient tonnage exists to justify mine development. It is clear that a Preliminary Assessment is needed to estimate the resource (tonnes and grade) threshold that the deposit should clear to be economically viable, as well as exploring mining and processing options. One consideration in determining such inputs as a cut-off grade would be whether or not the ore from this deposit could be processed in a central milling facility that would accommodate neighbouring mining operations in the Elliot Lake camp. This would significantly reduce capital and operating costs and allow for a lower cut-off.

Banana Lake Zone Mineral Resource Estimate (using 0.6 lb U₃O₈/t cut-off)

Category	Tons ('000)	S.G. (tons/m ³)	lb U ₃ O ₈ /t	Total lbs U ₃ O ₈ ('000)
Inferred Resources	30,315	3.14	0.912	27,638

Notes:

- The Mineral Resources are effective as of July 18, 2011.
- Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.

The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.

3. The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.
4. The Mineral Resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council December 11, 2005.
5. S.G. of 2.85 tonnes/m³ (or 3.14 tons/m³) was used.
6. All tonnage and total lbs U₃O₈ amounts rounded to nearest thousand or thousandth. Totals may not add up due to rounding

Teasdale Zone Uranium Resource Estimate

The current WGM Rare Earth Metals and Uranium Mineral Resource estimate above on the Teasdale Zone takes in both uranium and rare earth element mineralization and is based on the six holes completed by Appia. This represents a subset of the total 22 holes drilled on the deposit and used in the WGM audit referred to below. Because only these six Appia holes were assayed for rare earths, the current Rare Earth Metals and Uranium Mineral Resource estimate has been restricted to the area of influence of this data and the historical drill holes have been necessarily excluded. The estimated U-REE resource is a smaller volume (tonnage) of mineralized rocks that is contained within the Prior Resource Estimate below which was a U-only resource estimate. In the Teasdale Zone, Appia's drilling during the winter 2007-08 exploration program confirmed historical intersections which were concentrated in an area west of Teasdale Lake, with holes ranging from less than 300 m to nearly 600 m in length. Former Rio Algom Chief Geologist Doug Sprague's historical resource estimate based on this drilling was audited by WGM and confirmed as a valid expression of the amount of uranium in the Teasdale Zone. Appia's drilling enlarged the area previously known to contain uranium resources and provided the basis for a NI 43-101 compliant Mineral Resources estimate. Using a cut-off grade of 0.60 lbs U₃O₈/ton, WGM's prior estimate showed that the Teasdale deposit (being that part of the Teasdale Zone which contains economically interesting uranium-rare earth metal mineralization and herein referred to as the "Teasdale Deposit") contained an Indicated Mineral Resource of 17.4 million tons (15.8 Mt) with an average grade of 1.10 lbs U₃O₈/ton (0.55 kg U₃O₈/t) and an Inferred Mineral Resource of 48 million tons (43.5 Mt) at the same grade. The Banana Lake Inferred Resources were estimated by Kurt Breede, who is also the co-author of the Technical Report. The two older estimates are summarized in the table below.

NI 43-101 Compliant Uranium Mineral Resources on the Appia Property
(using 0.6 lb U₃O₈/t cut-off)

Zone	Classification	Tons	S.G. (tons/m ³)	Average Grade (lb U ₃ O ₈ /ton)	Contained Uranium (lb U ₃ O ₈)
Banana Lake	Inferred Resources	30,315,000	3.14	0.912	27,638,000
Teasdale	Indicated Resources	17,400,000	3.14	1.10	19,000,000 *
	Inferred Resources	48,000,000	3.14	1.10	52,700,000 *

* All tonnage and total lbs U₃O₈ amounts rounded to nearest thousand or thousandth. Totals may not add up due to rounding

Notes:

1. The Mineral Resources are effective as of July 18, 2011.
2. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, socio-political, marketing, or other relevant issues.
3. The quantity and grade of reported Inferred Resources in this estimation are uncertain in nature and there has been insufficient exploration to define these Inferred Resources as an Indicated or Measured Mineral Resource and it is uncertain if further exploration will result in upgrading them to an Indicated or Measured Mineral Resource category.

4. The Mineral Resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council December 11, 2005.
5. S.G. of 2.85 tonnes/m³ (or 3.14 tons/m³) was used.
6. Indicated amounts may not precisely sum due to rounding.

WGM believes that the close association between the uranium and rare earth metals supports suppositions regarding the areas of the Teasdale Zone defined by historical drilling but untested by Appia. If the U-REE resource is extrapolated in a linear sense to cover the entirety of the Teasdale Zone as previously estimated by WGM, then the total REE resources would be expected to increase substantially given that the total contained uranium outlined to date is approximately 19 Mlbs (Indicated) and 53 Mlbs (Inferred). If the REE:U ratio is sustained throughout the deposit, then the Teasdale Zone as outlined by historical and current drilling should contain between 400 to 450 Mlbs of total REEs¹ at an average grade of approximately 3 to 4 lbs/ton, most of which will be La (\$93/kg), Ce (\$96/kg) and Nd (\$150/kg) with significant amounts of Y (\$105.50/kg), Gd (\$100.50/kg) and Pr (\$138.50/kg). In WGM's opinion, this represents the conceptual exploration target for the Teasdale Zone that is now being explored by Appia. The potential quantity and grade is conceptual in nature, there has been insufficient exploration to define a mineral resource and it is uncertain if further exploration will result in the target being delineated as a mineral resource. The prices for REEs at July 18, 2011 as set out in the Technical Report enable the REEs to add considerable value (>\$100/ton) to Teasdale mineralization over and above the value of the uranium. As the Teasdale Deposit is not currently well constrained by drill hole data, and is open laterally in all directions, the expected TREE content should be greater yet, although additional drilling as recommended in the Technical Report will be required to prove or disprove this concept.

The aforementioned U-REE resources offer a different and arguably more representative approach to the resources of the Teasdale Deposit, however REE data is not available for part of this zone as explained above.

Saskatchewan Properties:

Appia holds a 90% interest in a 14,718 hectare uranium prospect located next to the Cluff Lake, Saskatchewan uranium mine and a 50% interest in three rare earth properties located in the Athabasca Basin.

In addition, it has staked an additional property covering 5,306 hectares to enhance its holdings in this highly prospective area. The Company intends to complete some exploration work on these properties when market conditions improve and after the completion of a financing.

Results of Operations

Total operating expenses for the three months ended December 31, 2012 were \$160,090 compared to \$195,280 in 2011. The major contributions to the year over year decrease is the decrease in the non-cash share based payments to \$62,483 for the three months ended December 31, 2012 compared to \$134,727 for same period of the previous year, offset somewhat by the increases in professional fees to \$62,715 compared to \$34,821 for the comparable period of the previous year and an increase in management fees and salaries as a result of the addition of a Chief Financial Officer.

Interest income was \$6,368 for the three months ended December 31, 2012, compared to \$14,764 for 2011. The decrease is primarily due to a lower cash position in 2012 as compared to 2011.

The Company's net loss and comprehensive loss for the three months ended December 31, 2012 was \$74,906 or \$0.00 per share (\$179,747 or \$0.00 loss per share for the three months ended December 31, 2011).

¹ Equivalent to the total contained uranium oxide in the 2008 WGM uranium-only resources estimate for the entire Teasdale Zone divided by the uranium oxide contained in the current resource estimate based solely on the recent Appia drilling and then multiplied by the current TREE content.

Selected Quarterly Information

2011/2012	Dec 31, 2012	Sep 30, 2012	Jun 30, 2012	Mar 31, 2012
	\$	\$	\$	\$
Net (loss) and comprehensive (loss)	(74,906)	(108,100)	(276,213)	(605,361)
Net loss per share – basic and diluted	(0.00)	(0.00)	(0.01)	(0.01)
Total assets	7,466,699	7,701,563	7,529,730	7,545,874

2010/2011	Dec 31, 2011	Sep 30, 2011	June 30, 2011	Mar 31, 2011
	\$	\$	\$	\$
Net profit/(loss) and comprehensive profit/(loss)	(179,747)	(278,305)	(119,415)	(609,793)
Net loss per share – basic and diluted	(0.00)	(0.01)	(0.00)	(0.01)
Total assets	7,627,152	7,608,016	7,622,843	7,668,851

Capital Resources and Liquidity

At December 31, 2012, the Company had working capital of \$1,020,068 compared to \$3,362,533 as at December 31, 2011. As the Company has no operating revenue, it continues to be funded with equity based private placements. At December 31, 2012, the Company had fulfilled all of its obligations to spend money raised in flow-through financings on eligible expenditures. The Company's exploration of its properties, which includes drilling and other evaluation programs, is dependent on raising sufficient capital resources. The Company's fixed monthly costs are approximately \$15,000; it has enough financial resources to continue operation through to the end of the current fiscal year. The funds generated from flow-through financings enable the Company to pursue its planned exploration activities. Additional funding will be required to maintain ongoing operations and to fully pursue the exploration and development of its properties. The Company's ability to meet its obligations and continue as a going concern continues to be dependent on the ability to identify and complete future financings. While the Company has been successful in raising financings to date, there can be no assurance that it will be able to do so in the future.

Common Share Data

The Company is authorized to issue an unlimited number of no par value common shares. The following table provides the details of changes in the number of issued common shares:

	<i>Number</i> #	<i>Amount</i> \$
Balance, September 30, 2011	41,584,358	7,796,776
Flow-through common shares issued, net	9,000	11,250
Common shares issued November 15, 2011	20,720	25,900
Common shares issued December 30, 2011	2,000	2,500
Less: Value associated with warrants issued	-	(1,302)
Balance, September 30, 2012	41,616,078	7,835,123
Balance, December 31, 2012	41,616,078	7,835,123

On November 15, 2011, the Company completed a private placement of 20,720 working capital units ("WC unit") at \$1.25 per unit for gross proceeds of \$25,900. Each WC unit consists of one common share of the Company and one-half of a common share purchase warrant. These warrants expired on November 15, 2012.

On November 15, 2011, the Company completed a private placement of 9,000 flow-through units ("FT unit") at \$1.50 per unit for gross proceeds of \$13,500. Each FT unit consists of one flow-through share ("FT share") of the Company and one-half of a common share purchase warrant. These warrants expired on November 15, 2012.

On December 30, 2011, the Company completed a private placement of 2,000 working capital units ("WC unit") at \$1.25 per unit for gross proceeds of \$2,500. Each WC unit consists of one common share of the Company and one-half of a common share purchase warrant. These warrants expired on December 30, 2012.

Common share purchase stock options

The Company has created a stock option plan for the benefit of directors, officers and consultants. The total number of shares which may be reserved and set aside for issuance to eligible persons may not exceed 10% of the issued and outstanding common shares. As at December 31, 2012, 2,200,000 common shares were reserved for the exercise of stock options granted under the Company's stock option plan (the "Plan").

The following table provides the details of changes in the number of issued common share purchase options during the period:

	Options #	Weighted-average exercise price \$
Outstanding at September 30, 2011	1,400,000	1.25
Granted	800,000	1.25
Outstanding at September 30, 2012	2,200,000	1.25
Outstanding at December 31, 2012	2,200,000	1.25
Options exercisable at December 31, 2012	1,800,000	1.25

At December 31, 2013 the Company has stock options outstanding as follows:

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
1,000,000	1,000,000	37.6 months	\$1.25	February 17, 2016
400,000	400,000	42.5 months	\$1.25	July 14, 2016
400,000	200,000	48.8 months	\$1.25	January 23, 2017
400,000	200,000	49.0 months	\$1.25	February 1, 2017
2,200,000	1,800,000			

Outstanding common share purchase warrants

The following table provides the details of changes and the number of outstanding common share purchase warrants:

	Number #	\$
Balance September 30, 2011	1,353,915	117,091
Private placement warrants issued	15,860	1,302
Warrants expired	(1,353,915)	(117,091)
Balance September 30, 2012	15,860	1,302
Warrants expired	(15,860)	(1,302)
Balance December 31, 2012	Nil	Nil

As at December 31, 2012, the Company had 41,616,078 common shares and 2,200,000 stock options outstanding. The fully diluted number of common shares that could be outstanding as at December 31, 2012 is 43,816,078.

As at February 20, 2013, the Company had 41,616,078 common shares and 2,200,000 stock options outstanding. The fully diluted number of common shares that could be outstanding as at February 20, 2013 is 43,816,078.

Related Party Transactions

During the three months ended December 31, 2012, the Company incurred related party expenses of \$27,000 (2011 – \$18,000). These expenses related to management fees paid to Tom Drivas, Chief Executive Officer, Michael D’Amico, Chief Financial Officer and office administration services paid to a Company where Tom Drivas is a director and officer. At December 31, 2012, \$313,306 (2011 - \$253,306) of accumulated related party expenditures is outstanding and is included under accounts payable and accrued liabilities. The amount charged for office administration services is included under office and general expenses.

Share based payments to management and directors for the three months ended December 31, 2012 were \$62,483 (2011 - \$134,727).

Key management personnel were not paid post-retirement benefits, termination benefits or other long-term benefits during the three months ended December 31, 2012.

During the three months ended December 31, 2012, the Company incurred expenses of \$33,675 (2011- \$20,271) for legal fees to a law firm related to a senior officer and director of the Company, William R. Johnstone. At December 31, 2012 \$46,885 (2011 – \$ 13,645) was due and payable to this related party.

As disclosed in Note 5(a) of the Financial Statements, the Company’s major exploration property was acquired from a related party.

Contingency

In January of 2013, the Company was served with a summons under Section 24 of the *Provincial Offences Act* charging the Company with an offence under Section 36(1) of the *Lakes and Rivers Improvement Act*, R.S.O. 1990, Chapter L.3 and Section 2(1)(d) Ontario Regulation 453/96 made under the *Public Lands Act*, R.S.O. 1990, Chapter P.43 relating to a minor incident that occurred in July of 2012 during the Company’s summer drill program at Elliot Lake. The Company has not received any further particulars of the offence or the details relating thereto and is investigating the matter. No allegations have been proven in court and it is not possible to determine the amount of any liability to the Company at this time. While the Company and the drilling contractor retained by the Company both maintain insurance coverage, it is not possible to determine whether such insurance is applicable or adequate at this time. The Company is of the view that it took all steps necessary at the time to alleviate the problem and will take all steps necessary to ensure appropriate remediation has been effected once it is able to obtain full particulars of the offence from the prosecutor.

Subsequent events

On February 12, 2013 the Company staked three uranium and rare earth properties encompassing 5,128 hectares and on February 19, 2013, an additional uranium and rare earth property encompassing 279 hectares. The total consideration and costs to hold a 100% interest in these properties, which are all located in the Athabasca Basin area of Saskatchewan, was \$3,377.

Carrying value of mining and exploration properties

The Company regularly reviews the carrying value of its properties for impairment to determine whether the carrying amount of these assets will be recoverable from future cash flows. Assumptions underlying the cash flow estimates include the forecasted prices for uranium and rare earth elements, production levels, and operating, capital, exploration and reclamation costs, which are subject to risks and uncertainties. Management has determined that as at December 31, 2012, there is no impairment of carrying value on its Ontario and Saskatchewan properties.

Off-Balance Sheet Arrangements

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

Financial Instruments and Other Instruments

The Company is required to disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet dates, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The Company's financial instruments recognized in the balance sheet consist of cash, and cash equivalents, HST/GST receivable and current liabilities. The fair value of these financial instruments approximate their carrying value due to the short maturity or current market rate associated with these instruments.

Risk Factors

There are a number of risks that could affect Appia's business prospects. They include the speculative nature and the ability to finance the exploration and development of the Company's mineral properties, operating hazards, environmental and other government regulations, competition in the marketplace, markets for the Company's securities and the demand for gold and base metals. In the future, the Company's viability will depend on the successful definition of recoverable and economic resources and the establishment of positive comprehensive feasibility studies leading to production decisions. After completion of positive feasibility studies, the Company's success is dependent on maintaining the title and beneficial interest in the properties, obtaining the necessary governmental approvals and the successful financing, construction and operation of a facility to profitably extract the contained metals.

Exploration Risk

Mineral exploration and development involve a high degree of risk. A very low percentage of exploration projects ultimately evolve into producing mines. There is no assurance that the Company's future exploration and development activities will result in the definition of a commercial ore body. The viability of an ore body depends on a number of factors which include, but are not limited to, location, size, grade, geometry of ore body, availability of experienced labourers, proximity to existing infrastructure, metal prices and government regulations, including environmental restrictions.

Financial Capability and Additional Financing

The Company has working capital of approximately \$991,000 at February 20, 2013, has no source of operating income and has no assurance that additional funding will be available to it for further exploration and development of its projects. Although the Company has been successful in the past, in financing its activities through the sale of equity securities, there can be no assurance that it will be able to obtain sufficient financing in the future to continue as a going concern.

Fluctuating Prices

The prices of uranium and rare earth elements have fluctuated widely in recent years and are affected by factors beyond the control of the Company. International economic and political trends, currency exchange fluctuations, economic inflation and expectations for the level of economic inflation in the consuming economies, interest rates, global and local economic health and trends are some of the factors that could impact on the viability of the Company's exploration projects that are impossible to predict with certainty.

Environment

Both the exploration and production phases of the Company's operations will be subject to environmental protection regulations in the jurisdictions in which it operates. Globally, environmental legislation is evolving towards stricter standards and enforcement, more stringent environmental impact assessments of new mining projects and increasing liability exposure for companies and their directors and officers. There is no assurance that future environmental regulations will not adversely affect the Company's operations.

Cash Flow

The Company's properties are all in an early stage of exploration and as a result, the Company has no source of operating cash flow. Failure to obtain additional financing could result in a delay or indefinite postponement of further exploration with the possible loss of such properties. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company will require new capital to continue to operate its business and to continue exploration on its various properties, and there is no assurance that capital will be available when needed, if at all.

Title Matters

The mining claims in which the Company has an interest have not been surveyed and, accordingly, the precise location of the boundaries of the claims and ownership of mineral rights on specific tracts of land comprising the claims may be in doubt. Such claims have not been converted to lease and tenure, and as a result, are subject to annual compliance with assessment work requirements. Other parties may dispute the Company's title to its mining properties. While the Company has diligently investigated title to all mineral claims and, to the best of its knowledge, title to all properties is in good standing; this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers or land claims, including First Nations land claims, and title may be affected by undetected defects. There is no guarantee that title to the Company's properties or its rights to earn an interest in its properties will not be challenged or impugned. Also, in many countries, including Canada and the USA, claims have been made and new claims are being made by aboriginal peoples that call into question the rights granted by the governments of those countries in respect of resource properties.

Uncertainty in the Estimation of Mineral Resources

The figures for mineral resources contained in this MD&A are estimates only and no assurance can be given that the anticipated tonnages and grades will be achieved, that the indicated level of recovery will be realized or that mineral resources could be mined or processed profitably. Such estimation is a subjective process, and the accuracy of any mineral resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation.

The Company and WGM have carefully prepared and verified the mineral resource figures and believe the methods of estimating mineral resources have been verified by mining experience. All mineral resource estimates have been prepared in accordance with National Instrument 43-101 ("NI 43-101") and the Canadian Institute of Mining and Metallurgy ("CIM") Classification System. However, such figures are estimates, and no assurance can be given that the indicated level of mineral will be produced. Mineral resources that are not mineral reserves do not have demonstrated economic viability. There are numerous uncertainties inherent in estimating mineral resources, including many factors beyond the Company's control. Fluctuations in the prices of rare earth elements and uranium may render mineral resources containing lower grades of mineralization uneconomic. Market price fluctuations of rare earth elements and uranium may render the present mineral resources unprofitable for periods of time.

Fluctuation in rare earth elements and uranium prices, results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may require revision of such estimate. Any material reductions in estimates of mineral resources, or of the Company's ability to extract these mineral resources, could have a material adverse effect on the Company's operations and financial condition.

Land access

As of April 1, 2013, under the recently modified Mining Act, the Company is required to obtain permits to conduct exploration and evaluation activities on its Ontario properties. In management's view there is uncertainty concerning the First Nation's ability to comply with the legislation on a timely basis, and there is a risk of permitting delays. The impact of any delays on the Company's operations is unknown.

Outlook

Appia intends to advance the development of its extensive Elliot Lake rare earth and uranium resource within the next six months by:

- Reviewing the results of the current drilling and exploration program at the Teasdale Zone with the objective of increasing the rare earth resource and to work toward the completion of an updated NI 43-101 resource calculation
- Completing a Preliminary Economic Assessment of the various mining and milling options for the Teasdale Zone

Appia also intends to monitor market conditions and complete a financing to be used to advance the exploration activities on its Elliot Lake and Saskatchewan properties, including:

- Drilling at Banana Lake Zone with the objective of converting the substantial historical resources to NI 43-101 compliant standards and increasing the existing NI 43-101 resources
- Drill a large, untested, potentially higher grade area northwest of Banana Lake Zone.
- Drill other zones to explore in order to expand the potential mineralization.
- Reviewing all options for the development and advancement of the Teasdale Zone.
- Initiating exploration of the Saskatchewan properties.
- Considering joint venture opportunities and possible strategic partners

Special Note Regarding Forward-Looking Statements

Certain statements in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or the industry in which it operates, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. When used in this report, the words "estimate", "believe", "anticipate", "intend", "expect", "plan", "may", "should", "will", the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such forward-looking statements reflect the current expectations of the management of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from those expressed or implied by those forward-looking statements, such as reduced funding, currency and interest rate fluctuations, increased competition and general economic and market factors and including the risk factors summarized above under the heading "Risk Factors". New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A speak only as of the date hereof. The Company does not undertake or assume any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.

Additional Information

- (1) Additional information may be found on the Company's website at www.appiaenergy.ca.
- (2) The technical information included in this MD&A has been reviewed and approved by Al Workman, P.Geol. Senior Geologist, Watts, Griffis and McOuat Ltd., a Qualified Person in accordance with the Canadian regulatory requirements as set out in NI 43-101.