Management Discussion and Analysis

Year Ended August 31, 2011

This management discussion and analysis of financial position and results of operations ("MD&A") is prepared as at December 22, 2011 and should be read in conjunction with the audited financial statements for the year ended August 31, 2011 of Cap-Ex Ventures Ltd. ("Cap-Ex" or the "Company") with the related notes thereto. Those audited financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information related to the Company is available for viewing on SEDAR at www.sedar.com.

Description of Business

The Company was incorporated under the laws of the Canada Business Corporations Act (CBCA) on February 27, 2007 as "6727034 Canada Ltd." and subsequently changed its name to "Cap-Ex Ventures Ltd."

On January 14, 2008, the Company's shares began trading on the TSX-V Exchange, and its trading symbol is "CEV."

Cap-Ex Ventures Ltd is a mineral resource company engaged in the exploration and development iron ore properties ("the Properties") covering an area of over 121,000 hectares in the Labrador Trough region, near the town Schefferville Quebec. The Labrador Trough is one of the major iron ore producing regions in the world, situated in Canada in the Province of Newfoundland and Labrador and the Province of Quebec.

The Properties are divided into two regional groups: The Schefferville Properties 65,000 hectares and the Lac Connelly Property 56,000 hectares. The Schefferville Properties are primarily located in Newfoundland and Labrador comprise of the Block 103, Redmond, Porky Lake and Snelgrove properties. The Lac Connelly Property is located in Quebec.

The Properties are held by a separate, wholly-owned subsidiary of the Company, Schefferville Iron Ore Exploration Corp.

Current Events (June 2011 to August 2011)

On June 15, 2011 the Company received and interpreted the preliminary data from the Airborne FALCON Gravity Gradiometer and High Sensitivity Magnetometer survey, which was conducted by Fugro Airborne Surveys Corp., over the Company's wholly owned Block 103 and Redmond properties in the Labrador trough near Schefferville, Quebec. Multiple DSO and magnetite targets were identified on Block 103 and Redmond.

On June 15, 2011, the Company began trading on the OTCQX international tier under the symbol: CPXVF.

On June 22, 2011 the Company received and interpreted the preliminary data from the Airborne FALCON Gravity Gradiometer and High Sensitivity Magnetometer survey, conducted by Fugro Airborne Surveys Corp, conducted over the Company's wholly owned Lac Connelly property located in the Labrador Trough. Airborne identified high priority DSO targets at Lac Connelly.

On July 7, 2011 the Company announced that Sunrise Drilling Ltd., a company related with the chairman and a director of the Company, was awarded a contract to drill up to 15,000 metres at the Company's Block 103 and Redmond properties. Drilling commenced in July and continued through until the end of October. Approximately 5,660 metres of diamond drilling was completed on the Block 103 and Redmond properties and a two new magnetite mineralization zones were discovered, the "Greenbush Zone" and the "Northwest Zone".

Subsequent Events

On September 26, 2011 the Company announced the engagement of Strategic Aboriginal Consulting Inc. Strategic Aboriginal Consulting Inc.'s principal, Dave Kennedy, will lead Cap-Ex in engagement with the aboriginal communities and governments in whose traditional territories Cap-Ex is operating.

On November 8, 2011 the Company granted 600,000 incentive stock options to certain directors, officers, employees and consultants of the Company. The Options have a term of five (5) years and are exercisable at a price of $0.81 per common share.

The Company also issued 914,000 common shares pursuant to the exercise of warrants for cash proceeds of $542,900.

On November 21, 2011 the Company announced that its Board of Directors had adopted a Shareholders Rights Plan, which is subject to the approval of the shareholders and the TSX-V.

On December 1, 2011 the Company announced that they had signed a first agreement in a series of two planned agreements with the regarding the Company's exploration activities on its mining claims in Quebec and Newfoundland and Labrador.

On December 2, 2011 the Company announced a non-brokered private placement financing for the sale of 12,000,000 units at a price of $0.85 per unit for total gross proceeds of $10,200,000. Each unit is to consist of one common share of the Company and one share purchase warrant. Each warrant will entitle the holder to purchase one common share of the Company at the exercise price of $0.95 for a period of two years.

On December 21, 2011 the Company closed the first tranche (the "First Tranche") of the private placement of which comprised of 3,915,810 units. Proceeds from the First Tranche of the Private Placement totalled $3,328,438.50. The First Tranche of the Private Placement was comprised primarily of flow-through Units which were required to close prior to December 31, 2011.

As announced in the Company's news release of December 19, 2011, Francois Laurin and Brian Penney have joined the Board of Directors of the Company (replacing Christopher Farber and Edward Kruchkowski, who have resigned) concurrently with the closing of the First Tranche of the Private

Placement. In addition, Francois Laurin has been appointed President and CEO of the Company, effective immediately, in place of Brett Matich who has resigned as President and CEO but remains a Director of the Company. In addition, the Company entered into a new management agreement with Forbes & Manhattan, Inc. whereby the Company will pay a monthly management fee of $25,000 until December 2013.

Discussion on Properties

<u>The Labrador / Quebec Iron Ore Properties</u>

The Labrador / Quebec Iron Ore Properties cover a total land package of approximately 121,000 hectares. The Properties are divided into two regional groups: The Schefferville Properties 65,000 hectares and the Lac Connelly Properties 56,000 hectares.

<u>The Schefferville Properties:</u>

<u>Block 103</u>

Block 103 covers 7,200 hectares within the Labrador Trough, 30 kilometres northwest of the mining town of Schefferville near the border of Quebec, Canada. Block 103 is on strike to Tata Steel/New Millennium Iron Corp. magnetite deposits of KeMag and LabMag, which have a combined published Resource of approximately 8 billion tonnes.

In June, 2011 an airborne Gravity/Magnetometer survey was completed, which identified Block 103 to contain the most intense positive magnetic response in the iron belt.

From July to October 2011, 5,660 metres of diamond drilling was completed on the property and a two new magnetite mineralization zones were discovered, the "Greenbush Zone" and the "Northwest Zone".

The 2011 drilling program on Block 103's Greenbush Zone has enabled the Company to outline an area that could host significant magnetite mineralization. The outlined area called the Greenbush Zone, is underlain by a continuous magnetite bearing horizon (Sokoman Formation). (Refer Greenbush Zone map, which can be found at www.cap-ex.ca).

Based on the results of the 2011 drilling and airborne geophysical programs, the following interpretations can be formulated regarding the Greenbush Zone:

- The area with strong magnetite mineralization is at least 16 square kilometres in size. This Zone features very strong, coincident magnetic and gravimetric airborne anomalies, which show remarkable reliability as drilling targets. All 17 drill holes within the Greenbush Zone, publicly disseminated, have encountered a sequence of ore grade mineralization from 45 to 265 metres.

- The average length of the core intercepts of magnetite mineralization encountered in the 17 holes drilled in the Zone is 128 metres. This number is based on assays from 9 holes and the visual estimation of magnetite content in the remaining holes. The average true width of the magnetite mineralization is estimated at 110 metres.
- The western limb of the Greenbush Zone exhibits a folded sequence as observed in Hole 44. This 265 metre hole goes through the Sokomon Formation, exits the formation, and then re-enters in a reverse formation sequence.

- The mineralization starts near surface in most of the holes and is open in all directions.

The Northwest Zone:

This zone is also located on the Company's wholly owned Block 103 iron ore property, 30 kilometres northwest of the mining town of Schefferville, Quebec. This new zone is situated approximately 3 kilometres west of the Greenbush Zone, in the northwest portion of Block 103. The geology of the Northwest zone is very simple, forming a single horizon that strikes northwest to southeast and dips very gently (0-10 degrees) to the northeast.

The Northwest Zone was tested by 6 diamond drill holes over 5.3 kilometres of strike, with drill spacing ranging from 300 to 2,100 metres. The mineralization is near surface with average true thickness of approximately 90 metres. The grades range from 28% to 32% DTWR. (Refer to Northwest Zone f map on the company website at www.cap-ex.ca)

For 2012 the Company plans to feature an aggressive exploration program culminating in an initial mineral resource estimate within Block 103.

Redmond

The Redmond Properties are located 10 kilometres southwest of Schefferville, covering an area of 16,900 hectares. The claims include strategic ironstone stratigraphy of the Sokoman Formation and the probable southeast extension of the key trend along which large concentrations of hematite mineralization have been formed.

The Company acquired the claims through various purchase agreements and staking. Certain claims are subject to net smelter royalties ("NSR") ranging from 1% to 1.8%, which can be reduced for specified amounts.

Included in the Redmond property is an option agreement with Kal Malhi to acquire up to a 100% interest in certain claims. The agreement was signed in March 2011 and the Company can earn its initial 51% interest by making cumulative payments of $100,000 (which has been paid), issuing shares with a value of $1,000,000 of which $200,000 of shares have been issued and completing a work commitment of $1,000,000 of the next 3 years. After earning the initial 51%, the Company can earn the additional 49% prior to the fifth year anniversary for $500,000 in cash or common shares. The vendor retained a 2% NSR, or which 1% may be purchased for $1,000,000 in cash prior to the fifth year anniversary.

During the current year, the Company issued 173,900 shares to satisfy the first $200,000 share installment and 8,695 shares for the finders' fee.

In February 2011, the Company signed a finder's fee agreement related to the Redmond Properties. The agreement calls for a finder's fee equal to 5% of the cash and share issuances paid under the Option Agreement. All cash and share portions of the finder's fee are payable to the finder concurrently with the payments made to the Optionor of the Option Agreement.

In 2011 the Company completed an airborne gravity survey, which delineated multiple hematite anomalies within the Redmond property.

The Company's 2011 drilling program consisted of 14 RC holes. Hematite mineralization was encountered in 11 holes. The length of mineralized intervals ranged from 10 to 73 metres. The Company is awaiting assay and beneficiation results.

Porky Lake

The Porky Lake properties cover approximately 13,000 hectares of the Sokoman iron formation and lie 50 kilometres northeast of Schefferville. Historic reports by Iron Ore of Canada noted the Porky Lake properties contain abundant dark-blue heavy compact beds of hematite.

In 2011 the Company completed a field reconnaissance program, which returned encouraging results from surface. This included 1.2 metres of blue dense hematite grading 62.65% iron with samples taken over 750m.

Snelgrove

The Snelgrove mineral claims cover an area of approximately 27,900 hectares, located 50 kilometres south of Schefferville. The claims are adjacent to properties reported to have occurrences of hematite.

Lac Connelly Property:

The Lac Connelly iron ore property in Quebec, covers an area of approximately 56,000 hectares, located approximately 250 kilometres north of Schefferville.

In 2011, the Company completed an airborne magnetometer and gravity survey that identified multiple hematite targets.

On site field mapping visit identified two hematite horizons, the first was 2.5 kilometres long and 30 meters wide. The second horizon was 1.2 kilometres long and at least 50 meters wide.

The Company is awaiting beneficiation results.

Tay-LP Property, Yukon

The Tay-LP property is located within the Tintina Gold Belt approximately 75 kilometres south of the town of Ross River in the Yukon Territory. The property consists of 413 claims covering a 20 km-long by 4 km-wide belt of gold prospects (8,000 hectares) on which several million dollars have been spent on exploration since 1984.

Cap-Ex can earn a 50% interest in the Tay-LP property by making property payments totalling $230,000, issuing 200,000 common shares, spending $675,000 in exploration expenditures and maintaining the underlying option agreement in good standing until October, 2011.

On July 10, 2010, the Company signed an Amendment Agreement to the Option Agreement whereby it was agreed that the Company would become the Operator as opposed to Canarc Resource Corp. as originally agreed in the Option Agreement.

In October 2010, the Company completed a 470 kilometre, helicopter-borne, VTEM geophysical survey over the Tay-LP gold property in the Yukon Territory. Upon receipt of the geophysical data and interpretive maps from the geophysical contractor, Geotech Ltd., the Company will prioritize the most favourable geophysical targets for follow-up, including more detailed ground geophysics, geological mapping and diamond drilling, in 2011.

On March 18, 2011, the Company terminated its option agreement with Canarc Resource Corp. on the Tay-LP Property and as a result, wrote off mineral property expenditures of $242,830.

Qualified Persons

Scientific and technical information disclosed herein has been reviewed by Alex Walus, PGeo., a qualified person pursuant to National Instrument 43-101 and the Exploration Manager of the Company.

Except where otherwise stated, the resources referred to in this document are historical and have not been confirmed in accordance with the standards of NQ 43-101.

The terms “iron ore” and ore in this document are used in a descriptive sense and should not be construed as representing current economic viability.

Social / First Nations

The Company is fully committed to working with First Nations / Aboriginal Groups and believes that ethical mining and exploration requires the involvement and real economic participation of these groups as well as efforts, on the part of exploration companies, to reduce any impact on traditional lands and traditional activities.

In September 2011, the Company engaged the services of Strategic Aboriginal Consulting Inc. Strategic Aboriginal Consulting Inc.’s principal, Dave Kennedy, will lead Cap-Ex in engagement with the aboriginal communities and governments in whose traditional territories Cap-Ex is operating.

On November 30, 2011, the Company signed a first agreement (the “Agreement”) with Innu Takuaikan Uashat mak Mani-Utenam (“ITUM”) in a series of two planned agreements regarding the Company’s exploration activities on its mining claims in Quebec and Newfoundland and Labrador. The Agreement contains commitments by the Company and ITUM to negotiate a second, finalized Exploration Agreement by February 29, 2012. If the Exploration Agreement cannot be reached by this date, the Agreement will be terminated.

The Agreement calls for a payment of $100,000 to ITUM upon execution and an additional payment to ITUM in the amount of $25,000 as full and final compensation for the negotiation and consultation expenses incurred by ITUM in connection with the negotiation of the Agreement and Exploration Agreement. Additional payments and shares are payable upon execution of the second agreement.

Selected Annual Financial Information

	Year ended August 31, 2011	Year ended August 31, 2010	Year ended August 31, 2009
Operating Expenses	$ 4,413,878	$ 132,152	$ 167,462
Loss for the period	(4,615,784)	(107,086)	(167,462)
Loss per Share – Basic and Diluted	(0.17)	(0.01)	(0.04)
Total Assets	22,953,925	677,733	7,093
Long Term Liabilities	2,357,107	-	-
Cash Flows From (Used In):			
Operating activities	$ (1,947,413)	$ (197,014)	$ (103,603)
Investing activities	(4,236,783)	(59,600)	-
Financing activities	14,510,193	848,922	5,557
Net Increase (decrease) in cash	$ 8,325,997	$ 592,308	$ (98,046)

Quarterly Information

The following table sets forth selected unaudited financial information prepared by management of the Company:

	Three Months Ended August 31, 2011	Three Months Ended May 31, 2011	Three Months Ended February 28, 2011	Three Months Ended November 30, 2010
Total assets	$ 22,953,924	$ 20,620,926	$ 1,022,105	$ 658,248
Working capital (deficiency)	9,081,482	11,439,692	530,792	394,806
Loss and comprehensive loss for the period	(564,139)	(3,771,052)	(195,679)	(84,914)
Loss per share (basic and diluted)	(0.01)	(0.10)	(0.01)	(0.01)

	Three Months Ended August 31, 2010	Three Months Ended May 31, 2010	Three Months Ended February 28, 2010	Three Months Ended November 30, 2009
Total assets	$ 677,733	$ 184,096	$ 201,234	$ 23,651
Working capital (deficiency)	575,816	122,604	181,120	(61,819)
Loss and comprehensive loss for the period	(42,988)	(30,516)	(6,061)	(27,521)
Loss per share (basic and diluted)	(0.00)	(0.01)	(0.00)	(0.00)

Results of Operations

During the year ended August 31, 2011, the Company recorded a loss of $4,615,784 compared to a loss of $107,068 for the year ended August 31, 2010. The significant changes during the year ended August 31, 2011 compared to the year ended August 31, 2010 are as follows:

Professional fees increased to $266,662 during the year ended August 31, 2011 from $60,751 during the year ended August 31, 2010 as the Company increased activity.

Consulting fees increased to $487,718 during the year ended August 31, 2011 from $12,000 during the year ended August 31, 2010. Consulting requirements increased due to the start of the Company's exploration program on its iron ore properties. Also, during the year ended August 31, 2010, directors and officers did not charge any consulting fees for their services.

Investor relations ("IR") increased to $295,381 during the year ended August 31, 2011 from $3,999 during the year ended August 31, 2010 as the Company increased activity and engaged the services of IR related firms.

Stock based compensation increased to $2,916,806 during the year ended August 31, 2011 from $Nil during the year ended August 31, 2010. The increase was due to the granting of stock options during the year.

Transfer agent and filing fees increased to $63,675 during the year ended August 31, 2011 from $27,329 during the year ended August 31, 2010. The increase was due to the financing and various share issuances related to property acquisitions and a general increase in activity.

Travel and related costs increased to $280,871 during the year ended August 31, 2011 from $11,628 during the year ended August 31, 2010 as the Company increased activity related to property visits to Schefferville, and increased travel associated with investor relations and financings.

Liquidity and Capital Resources

The Company has financed its operations to date through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity and/or debt.

As at August 31, 2011, the Company had a working capital position of $9,081,482 and a cash position of $8,921,687 while at August 31, 2010, the Company had a working capital position of $578,938 and a cash position of $595,690. The increase in working capital of $8,502,544 was mainly due to issuance of equity in order to complete acquisitions.

Although the Company has cash of $8,921,687 it does not currently have any revenue generating assets or operations. The Company will require additional financial resources to explore, quantify and develop its mineral properties. The continued operations of the Company and the recoverability of the amounts reported for resource property interests is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development programs, and upon future profitable production.

Related Party Transactions

During the year ended August 31, 2011, the Company entered into the following transactions with related parties, not disclosed elsewhere in these financial statements:

i. Incurred consulting fees of $95,000 (August 31, 2010 - $Nil) to a company controlled by the chairman and director of the Company.
ii. Incurred consulting fees of $95,000 (August 31, 2010 - $Nil) to a director of the Company.
iii. Incurred consulting fees of $141,370 (August 31, 2010 - $Nil) to a company controlled by the former CEO and a director of the Company. As at August 31, 2011, $13,542 (August 31, 2010 - $Nil) was included in accounts payable for fees and expense reimbursements.
iv. Incurred consulting fees of $108,500 (August 31, 2010 - $Nil) to the CFO of the Company. As at August 31, 2011, $760 (August 31, 2010 - $Nil) was included in accounts payable for fees and expense reimbursements. The Company also paid $50,000 as a retention bonus, which is refundable if services are not provided for a period of two years. This amount is reported as a prepaid expense.
v. Incurred legal fees of $140,400 (August 31, 2010 - $10,914) to a company controlled by a director of the Company. As at August 31, 2011, $16,600 (August 31, 2010 - $Nil) was included in accounts payable for fees and expense reimbursements.
vi. Incurred drilling expenditures of $1,332,760 (August 31, 2010 - $Nil) to a company controlled by the spouse of the chairman and a director of the Company.
vii. Incurred rent expense of $32,000 (2010 - $Nil) to company related by way of common directors and an officer.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

Off Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Adoption of New Accounting Standards

Business Combinations, Non-controlling Interest and Consolidated Financial Statements

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations, (“Section 1582”), 1601, Consolidated Financial Statements, (“Section 1601”) and 1602, Non-controlling Interests, (“Section 1602”) which replaces 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 International Financial Reporting Standards (“IFRS”). Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company’s annual consolidated financial statements for its fiscal year beginning September 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other relevant sections must also be adopted at the same time.

The Company has adopted the above standards and reflects its effect on the Company's consolidated financial statements as of August 31, 2011. There was no impact on the Company's August 31, 2010 financial statements figures.

International financial reporting standards ("IFRS")

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 Canadian GAAP. This date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of September 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended August 31, 2011.

The Company completed a preliminary IFRS transition assessment which highlighted several key areas of difference between existing Canadian GAAP and IFRS, specifically, the treatment of stock options, the property, plant and equipment, the calculation of asset retirement obligations, long term debt, and future income taxes.

The Company has completed its key employee IFRS training and has substantially completed its review of key accounting issues identified by its scoping review. To-date, the Company has identified the following key areas of potential difference with respect to the accounting for:

- Share-based payments – Canadian GAAP allows the preparer to choose from two options, namely

  a) treating all options granted at a particular date and with the same terms and conditions as one pool (pooling method) and
  b) treating options with different vesting dates as different grants (vesting method). The cost of such options is calculated according to Black-Scholes for both methods.

For the pooling method, the total expense is amortized on a straight line basis over the longest vesting period of all of the options in the pool resulting in equal charges to income over the period. The vesting method looks at each vesting and the expense associated with that particular vesting and amortizes that in a straight line. This second method front end loads the expense so that although available, this method is rarely used under Canadian GAAP. Under IFRS, the vesting method is the only method that may be used.

- Flow through shares – Canadian GAAP has specific guidance on the treatment of flow-through shares, however, IFRS does not and it will be necessary to adjust shareholders' equity for the issuance of these instruments on the adoption of IFRS.

- Mineral property costs – The Company has evaluated its existing policy for exploration cost accounting and does not expect any of the differences between IFRS and Canadian GAAP to impact its accounting for exploration costs.

- Property, plant and equipment – The Company has the option of accounting for its property, plant and equipment at fair value or continuing to use historical cost. The Company is currently evaluating its options.

On changing to IFRS, the Company will be eligible to make elections under the standard for the transition to IFRS, namely IFRS 1 – First Time Adoption. In some cases, the changes that would otherwise have been retrospective are, with election, applicable from the date of transition and prospectively; in a number of other cases, there is a mandatory approach to deal with the effects of the changes. Where an election is available, the Company is currently reviewing the selection of a suitable option. Typically, IFRS requires significantly more disclosure than is the case under current Canadian GAAP, particularly with respect to the notes to the financial statements. The Company will be reviewing its data collection and reporting systems to ensure that the requisite information will be available and reliable.

The Company has completed a preliminary review of the above areas of potential difference on its information systems and does not think the impact will be significant and therefore is not planning any changes in its software. However, new internal controls with respect to new methods of accounting and financial reporting will be adopted as these new systems, policies and procedures are established.

The Company is still in the process of assessing the impact of IFRS on its financial statements. The next project phase consists of developing new IFRS-compliant accounting policies, implementation of these policies, calculating the Company's opening balance sheet under IFRS as at March 1, 2010, related testing and additional training as required. The Company expects to have developed new IFRS-compliant accounting policies and calculated its opening balance sheet under IFRS by the end August 2011.

Based on the work the Company has completed to-date, the most significant differences between IFRS and Canadian GAAP are expected to be terminology, financial statement presentation and disclosure. No material quantitative differences have been identified as a result of the impact assessments completed to-date, however, this is subject to change based on the Company's ongoing review and continued changes to the IFRS standards.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

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

The Company's financial instruments consist of cash and cash equivalents, restricted cash, receivables, sales tax receivable, and accounts payable and accrued liabilities. The fair value of these financial instruments other than cash and cash equivalents and restricted cash, approximates their carrying values due to their short term nature. Cash and cash equivalents and restricted cash are measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including credit, currency, interest rate and liquidity risk.

a) 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's primary exposure to credit risk is on its cash and cash equivalents. Bank accounts are held with a major bank in Canada. As a Canadian bank holds a majority of the Company's cash and cash equivalents, there is a concentration of credit risk with one bank in Canada. The risk is managed by using a major bank that is a high credit quality financial institution as determined by rating agencies. As at August 31, 2011, the Company's maximum exposure to credit risk is the carrying value of cash and cash equivalents.

b) Currency risk

The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar. The Company has determined that there is very limited currency risk at this time.

c) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is a very limited interest rate risk as the Company holds no interest-bearing debt.

d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company requires funds to finance its business development activities. In addition, the Company, from time to time, needs to renegotiate and service its debt facilities. There is no assurance that financing will be available or, if available, that such financings will be on reasonable terms.

Risk, Uncertainties and Outlook

As the Company is in the mineral resource acquisition and exploration industry, the Company is exposed to a number of risks, including the financial risks associated with the fact that it has no operating cash flow and must access the capital markets to finance its activities.

There can be no assurances that the Company will continue to be able to access the capital markets for the funding necessary to acquire and maintain exploration properties and to carry out its desired exploration programs. In addition to this having an impact on any future wholly-owned projects, the Company could find itself in a position at a future time where it is unable to fund its share of costs incurred under joint venture agreements to which it is a party, and its interest in such joint ventures could be reduced or eliminated as a result.

The Company is very reliant upon its existing management, and if the services of such personnel were withdrawn for any reason, this could have a material adverse impact on the Company's operating activities.

There is intense competition within the minerals industry to acquire properties of merit, and the Company competes with other companies possessing greater technical and financial resources than itself. Even if desirable properties are secured, there can be no assurances that the company will be able to execute its exploration programs on its proposed schedules and within its cost estimates, whether due to weather conditions in the areas where it operates, increasingly stringent environmental regulations and other permitting restrictions, or other factors related to exploring in areas that lack infrastructure, such as the availability of essential supplies and services.

Over the past several years, the prices of commodities have increased substantially, stimulating a rapid growth in exploration expenditures and intensifying the competition for talent and services. These conditions are leading to increased costs and difficulties in scheduling contractors at times that are optimal from the Company's perspective.

The Company's future exploration activities may require permits from various governmental agencies charged with administrating laws and regulations governing exploration, labour standards, occupational health and safety, control of toxic substances, waste disposal, land use, environmental protection and other matters. Failure to comply with laws, regulations and permit conditions could result in fines and/or stop work orders, costs for conducting remedial actions and other expenses. In addition, legislation changes to existing laws and regulations could result in significant additional costs to comply with the revised terms and could also result in delays in executing planned programs pending compliance with those terms.

Outstanding Share Data

As at the date of this MD&A report, the Company has:

a) 48,579,708 common shares outstanding, of which 4,539,272 common shares are held in escrow;
b) 14,438,924 warrants outstanding;
and
c) 4,360,000 stock options outstanding.

Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed at www.sedar.com. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Cautionary Statement on Forward Looking Information

Cautionary Note Regarding Forward-looking Information
Certain statements in this document contain "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the terms and closing date of the financing, the projected use of proceeds from the financing and the impact of the board and management appointments on the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or

achievements of the Company to be materially different from those expressed or implied by such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

This MD&A has been approved by the Board on December 22, 2011.