MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the nine months ended December 31, 2011

February 28, 2012

General

This Management Discussion and Analysis ("MD&A") is dated February 28, 2012 and is in respect of the nine months ended December 31, 2011. The following discussion of the financial condition and results of operations of Rare Earth Metals Inc. (the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the nine months ended December 31, 2011.

The discussion should be read in conjunction with the condensed consolidated interim financial statements and corresponding notes to the condensed consolidated interim financial statements for the nine months ended December 31, 2011. The Company's condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars.

Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com

History of the Company

Rare Earth Metals Inc., formerly East Energy Corp. (the "Company" or "Rare Earth") is a Canadian development stage public company focused on the acquisition and development of mineral properties. The Company's common shares are listed on TSX Venture Exchange under the trading symbol "RA" and on the OTCQX under the trading symbol "RAREF".

On December 16, 2009, the Company completed the acquisition of a private company known as REM Metals Inc. ("REM", formerly Rare Earth Metals Inc.) by acquiring all of the issued and outstanding shares of REM by issuing one common share of the Company for each common share of REM (the "Transaction"). As a result, the Company issued 39,630,000 common shares (approximately 54% of the issued shares of the Company) to the shareholders of REM. This transaction is considered to be a reverse takeover transaction and under the provisions of EIC 10, the Company is considered to be a continuation of REM. REM is now a wholly owned subsidiary of the Company. Refer also to note 4 of the audited March 31, 2011 consolidated financial statements.

Reverse Takeover and Comparative Figures

As described above, the condensed consolidated interim financial statements are inclusive of the completion of a reverse takeover transaction, recorded in the period, whereby REM Metals Corp., the continuing entity for accounting purposes is considered to have acquired the assets and liabilities of East Energy in a business combination pursuant to the provisions the CICA Handbook EIC 10.

REM was incorporated on June 16, 2009 and its first fiscal year end was for the period from incorporation to March 31, 2010 ("Fiscal 2010"). The Company was inactive during the period from June 16, 2009 to June 30, 2009 and, accordingly, there are no comparative figures for that period.

The cost of the acquisition was allocated to the net identifiable assets of Rare Earth at December 16, 2009 as follows:

Cash	$ 176,400
Short-term investments	6,650,000
Other working capital	4,129
Exploration and evaluation assets	1,020,000
Property and equipment	13,852
Net assets acquired	$ 7,864,381

Going Concern

The condensed consolidated interim financial statements of the Company for the nine months ended December 31, 2011 have been prepared in accordance with International Financial Reporting Standards ("IFRS") on the basis applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, and the ability of the Company to raise additional capital. Specifically, the recovery of the Company's investment in mineral properties and exploration expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop its properties and establish future profitable production from the properties, or from the proceeds of their disposition.

The Company is a development stage Company and has not earned any significant revenue to date, is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Overview of Business

The focus of the Company is to seek out and explore mineral properties of potential economic significance and advance these projects through prospecting, sampling, geological mapping and geophysical surveying, trenching, and diamond drilling in order for management to determine if further work is justified. The Company's property portfolio consists of projects focusing on rare earth metals.

Financial and Operational Performance

Financial Condition

The Company's cash balance as at December 31, 2011 was $351,414 (March 31, 2011: $167,467) as well as short-term investments totaling $2,290,606 (March 31, 2011: $7,470,664). All investments are held in fully liquid instruments with Canadian Financial Institutions.

Current assets of the Company as at December 31, 2011 were $3,293,060 compared to $8,011,020 as at March 31, 2011. The decrease was attributable to the redemption of short-term investments for the purpose of exploration and general expenditures.

Total assets as at December 31, 2011 were $6,423,718 compared to $10,498,223 as at March 31, 2011, a decrease resulting from the redemption of short-term investments for the purpose of exploration and general expenditures.

Current liabilities as at December 31, 2011 were $275,253 compared to $757,385 at March 31, 2011. This decrease is attributable to a decrease in accounts payable and accrued liabilities at the period end. The deferred premium on flow-through shares from March 31, 2011 has been fully recovered as flow-through funds from the 2010 flow-through financing have been fully expended on qualified exploration expenditures at December 31, 2011. At December 31, 2011, $170,914 has been recorded as deferred premium on flow-through shares from the 2011 flow-through financing. At December 31, 2011, $480,090 of the flow-through proceeds remain to be expended.

Shareholders' equity decreased to $6,148,465 at December 31, 2011 from $9,740,838 at March 31, 2011 due to exploration and general expenditures that increased the deficit to $12,250,696 at December 31, 2011 from $7,580,749 at March 31, 2011.

Results of Operations

The Company earned interest income of $103,600 during the nine months ended December 31, 2011 (December 31, 2010: $35,623) as a result of interest earned on short term investments during the period. The increase was attributable to higher interest rates on interest bearing investments and several bonds maturing in the current year, and amounts invested for a full year compared to the prior year.

Total expenses for the nine months ended December 31, 2011 were $1,489,075 compared to $1,622,875 for comparative period in the previous year. There was an increase in Advertising and promotion from the prior year. The increase in Advertising and promotion was the result of attending more conferences and obtaining additional consulting services in an effort to expand Company visibility. Loss and comprehensive loss for the nine months ended December 31, 2011 was $4,669,947 or $0.06 loss per share compared to $4,270,758 or $0.06 loss per share at December 31, 2010.

Expenses incurred during the nine months ended December 31, 2011 consist of:

- Depreciation of $37,937
- Consulting fees $44,766
- Advertising and promotion $330,705
- Listing, filing and transfer agent $63,782
- Office and miscellaneous $67,752
- Professional fees $55,542
- Rent $39,553
- Share-based payments $509,960
- Travel and accommodation $59,606
- Wages & benefits $276,042
- Part XII.6 tax expense $3,430

The cumulative deficit from inception of the Company is $12,250,696.

Cash Flows

The Company used cash of $4,968,808 in operating activities during the nine months ended December 31, 2011 versus cash used in operating activities of $3,976,042 in the comparative period in the prior year.

Cash flows from financing activities were $467,578 for the nine months ended December 31, 2011 versus cash flows from financing activities of $2,362,190 for the nine months ended December 31, 2010. During the period ended December 31, 2011, the Company closed a flow-through financing raising net proceeds of $467,578. During the period ended December 31, 2010, the Company closed a flow-through financing raising net proceeds of $1,695,690. During 2010, proceeds of $30,000 from the exercise of stock options and $636,500 from the exercise of warrants were raised.

Cash flows from investing activities were $4,685,177 for the nine months ended December 31, 2011 versus cash flows from investing activities of $1,484,181 for the nine months ended December 31, 2010. The increase was the result of an increase in the redemption of short-term investments for exploration and evaluation assets, exploration and general expenditures. In 2010, $1,850,000 of short-term investments were purchased with the proceeds from the flow-through financing. Proceeds from the 2011 flow-through financing were invested in short-term investments subsequent to December 31, 2011.

Summary of Quarterly Results

The following table sets out selected quarterly information for the eight most recently completed quarters since incorporation.

	Third Quarter Ended December 31, 2011 ($)	Second Quarter Ended September 30, 2011 ($)	First Quarter Ended June 30, 2011 ($)	Fourth Quarter Ended March 31,2011 ($)	Third Quarter Ended December 31, 2010 ($)	Second Quarter Ended September 30, 2010 ($)	First Quarter Ended June 30, 2010 ($)	Fourth Quarter Ended March 31, 2010 ($)
	Under IFRS							Under Canadian GAAP
Revenue – Interest income	14,532	58,905	30,163	24,189	8,257	14,929	12,437	7,921
Exploration costs	472,946	2,296,991	678,138	647,936	404,827	1,703,452	589,871	1,048,612
Expenses	374,177	513,783	601,113	701,077	478,107	599,016	545,753	694,367
Loss and comprehensive loss for the Period	(836,991)	(2,737,298)	(1,095,658)	(1,128,979)	(824,217)	(2,280,954)	(1,165,587)	(1,742,979)
Loss Per Share	(0.01)	(0.04)	(0.01)	(0.01)	(0.01)	(0.03)	(0.02)	(0.03)

Selected Annual Financial Information

Year Ended March 31,		**2011**		**2010**
		(IFRS)		(CDN GAAP)
Revenue (Interest income)	$	59,812	$	16,771
Net loss and comprehensive loss	$	(5,399,737)	$	(2,181,012)
Loss per share – basic and diluted	$	(0.07)	$	(0.04)
Total assets	$	10,498,223	$	12,129,849
Income tax expense (recovery)	$	(233,813)	$	-
Dividends	$	NIL	$	NIL

Liquidity and Capital Resources

As of December 31, 2011, the Company had $351,414 in cash (March 31, 2011: $167,467) and held short-term investments of $2,290,606 (March 31, 2011: $7,470,664). Interest and other receivables were $391,932 (March 31, 2011: $289,366) and prepaid expenses and deposits were $137,331 (March 31, 2011: $26,557). Staking security deposits were $121,777 at December 31, 2011 (March 31, 2011: $56,966). The increase in prepaid expenses and deposits was the result of paying a deposit to secure Tetra Tech to complete a resource estimate on the Two Tom project and a deposit to secure a drilling company for the 2012 Springer-Lavergne drilling campaign.

Accounts payable and accrued liabilities of $104,339 at December 31, 2011 (March 31, 2011: $509,344) includes period end accrual for expenditures on mineral properties, legal fees, consultants and other amounts. These were incurred in the normal course of business and settled subsequently.

The deferred premium on flow-through shares was $170,914 at December 31, 2011 (March 31, 2011: $248,041). The deferred premium on flow-through shares from March 31, 2011 has been fully recovered as flow-through funds from the 2010 flow-through financing have been fully expended on qualified exploration expenditures at December 31, 2011. At December 31, 2011, $170,914 has been recorded as deferred premium on flow-through shares from the 2011 flow-through financing. At December 31, 2011, $480,090 of the flow-through proceeds remain to be expended.

Working capital at December 31, 2011 was $3,017,807 (March 31, 2011: $7,253,635).

At this time the Company does not own or operate any revenue producing mineral properties, and accordingly, does not have cash flow from operations. The Company raises funds for exploration, development and general overhead and other expenses through the issuance of shares from treasury. This method has been the principal source of funding for the Company since inception.

The Company also funds exploration at certain of its properties through option agreements with other companies who have agreed to fund exploration in exchange for the right to earn an interest in the properties.

In addition to the fund in the Company's treasury, the Company intends to continue raising funds for future exploration and general overhead and other working capital through the continuation of issuances of shares from treasury and through earn-in or option agreements with other mineral exploration and mining companies.

During the nine month period ended December 31, 2011, the Company issued 1,165,000 shares with a value of $270,950 in connection with payments on exploration and evaluation assets compared to 1,267,500 shares issued with a value of $530,618 during the nine month period ended December 31, 2010.

The Company applies the fair value method of accounting for share-based payments to directors, officers, employees and consultants and accordingly $509,960 (December 31, 2010: $866,945) is recorded as stock-based compensation expense and under capital stock as share-based payments for the 1,762,952 options vesting to directors, officers, employees and consultants during the period ended December 31, 2011.

The Company's success in funding its project expenditures is dependent upon its ability to raise adequate equity financing. If in the event that future private placement financings cannot be closed, the Company would have to review its budgeted project expenditures and revise where necessary including reviewing property option agreements to determine if continuance in such agreements on their anniversary dates is feasible. Management continues to seek out capital required to undertake its exploration work commitments and for working capital to meet project work commitments.

Mineral Properties

Red Wine Complex

The Red Wine property is located in west central Labrador, 110 km northeast of Churchill Falls and between 15 km and 40 km from the Orma Lake Road, an all-weather hydro dam access road. The Company has staked and completed a number of option agreements which has allowed it to tie up approximately 75% of the belt. Its present land position totals 1360 claim units comprising 340 sq km. A total of thirteen land packages were staked and optioned. These properties include: Mann #1, Two Tom Lake, Red Wine #2, Playfair Option, Cornerstone, Quinlan et al, Hicks and Zimtu Resources. Descriptions of the terms of these agreements are outlined in the condensed consolidated financial statements dated December 31, 2011.

Work carried out at the Red Wine project during Fiscal 2011 included camp setup at the end of the Orma Lake road, prospecting, soil sampling and diamond drilling. Rare Earth Element (REE) mineralization is found throughout the claim groups and appears to occur as three distinct styles. The first type is highly anomalous in REE/Nb/Be and is found throughout the upper part of the upper volcanic sequence. It is characterized by variable aegerine, biotite and syenite bodies within a banded paragneiss unit. The deposits found to date include Mann #1, Two Tom, Mann #2, Michelin # 1 and Ten Mile Lake. They are generally lenticular bodies up to 100 meters wide and appear to be structurally controlled within the rhyolites. The second style of mineralization is characterized by highly anomalous Zr/REE values which is hosted by Eudyolite bearing syenite units within the lower intrusive sequence of the Red Wine Group. A third style of REE mineralization has been identified and it has a high Heavy REO to Total REO ratio. The mineralization at Dory Pond and Playfair South are examples of this.

Work in 2010, prior to this reporting period, partially outlined two lenses of REE mineralization with intersections up to 1.45% TREO, 0.14% Nb_2O_5 and 0.14% BeO over 83.25 meters at Two Tom and 1.71% TREO, 0.24% Nb_2O_5 and 0.20% BeO over 27.0 meters at Mann #1. Preliminary mineralogy studies conducted by SGS Mineral Services of Lakefield, Ontario indicate the Rare Earth mineralization found at Two Tom and Mann#1 are concentrated in 2 main minerals: monazite and a REE – calcium silicate.

The latest work carried out in 2011 concentrated on two main areas. In-fill drilling was completed at the Two Tom prospect and a 43-101 compliant resource was calculated. In the Dory Pond/Eudyolite Hill area, prospecting, soil sampling and drilling was completed in order to advance and identify a number of Heavy Rare Earth targets. A description of the results are outlined below.

Two Tom - The 2011 drilling tested the Two Tom mineralized zone on 100 meter sections as a prerequisite to the calculation of a resource. A total of 23 holes have now been drilled on the Two Tom REE/Beryllium/Niobium Zone. This total includes ten holes completed in 2010 and thirteen holes completed between June and September, 2011. Wardrop, a TetraTech Company retained by Rare Earth Metals to complete an independent resource report for the Two Tom Deposit, completed the report on December 10, 2011. Highlights of the report are as follows:

- **Inferred Mineral Resource of 40.635 million tonnes grading at 1.18% total rare earth oxide (TREO), 0.26% Niobium Oxide (Nb205) and 0.18% Beryllium oxide (BeO)** at a 0.60% TREO cut-off grade in the inferred category
- Neodymium content is 15.9% of the TREO
- Calculation is based on over 5,140 m of drilling in 22 holes, and 4 trenches (44.2m), and 2,647 assay samples covering approximately 1,200 metres of strike length to an average depth 200 meters
- Resource areas open along multiple directions and to depth

- Additional drilling recommended for next phase of drilling. RA is earning a 100% interest in the Two Tom property which is subject to two option agreements. The northwest half of the zone is optioned from Zimtu Capital Corp. and the southeast half is optioned from Roland and Eddie Quinlan.

Heavy REE Prospects -Numerous other rare earth element mineralized occurrences were located this summer through prospecting and follow-up of airborne anomalies and include the South Playfair, B3 South, and the Dory Pond/Eudialyte Hill prospects. These occurrences are notable because of the percentages of heavy rare earth elements that were obtained from the sampling.

The South Playfair anomalies are located on ground optioned from Playfair Resources which allows for RA to earn a 50% interest in the property. The claims host a cluster of radiometric anomalies over several kilometers from which analysis of 54 prospect samples have returned values ranging up to 5.37% total rare earth oxides (TREO) and 4.77% zirconium oxide (ZrO_2). The HREO/TREO ratio for these samples ranged from 5% to 85% with an average of 22% for values greater than 0.5% TREO.

The B3 South anomalies are 100% owned and are located 18 kilometers southwest of the Mann#1 deposit. Two new showings have been delineated with values ranging up to 1.59% TREO and 1.79% ZrO_2. The TREO values ranged from 1% to 65 % Heavy Rare Earth Oxides.

The Dory Pond prospect is 100% owned and consists of a cluster of REE rich boulders associated with an airborne radiometric anomaly. The boulders have been traced over a distance of 4 km and these new prospect sample results include values up to 8.48% total rare earth oxides (TREO) and 4.63% zirconium oxide (ZrO_2). Values from the prospect samples also contained very significant Heavy Rare Earth content that varied from 4% to 54% TREO. Several new occurrences of rare earth mineralization were discovered in the Dory Pond area, further extending the previously reported 2 km long mineralized zones and showings. Soil geochemistry was also completed over the Dory Pond REE–Zr Mineralized Zone. Results from a total of 1739 B–horizon samples have now been compiled and these outline three separate high REE zones from 250 meters to 1600 meters wide.

The 2011 drilling was targeted on the Dory Pond/ Eudialyte Hill prospect. A total of six holes were completed, and best results included an intersection of 1.55% TREO (HREO/TREO of 42.1%) over 21.0 meters within a wider intersection of 1.11% TREO (HREO/TREO of 41%) over 42.9 meters from hole B3N-03. The Dory Pond area is shaping up as the best target for Heavy Rare Earths in the Red Wine belt and this recent work has outlined a number of new targets for additional drill testing.

Clay-Howells Property

The Clay-Howells property consists of 45 patented claims (mining and surface) and 49 unpatented claims (mining) totaling 11,781 hectares and is located 40 kilometres north-northeast of Kapuskasing, Ontario. In 2009, the Company purchased a 100% interest in the patented claims subject to a 2-per-cent net smelter return royalty ("NSR"). The Company has the right and option to purchase, at any time, one-half of the NSR in consideration of the payment of $1-million to the optionor.

Prior to this reporting period, the Company had completed ground geophysics and a diamond drilling program designed to test the rare earth element ("REE") potential of the historical iron ore resource drilled by Mattagami Mining in the late 1950's. A total of 5,432 meters were drilled in 18 holes using two drill rigs. All holes were successful in intersecting the magnetite/REE zones over substantial widths. Generally the deposit was drilled on sections 100 meters apart for a total of 700 meters in strike length. The zone is still open in all directions. Results from the 2010 drilling include intersections up to 105.3 metres grading 57.83% Fe_2O_3, 0.694% TREO and 0.14% Nb_2O_5. Higher grade Rare Earth zones within the magnetite include 2.45% TREO over 4.9 metres. The average cumulative drilled widths of the magnetite zone, which appears to be represented as two main lenses, is approximately 67 metres.

The amount of Heavy Rare Earths within the Total Rare Earths varies from 5% to 20% with an average of 10%. In summary the drill program confirmed the presence of a substantial Iron/REE/Nb deposit.

Composite samples of drill core from selected areas within the magnetite zones were submitted for metallurgical/mineralogical analysis to give a better idea of the mineral separation qualities of the iron, REEs and Niobium. Preliminary results from this test work indicate that a large majority of the magnetite and rare earth mineralogy is coarse grained and that there is a consistent upgrading of REE grade into the Non Magnetic fraction and a substantial upgrade of the Iron content in the Magnetic fraction. In summary 69.7% of the material reported to the Magnetic faction and 30.3% reported to the Non Magnetic faction.

The Company also carried out additional airborne geophysics on the northern part of the property and prospecting, targeting a number of geophysical targets located outside the main deposit. The prospecting and airborne interpretation identified a number of additional REE targets that were drill tested during winter, 2011. Approximately 2154 metres was completed in eight holes. The drilling was designed to test a number of high priority magnetic zones located outside of the main Clay Howells Deposit and consist of both discrete magnetic highs and magnetic lows associated with circular features within the Clay-Howells Carbonatite Complex. Results from this program included a number of narrow REE/Iron intersections.

Future work will concentrate on the resource at the main Clay-Howells Prospect and regional till sampling on the 110 square kilometer carbonatite.

On July 19, 2011, the Company announced that Wardrop, a Tetra Tech Company (Tetra Tech) has been contracted to undertake a resource evaluation of the Clay-Howells Main deposit. The resource calculation was completed by the end of August and the completion date of the report was mid-September. Mineral resources were modeled by Tetra Tech and reported at eight different Total Rare Earth Oxide (TREO) cut-off grades, with a base-case resource estimated using a TREO cut-off of 0.6%. At this cut-off, Clay Howells hosts an **Inferred Mineral Resource of 8.5 million tonnes grading 0.73% TREO, and 44.15% Fe2O3, with 10% of the TREO being the higher value HREO** (heavy rare earth oxides). Tetra Tech recommends that additional drilling be conducted to further investigate and develop the known Clay-Howells deposit and determine continuity of the carbonatite, mineralized syenite, and massive magnetite lithologies and Fe and REE grades.

Jack Lifton, who is a well respected expert on REE and an advisor to the Company, recently visited the Clay-Howells site and offered the following comments: “The Clay-Howells’ deposit represents an excellent opportunity to develop a “polymetallic boutique” operation in which one or more valuable products are able to subsidize the cost of others making the combination of them into a profit making mining operation. I consider Clay-Howells to be a magnetite mine with rare earth and niobium by-products. This means that the preparation and benefication of the magnetite will naturally separate it from the rare earths and niobium. The prepared magnetite at that stage will then be saleable at a profit to the thermal coal washing industry (as “heavy media”).”…”A mining operation economically and physically similar to the one I am proposing for Clay-Howells, a polymetallic boutique, is well into development (it is producing magnetite) in Turkey and will soon come to the European market (where demand for all of its products exceeds supply) as a supplier of magnetite heavy media for thermal coal washing and a producer of concentrates of titanium, zirconium, and rare earths. The combination of Clay-Howells’ mineralogy, its potential as well as actual infrastructure in place, and of well known metallurgical techniques makes this deposit an excellent candidate to be rapidly developed into a polymetallic boutique capable of producing rare earth concentrates competitively with “anyone” anywhere.”

Coldwell Complex

The Company staked 706 claim units over the Coldwell Alkaline Complex in Northern Ontario. The Coldwell Alkaline Complex is the largest alkali complex in North America encompassing an area of 580 square kilometers. The largest REE deposits in Canada such as Avalon's Nalencho deposit and Quest Uranium's Strange Lake deposit are hosted in alkali complexes. The Coldwell Complex has good infrastructure with a major highway, port, and the town of Marathon within kilometers of the property. Previous exploration in the Coldwell suite of alkali rocks was focused on the PGM-Copper-Nickel potential and includes Stillwater's Marathon PGM project located on the eastern rim of the Complex. The RA property mainly covers the central and western sections of the Complex. There are 12 historic occurrences of niobium, zirconium, yttrium, and REE's documented on the property to date. Field work including airborne surveying and prospecting was initiated on this project in May, 2011.

New prospect sample results include values ranging from 0.03% up to 3.97% TREO with HREO/TREO ratios ranging from 9% to 54%. Niobium values were also highly prospective with values ranging from 0.02% Nb2O5 to 1.29% Nb2O5. The sampling program was focused on airborne radiometric anomalies outlined from a recently completed 1522 line kilometer airborne magnetic and radiometric survey. These new discoveries confirm that the Coldwell Property hosts REE mineralization with a significant Heavy REE component and the zones tend to be associated with radiometric anomalies which in some cases are several kilometers in size. Follow up prospecting, trenching and sampling is planned to further evaluate these occurrences.

Springer Township

During the reporting period, the Company completed agreements to acquire the Lavergne rare earth prospect in Springer Township, located immediately north of the town of Sturgeon Falls and 80km east of Sudbury, Ontario. Two separate option agreements were finalized for the patented mineral rights and surface rights covering the Prospect and a third option agreement was negotiated for a package of unpatented mining claims contiguous to the patented ground.

A total of 7 holes were completed in the summer of 2011 to test the Lavergne REE Mineralized Zones. The initial five holes tested the Lavergne West Zone over a strike length of 300 meters and produced drill widths varying from 79 meters to 360 meters with higher grade intersections up to 1.65% TREO over 90.2 meters in the most northerly hole. This zone is completely open. Of particular note in this zone is the unusually low radioactivity associated with the host REE mineralization. (Thorium ranges from 12 ppm to 320 ppm averaging 57 ppm and Uranium is < 30 ppm uranium).The final two holes tested a separate area, the Lavergne East Zone, over a possible 300m strike length. The southern hole, SL-11-06, intersected the mineralization with results including 1.60% TREO over 28.8 meters within a larger zone of mineralization which assayed 1.10% TREO over 57 meters. Additional drill testing is planned to be completed during the winter, 2012 when freezing conditions will allow easier access. This next phase of drilling will establish the geometry and continuity of the zones and will help to establish if the East and West Zones are connected and are a part of a much larger mineralized system. The property location on patented mining and surface claims close to one of Canada's premier mining camps in Sudbury are also huge positives for any future developments.

On July 18, 2011, the Company announced that drill core samples were examined by Dr. Mariano briefly for mineralogy and mode of occurrence and concludes that the samples consist of dispersed clusters of fine-grained synchysite. Dr. Mariano had the following comments: "This is a very exciting project. This potential resource must have been overlooked until now because of its minimal radioactive signature, lack of outcrop and lack of serious historical work. Of course it remains to be seen if tonnage and grade are sufficient, but if they are, this is a deposit that has a lot going for it including: very promising mineralogy, incredible logistics and, I expect, potential for cost effective metallurgy. The mineralization is located in the heart of nickel mining country, proximal to major highways, railways and

hydro electrical power. Plus it is in a part of the world with a skilled labour force, existing mining infrastructure and within 200 miles from Toronto."

Dr. Mariano is a geological consultant specializing in rare earths and other rare metals, a seasoned mineralogist and petrographer, and is a recognized authority on REE mineralogy and deposits at a world level. Tony integrates his strong knowledge of geology and extractive metallurgy to predict success of failure of proposed rare earth ventures.

The Company contracted Dr. Anthony Mariano to conduct a bench metallurgical test on samples from the 2011 drilling to assess the potential of the ease or otherwise to liberate the synchysite into a concentrate form. Results from this beneficiation work confirm synchysite as a mono-mineralic source of the REE mineralization, thus eliminating complications with physical processing from other rare earth minerals. Attempts to concentrate synchysite on a bench scale were successful through the use of magnetic and gravity techniques. The fine–grained nature of the synchysite mineralization indicates flotation as a potential technique for physical processing. Additional metallurgical test-work is planned to be completed in 2012 by a major processing laboratory focusing on a flotation process for concentrating the rare earth bearing synchysite, and a 43-101 compliant resource estimate for the Lavergne- Springer prospect is planned to be available by third quarter of 2012.

A minimum 2500 meter drill program is currently underway. The objective of the program is to continue to expand the size of the Lavergne REE Zones, to test for areas of higher grades, and to move the project forward to a 43-101 compliant resource.

Hinton Coal Property

On June 25, 2008, the Company acquired 100% ownership in the Hinton Coal Property (the "Hinton Property") in the Foothills Region of central Alberta.

The Hinton Property is located approximately 306 kilometres west of Edmonton, Alberta. It covers an area measuring approximately 2,752 hectares. The closest major centre is Hinton, Alberta, located approximately 19 kilometres to the southeast. There are several operating coal mines in the area.

The property is readily accessible via Alberta's Highway 40 and from a network of secondary roads. In addition it benefits from proximity to western Alberta's rail network with links to Vancouver's Westshore Terminals and to the Port of Prince Rupert, all of which facilitates the shipping of coal to international destinations.

On July 30, 2008, the Company filed a NI 43-101 Technical Report for the Hinton Property. This report can be viewed on the Company's website or on SEDAR. The in-place resource estimates are as follows:

In-Place Coal Resources Suitable for Surface Mining to 12:1 Strip Ratio
(tonnes)

	Measured	Indicated	Inferred
HV C Bituminous (thermal)	47,032,000	2,557,000	161,000

In-Place Coal Resources Suitable for Surface Mining from 12:1 to 20:1 Strip Ratio
(tonnes)

	Measured	Indicated	Inferred
HV C Bituminous (thermal)	33,339,000	23,838,000	8,559,000

	Measured and Indicated	Inferred
Total Resources	106,766,000	8,720,000

The coal resources on the Hinton Property were estimated based on previous exploration drilling. A total of 87 coal exploration drill holes covering 7,067 metres were drilled in and around the area. The high volatile, bituminous, low sulphur coal of the Hinton Property is part of the Coalspur Formation. The quality of the coal indicates that it is suitable for the international export thermal coal market after beneficiation. The Company has completed a preliminary engineering study on the development of this project.

The Company continues to own a 100% interest in the Hinton Coal property and is working towards divesting its interest in this non-core asset.

Exploration and Evaluation Expenditures

The Company's Exploration and evaluation assets represent costs incurred to acquire these assets. These costs are capitalized pursuant to the Company's accounting policy for recording such costs. During the period ended December 31, 2011, the changes in the Company's exploration and evaluation assets balance are as follows:

Mineral Interests	Hinton Coal $	Clay-Howells $	Springer $	Coldwell Complex $	Red Wine Complex $	James Bay $	Genex $	Total $
Balance, March 31, 2011	1,020,000	424,043	-	122,002	758,494	10,052	992	2,335,583
Acquisition costs for the period	-	-	361,235	-	286,451	47,522	(318)	694,890
Write-downs	-	-	-	-	(41,478)	-	-	(41,478)
Balance, December 31, 2011	1,020,000	424,043	361,235	122,002	1,003,467	57,574	674	2,988,995

The Company's exploration costs represent expenditures to undertake and support exploration activities on the Company's properties.

During the period ended December 31, 2011, the Company recorded the following exploration expenditures:

Exploration Expenditures	Clay-Howells $	Springer $	Coldwell Complex $	Red Wine Complex $	James Bay $	Genex $	Total $
Prospecting	1,028	9,145	16,458	418,085	-	3,164	447,880
Geology	55,775	48,718	5,643	125,097	325	3,093	238,651
Geophysical	3,600	52,855	72,126	2,925	-	-	131,506
Trenching	-	-	-	3,627	-	-	3,627
Diamond drilling	269,756	524,296	-	1,826,564	-	-	2,620,616
Other	-	-	-	-	500	5,294	5,794
Exploration Expenditures for the period	330,159	635,014	94,227	2,376,298	825	11,551	3,448,074

During the period ended December 31, 2010, the Company recorded the following exploration expenditures:

Exploration Expenditures	Clay-Howells $	Lackner $	Coldwell Complex $	Red Wine Complex $	Genex $	Total $
Prospecting	219,038	23,886	-	720,989	4,581	968,494
Geology	60,431	4,787	-	170,675	14,830	250,723
Geophysical	26,310	400	975	93,045	-	120,730
Trenching	-	-	-	232,457	238	232,695
Diamond drilling	176,346	-	-	923,941	-	1,100,287
Other	4,170	-	-	500	20,552	25,222
Exploration Expenditures for the period	486,295	29,073	975	2,141,607	40,201	2,698,151

Share Capital Transactions – Prior to the Closing of the Reverse Takeover Transaction

Prior to the closing of the reverse takeover transaction on December 16, 2009, REM Metals Corp. (formerly Rare Earth Metals Inc., a private company) entered into the following finance transactions:

i. 3.6 million seed shares were issued to the founders of REM at a price of $0.001 per common share for gross proceeds of $3,600.
ii. 50,000 common shares valued at $2,500 were issued to an arm's length party in connection with a finders' fee on a property agreement.
iii. REM completed a private placement by issuing 15,980,000 common shares of REM at an issue price of $0.05 per common share for gross proceeds of $799,000.
iv. In conjunction with the reverse takeover transaction, REM completed a private placement offering with PowerOne Capital Markets Limited ("PowerOne") for aggregate gross proceeds of $5 million consisting of 20 million units at a price of $0.25 per unit, each unit consisting of one common share and one half of one common share purchase warrant, each whole warrant entitling the holder to purchase an additional common share of the Company at a price of $0.35 per share for a period of 24 months following the closing of the private placement. Pursuant to the offering, PowerOne was paid a cash commission equal to $400,000 and issued 2 million broker warrants with each broker warrant entitling PowerOne to purchase a common share of the Company for $0.25 for a period of 24 months following the closing of the private placement.

All shares issued by REM prior to the reverse takeover transaction were exchanged for shares of the Company on a one-for-one basis with certain of the shares subject to trading restrictions.

Shares subject to escrow or hold periods

As of December 31, 2011, 1,710,000 of the Company's issued and outstanding common shares are subject to an escrow agreement under which the shares will be released in stages every six months. Each future release will consist of 855,000 shares, with the next release date being June 14, 2012.

Off-Balance Sheet Arrangements

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

Contractual Obligations

The Company has commitments as described in note 6 with respect to certain agreements on its mineral property interests.

During Fiscal 2010, the Company entered into two separate lease agreements for field vehicles requiring aggregate monthly payments totaling $1,471. The lease terms are for 36 months and expire

in February 2013. The Company entered into a lease agreement for office equipment requiring aggregate monthly payments of $134.

Subsequent to the reporting period, the Company terminated one of the lease agreements for a field vehicle requiring a monthly payment of $735.

Related Party Transactions

The Company paid or accrued the following amounts to related parties during the periods ended December 31, 2011 and December 31, 2010:

Payee	Description of Relationship	Nature of Transaction	December 31, 2011 Amount $	December 31, 2010 Amount $
Stares Contracting Corp.	Company controlled by Michael Stares, Director and Officer and Stephen Stares, Director	Payments for equipment rentals, supply of labour and reimbursement of exploration expenditures, and premises rental	77,296	124,944
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell, Secretary	Legal fees charged/accrued during the period	30,745	45,662
Eastrock Exploration Inc.	Company controlled by Wayne Reid, Director	Payments for geological consulting services and reimbursement of exploration expenditures	50,850	97,367
Felix Geo-Consultants	Company controlled by Reg Felix, VP Exploration	Payments for geological consulting services and reimbursement of exploration expenditures	132,210	125,060

The purchases from and fees charged by the related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable and accrued liabilities is $15,000 (2010: $13,140) to Gordon J. Fretwell Law Corporation, $7,967 (2010:$2,747) to Eastrock Exploration Inc., $4,513 (2010: $7,064) to Stares Contracting Corp., and $1,695 (2010: $2,825) to Felix Geo-Consultants. The repayment terms are similar to the repayment terms of non-related party trade payables.

Key management personnel remuneration during the period included $341,705 (December 31, 2010: $291,903) in salaries and benefits and $362,533 (December 31, 2010: $444,451) in share-based payments.

Current and Future Changes in Accounting Policy Including Initial Adoption of International Financial Reporting Standards ('IFRS')

Statement of Compliance

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that IFRS will replace Canadian generally accepted accounting principles ("GAAP") for publicly accountable enterprises for financial periods beginning on and after January 1, 2011, with the option available to early adopt IFRS from periods beginning on or after January 1, 2009 upon receipt of approval from the Canadian Securities regulatory authorities.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These are the Company's third set of IFRS condensed consolidated interim financial statements for part of the period covered by the first IFRS annual financial statements to be presented in accordance with IFRS for the year ending March 31, 2012. Previously, the Company prepared its annual and interim financial statements in accordance with GAAP.

Initial Adoption of IFRS

IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional balance sheet date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. Following the initial examination the Company has applied the following exemptions to its opening balance sheet dated April 1, 2010:

i. Business Combinations IFRS 1 indicates a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Company will take advantage of this election and will apply IFRS 3 to business combinations that occur on or after April 1, 2010. As the Company has not chosen to early adopt, these standards will affect the accounting for any business combinations completed after April 1, 2011.

ii. IFRS 2 – Share-based payment transactions IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payments to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested or will vest prior to April 1, 2010.

    In order to allow the users of the financial statements to better understand other changes between IFRS and GAAP that do not have any quantitative effect or adjustments to the Company's financial statements, the following qualitative explanation of the differences between GAAP and IFRS is provided:

    Property, plant and equipment: GAAP and IFRS allow the use of original cost less depreciation as the cost based. IFRS requires separate depreciation rate for components that depreciate differently.

Exploration for and Evaluation of Mineral Resources: GAAP and IFRS allow the capitalization of acquisition costs and expenditure of exploration costs associated with the exploration for and evaluation of mineral resources.

As stated on Note 2 of the condensed consolidated interim financial statements, these are the Company's third set of condensed consolidated interim financial statements for the period covered by the first annual financial statements prepared in accordance with IFRS.

The accounting policies in Note 2 of the condensed consolidated interim financial statements have been applied in preparing the condensed consolidated interim financial statements for the nine months ended December 31, 2011, the comparative information for the nine months ended December 31, 2010, the financial statements for the year ended March 31, 2011 and the preparation of an opening IFRS statement of financial position on the Transition Date, April 1, 2010.

In preparing its opening IFRS statement of financial position, comparative information for the nine months ended December 31, 2010 and financial statements for the year ended March 31, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with GAAP.

The guidance for first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemption for first time adopters of IFRS. The Company elected to take the following IFRS 1 optional exemptions:

a) Basis of Consolidation

In accordance with IFRS 1, if a company elects to apply IFRS 3 Business Combinations retrospectively, IAS 27 Consolidated and Separate Financial Statements must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

b) Share-based payment

IFRS 2 Share-based payments requires the Company to measure share-based compensation related to share purchase options granted to employees at the fair value of the options on the grant date and to recognize such expense over the vesting period of the options. The recognition of such expense has been done with a "graded vesting" methodology.

The Company has elected to apply the requirements of IFRS 2, Share-based payments, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date. There was no impact on the financial statements. For the purposes of accounting for share-based payment transactions an individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair values of options granted to employees were measured on the date of grant. The fair value of options granted to contractors and consultants are measured on the date the services are completed.

c) Reclassification within equity section

IFRS requires an entity to present for each component of equity, reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. The Company reviewed its contributed surplus account and concluded that as at the Transition Date, the entire amount of $383,419 relates to "Equity settled benefits reserve". As a result, the Company believes a reclassification would be necessary in the equity section between "Contributed surplus" and the "Equity settled benefits reserve" account. For comparatives, as at December 31, 2010, the entire "Contributed surplus" account was reclassified into "Equity

settled benefits reserve". Additionally, as at March 31, 2011, "Contributed surplus" account was reclassified as "Equity settled benefits reserve."

d) Deferred flow through premium

Under GAAP, the Company, in accounting for flow through funds received, recorded the funds to share capital. IFRS requires that excess to market value upon issuance of flow through common share be recorded in the statement of loss and comprehensive loss (deferred liability for flow through raised funds at time of issuance of flow through common shares and charged to the statement of loss and comprehensive loss as the necessary expenditures to be renounced under flow through common share agreements are spent).

Impact of Adopting IFRS on the Company's Business

The adoption of IFRS has resulted in some changes to the Company's accounting systems but largely the impact has been minimal from the perspective of the day to day operations. The greatest changes occurred in the manner and extent if disclosures contained in the Condensed Interim Financial Statements. The transition adjustments and related GAAP to IFRS reconciliations are detailed in note 14 of the corresponding Condensed Interim Financial Statements for the nine months ended December 31, 2011.

The Company's staff and advisors involved in the preparation of financial statements have been appropriately trained on the relevant aspects of IFRS and the changes to accounting policies. In addition, the Board of Directors and Audit Committee have been updated regularly throughout the Company's IFRS transition process, and are aware of the key changes affecting the Company as a result of transition to IFRS.

Ongoing IFRS Conversion Monitoring

The Company has completed its IFRS conversion process, which included a scoping and planning phase, preparation of detailed assessments of IFRS standards and transition adjustments, and implementing the adjustments and changes within each of the Company's operations. On an ongoing basis, the Company will continue to monitor ongoing changes in the IFRS standards which may impact the Company's reporting in future periods. The International Accounting Standards Board is currently working on several projects which could result in new or revised IFRS standards or IFRIC interpretations that could have an impact on the Company's financial reporting in future periods.

Note 14 to the Condensed Interim Financial Statements for the nine months ended December 31, 2011 includes further details on the significant transition adjustments between Canadian accounting principles and IFRS, and details on the Company's decisions on first-time adoption exemptions and accounting policies under IFRS are included in note 2 of the Condensed Interim Financial Statements.

Future Accounting Changes

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company but may have a future impact on the Company's operations: IFRS 9 – Financial Instruments, IFRS 11 – Joint Arrangements, and IFRS 13 – Fair Value Measurement. In addition the IASB made amendments to existing standards that may impact the Company's operations: IAS 28 – Investments in Associates and Joint Ventures has been amended to include joint ventures in its scope and to address the changes in IFRS 11 and IFRS 13.

The following is a brief summary of the new standards:

IFRS 9 – Financial instruments – classification and measurement

This is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss. This standard is effective for years beginning on or after January 1, 2013.

IFRS 10 - Consolidation

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation – Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 – Joint Arrangements

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venture will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supercedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities-Non-monetary Contributions by Venturers.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS12 combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. The objective is to require the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 – Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Risk Management

The Company's financial instruments are exposed to certain risks, including credit risk, liquidity risk, interest rate risk and market risk.

Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of offset exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

i. *Trade credit risk*

   The Company is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior period.

ii. *Cash and cash equivalents*

   In order to manage credit and liquidity risk the Company's cash and short term investments are held through large Canadian Financial Institutions. Staking security deposits are held by the Government of Newfoundland.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet is financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities.

Accounts payable and accrued liabilities are due within the current operating period.

Interest Rate Risk

The Company's interest revenue earned on cash and or short-term investments is exposed to interest rate risk. The Company does not enter into derivative contracts to manage this risk. The Company's exposure to interest rate risk is very low as the Company's short term investments are either fully liquid or bear short staggered maturity dates to mitigate the risk of fluctuating interest rates.

The Company limits its exposure to interest rate risk as it invests only in short-term investments at major Canadian Financial Institutions.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of currency risk, interest rate risk, and other price risk. The Company currently does not have any financial instruments that would be impacted by changes in market prices.

Other MD&A Requirements

Additional disclosure for Venture Issuers without Significant Revenues:

As of December 31, 2011, the Company has incurred and capitalized $2,988,995 as exploration and evaluation assets since inception of the Company net of write-downs and recoveries.

Outstanding Share Data

At the date of this management's discussion and analysis, there are 85,862,141 common shares outstanding as well as: (a) stock options to purchase an aggregate of 8,740,000 common shares expiring at various dates between August 24, 2012 and January 18, 2017 and exercisable at various prices between $0.17 and $0.60 per share; and (b) share purchase warrants to purchase an aggregate of 3,419,754 common shares expiring at various dates between November 10, 2012 and December 6, 2012 and exercisable at various prices between $0.22 and $0.35. For additional details of share data, please refer to note 8 of the December 31, 2011 condensed consolidated interim financial statements.

During the reporting period on November 4, 2011, the Company received TSX-Venture Exchange approval to extend the exercise period to November 10, 2012 for 2,007,724 warrants. These warrants were issued pursuant to the $1.85 million Private Placement that closed in November 2010. All other terms and conditions of the warrants remain the same.

During the reporting period on December 23, 2011, the Company announced that the TSX-Venture Exchange has accepted for filing documentation with respect to the closing of its non-brokered private placement previously announced on November 17, 2011. The Company raised gross proceeds of $480,090 by issuing a total of 2,824,059 units. Each unit consists of one flow-through common share and one half of one share purchase warrant with each whole warrant entitling the holder to acquire one additional common share at a price of $0.22 per share for a period of one year from closing.

Subsequent to the reporting period on January 18, 2012, the Company announced that it had granted 2,825,000 stock options to directors, officers, employees and consultants. These options will be exercisable at $0.17 for a period of five (5) years from the date of granting.

The Corporation is authorized to issue an unlimited number of voting shares and an unlimited number of preferred shares issuable in series.

Dividend Policy

No dividends have been paid on any shares of the Corporation since the date of incorporation, and it is not contemplated that any dividends will be paid in the immediate or foreseeable future.

Legal Proceedings

To the knowledge of the Corporation, there are no actual or pending legal proceedings to which the Corporation is or is likely to be a party or of which any of its assets are likely to be subject.

Indebtedness of Directors, Officers, Promoters and Others

No director, officer, or promoter or other member of management of the Corporation, or any Associate or Affiliate of any such person, is or has been indebted to the Corporation.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. Some of the directors and officers have been and will continue to be engaged in the identification and evaluation, with a view to potential acquisition of interests in businesses and corporations on their own behalf and on behalf of other corporations, and situation may arise where the directors and officers will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the Business Corporations Act (Ontario).

Risk Factors

Risks associated with exploration and mining operations

The exploration and development of mineral properties involves a high degree of risk which cannot be avoided despite the experience, knowledge and careful evaluation of prospective properties by management. There can be no assurance commercial quantities of ore will be discovered on the Corporation's mineral properties. Even if such commercial quantities are subsequently discovered by the Corporation's exploration efforts, there can be no assurance such properties can be brought in to commercial production.

Operations may be subject to disruption due to weather conditions, labour unrest or other causes beyond the control of the Corporation. Hazards such as unexpected formations, pressures, flooding, or other conditions over which the Corporation does not have control may be encountered and may adversely affect the Corporation's operations and financial results.

Environmental Risks

Environmental legislation is continuing to evolve such as will require strict standards and enforcement, increased fines and penalties for non-compliance, more stringent assessment of proposed projects and a greater degree of corporate responsibility. There can be no assurance that future changes to environmental legislation may not adversely affect the Corporation's operations.

Mineral Market

The market for minerals is subject to factors beyond the Corporation's control, such as market price fluctuation, currency fluctuation and government regulation. The effect of such factors cannot be accurately calculated. The existence of any or all such factors may restrict the access to a market, if same exists, for the sale of commercial ore which may be discovered.

Funding Requirements

In order to move forward with its exploration and development activities, the Corporation will likely require additional funding. There can be no guarantee that such funds will be available as and when required or, if available, be accessible on reasonable commercial terms.

Reliance on Management

The Corporation anticipates that it will be heavily reliant upon the experience and expertise of management with respect to the further development of the mineral properties. The loss of any one of their services or their inability to devote the time required to effectively manage the affairs of the Corporation could materially adversely affect the Corporation.

Auditors, Transfer Agents and Investor Relations

The auditors of the Corporation are DeVisser Gray LLP, Chartered Accountants of Vancouver, British Columbia.

The Transfer Agent and Registrar for the Common Shares of the Corporation is Computershare of Vancouver, British Columbia.

Investor Relations services are provided by Clair Calvert, based in Winnipeg, Manitoba.

Commitments and Contingencies

Except as otherwise discussed, the Company is in compliance with commitments required by contractual obligations in the normal course of business.

In November 2010, the Company raised gross proceeds of $1,847,106 as a result of the issuance of flow-through shares. Under this arrangement, common shares are issued which transfer the tax deductibility of mineral property exploration expenditures to investors. Proceeds received on the issuance of these shares have been a credit to capital stock and the related exploration costs will be charged to exploration expenditures in the year in which they are incurred. Proceeds received from the issuance of a flow-through are restricted to be used only for allowable Canadian resource property exploration expenditures within a two year period.

At the date of this management's discussion and analysis, the Company has incurred the required expenditures for the flow-through funds raised in 2010.

In December 2011, the Company raised gross proceeds of $480,090 as a result of the issuance of flow-through shares. Under this arrangement, common shares are issued which transfer the tax deductibility of mineral property exploration expenditures to investors. Proceeds received on the issuance of these shares have been a credit to capital stock and the related exploration costs will be charged to exploration expenditures in the year in which they are incurred. Proceeds from the issuance of flow-through shares are restricted to be used only for allowable Canadian resource property exploration expenditures within a two year period.

At the date of this management's discussion and analysis, $480,090 of the flow-through proceeds raised in 2011 remain to be expended.

Forward Looking Statements

This management discussion and analysis contains certain forward-looking statements relating but not limited to the Corporation's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may", and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results.

Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific that contributes to the possibility that the predictions, forecasts, projections, and various future events will not occur. The Corporation undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.