ELECTRIC METALS INC.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Nine Months Ended September 30, 2011

Dated November 29, 2011

ELECTRIC METALS INC.

Management's Discussion and Analysis of Financial Position and Results of Operation for the nine months ended September 30, 2011

This management's discussion and analysis ("MD&A") for the nine months ended September 30, 2011 are prepared by management on November 29, 2011 for Electric Metals Inc. (the "Company") in accordance with International Financial Reporting Standards ("IFRS"). The MD&A should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements and related notes for the nine months ended September 30, 2011 and 2010, which were prepared in accordance with IFRS and audited consolidated financial statements for the year ended December 31, 2010, which were prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

Forward-Looking Statements

This MD&A, which contains certain forward-looking statements, are intended to provide readers with a reasonable basis for assessing the financial performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, fluctuations in the currency markets such as Canadian dollar and U.S. dollar, fluctuations in the prices of REE and other commodities, changes in government legislation, taxation, controls, regulations and political or economic developments in Canada, the United States or other countries in which the Company carries or may carry on business in the future, risks associated with mining or development activities, the speculative nature of exploration and development, including the risk of obtaining necessary licenses and permits, and quantities or grades of reserves. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Readers are cautioned that forward-looking statements are not guarantees of future performance. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those acknowledged in such statements. Specific reference is made to the "Risks and Uncertainties" and "Use of Estimates and Judgements" sections of these MD&A for a discussion of some of the factors underlying forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable laws.

OUTLOOK

PRINICPAL BUSINESS AND CORPORATE HISTORY

Electric Metals Inc.(the Company) is a publicly traded mineral exploration company listed on the TSX Venture Exchange ("TSX.V") under the trading symbol "EMI ". The Company was incorporated under the *Business Corporations Act (Alberta)* on May 30, 1988 under the name 384829 Alberta Inc. On October 18, 1988, the Company changed its name to Sunrise Investment Holding (Canada) and, on July 24, 1995, changed its name to Amerpro Industries Inc. On March 6, 2009, the Company continued into the Province of British Columbia under the *Business Corporations Act (British Columbia)* and changed its name to Amerpro Resources Inc. On October 14, 2009, the Company changed its name to Electric Metals Inc.

In June 2010, the Company received the resignations of Donald Gee as the President and Wan Jung as the Chief Financial Officer of Electric Metals Inc. In July 2010 Donald J. Currie, was appointed as a director and Interim President of the Company as the Company initiated its search for a replacement. In July 2010 Tony M. Ricci was appointed a director and Chief Financial Officer of the Company. In November 2010, Mr. Gee and Mr. Jung resigned as directors of the Company. During the quarter ended March 31, 2011, Tony Ricci was appointed President and CEO and Zula Kropivnitski was appointed Chief Financial Officer.

The Company is a mineral exploration company with interests in mineral properties in British Columbia and Quebec.

For details of the mineral properties' agreements please refer to Condensed Consolidated Interim Financial statements for the nine months ended September 30, 2011.

Chuchinka Claims

In June 2010, the Company signed an option agreement with International Montoro Resources Inc. (TSX V:IMT)("Montoro") whereby the Company can earn a 75% interest in Montoro's Chuchinka Rare Earth Element ("REE") property in north-central British Columbia. The Chuchinka property is contiguous with the Wicheeda claims of Spectrum Mining Corporation (a private company), who have recently reported high grade drill intercepts of 3.55% rare earth elements ("REE") over 48.64 metres.

According to Spectrum Mining Corporation's paper presented at the 5th Annual Minerals South Conference & Trade Show in October 2009, Spectrum Mining Corporation (a private company) ("Spectrum") completed eleven diamond drill holes totaling 1,835 metres at the "Main Zone" at Wicheeda. All 11 drill holes intersected significant rare earth mineralization, of which the best drill intercepts were a 48.64 metre interval that returned 3.55% REE, a 72.0 metre interval that returned 2.92% REE, and a 144 metre interval that returned 2.20% REE in three separate drill holes. The 2009 drilling suggests that mineralization remains open in all directions, including to the north of Wicheeda where the Chuchinka property is located.

Preliminary testing has determined that the Wicheeda mineralization is mainly monazite and a bastnaesite-synchisite mineral, which should be amenable to production of a high grade marketable REE concentrate that contains 56 wt. % REE, or a 60% LREE concentrate should a flotation circuit be applied. These values would exceed the historic REE concentrate grades from the Mountain Pass mine in California, the past producer of most of the world's rare earth elements.

In September 2010 the Company completed an airborne geophysical survey over the Chuchinka Rare Earth Element property. The airborne geophysical program consisted of 654 line kilometres of AeroTEM helicopter-borne, time domain electromagnetic plus radiometric surveying flown at high resolution 50 metre line spacing. The survey covered a 29.4 square kilometre area and was successful in mapping the magnetic and conductive properties of the geology. Several magnetic and electromagnetic anomalies were identified within the northwest extension of the structural belt that contains the Wicheeda REE mineralization. These data will be interpreted by an independent geophysical expert in order to prioritize exploration work on these targets, and define geochemical sampling areas and prospective sites for drilling.

Abitibi Claims

In April 2011, the Company entered into an option agreement with Zimtu Capital Corp. ("Zimtu", TSX-V: ZC, FSE: ZCT1) and a group of three private individuals to purchase a 100% interest in 8 claim blocks in the Abitibi region of Quebec near Geomega's (TSX-V: GMA) Montviel property. The claim blocks are referred to collectively as the "Abitibi" claims.

The Abitibi claims total 36,500 hectares (365 square kilometres) and cover most of the known syenite occurrences surrounding the Montviel syenite-carbonatite complex, which has recently produced results of 485 metres of 1.44% TREO including 111 metres of 2.09% TREO (see Geomega news release of March 31, 2011). Four of the eleven local syenite complexes have already been confirmed to host carbonatite. Of the eight claim blocks that comprise the Abitibi properties, the Ailly complex, approximately 10 kilometres south of Montviel, is proven through historical drilling to contain carbonatite similar to that which hosts REE mineralization at Montviel, but which was not assayed for REE.

The Abitibi syenite-carbonatite complexes were emplaced along two major structural corridors. The Abitibi claims cover most of the known syenite occurrences that have intruded these trends. Because syenite occurs with carbonatite at Montviel and Ailly, the remaining syenites of the Abitibi claims are also prospective for carbonatite emplacement and associated REE mineralization. With one proven but unassayed carbonatite occurrence and the potential to host additional favourable REE hosting lithologies, the Abitibi claims present a large-scale, highly prospective target in Canada's most important new REE district.

Sibley Creek Project

During the year ended December 31, 2010, the Company staked a 5,500 hectare land package that is highly prospective for rare earth element mineralization in the Monashee Mountain of southern British Columbia. The Sibley Creek Project is located approximately 80 kilometres north of the town or Revelstoke and contains part of the Perry River and mount Grace carbonatite formation. This carbonatite formation has seen extensive past exploration activity and is currently contiguously stakes along its entire exposed strike length of over 60 kilometres.

During the year ended December 31, 2010, the management reviewed the project and came to a conclusion that the future economic potential available from this property is negligible. As such, no value is attributed to this resource property and the carrying value of the property was written down to $nil at December 31, 2010.

Saguenay and Charlesvoix Properties Claims, Quebec, QC

By agreement dated March 10, 2010, the Company entered into a Mineral Option Agreement to acquire a 100% interest in two mineral claims located in the Saguenay region of Quebec. The two properties comprise 3,870 hectares.

During the year ended December 31, 2010, the management reviewed the project and decided that the future economic potential available from this property is negligible. As such, no value is attributed to this resource property and the carrying value of the property was written down to $nil at December 31, 2010.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2011 the Company had working capital of $1,827,740 as compared to a working capital of $796,319 as at December 31, 2010, representing an increase in working capital by $1,031,421. Financing for the Company's operations was funded primarily from a private placement and exercise of share purchase options.

Net cash and short-term investments on hand increased by $922,626, from $687,940 at December 31, 2010 to $1,610,566 at September 30, 2011. The increase in cash and short-term investments resulted mainly from net proceeds from the issuance of shares of $1,476,131 offset by cash used in operations of $287,950 and mineral property related expenses of $265,555.

Current assets excluding cash at September 30, 2011 consisted of short-term investments in guaranteed investment certificate of $625,600, amounts receivable of $236,599 and prepaid expenses and deposits of $42,927 as compared to short-term investments in guaranteed investment certificate of $665,600, accounts receivable of $68,675 and prepaid expenses and deposits of $119,305 at December 31, 2010.

Amounts receivable consist of HST recoverable of $99,260 (December 31, 2010 - $49,012) and other receivable of $140,339 (December 31, 2010 - $19,663). $95,495 of other receivable was received subsequent to the quarter end.

During the period ended September 30, 2011, the Company completed a non-brokered private placement consisting of 15,000,000 units at a price of $0.105 per unit, for gross proceeds of $1,575,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share for $0.155 per share up to and including March 21, 2013. Finders' fees of $78,750 in cash and 750,000 finder's warrants were paid.

During the nine months ended September 30, 2011 100,000 stock options at $0.10 per share were exercised for total proceeds of $10,000. During the year ended December 31, 2010, 200,000 stock options at $0.10 per share were exercised for total proceeds of $20,000. As of the date of this MD&A, financing for the Company's operations is also potentially available through the exercise of 4,605,000 stock options exercisable at a price of $0.10-$0.25 per share and 15,750,000 warrants exercisable at a price of $0.155 per share which expire on March 21, 2013. However, there can be no assurance that any of these outstanding convertible securities will be exercised, particularly if the trading price of the common shares on the TSXV does not exceed, by a material amount and for a reasonable period, the exercise price of such convertible securities at some time prior to their expiry dates.

The Company presently has sufficient funds to continue its anticipated ongoing operations through the next twelve months. However, if the Company's plans change (as, for example, if it determines to acquire additional properties or accelerate its presently contemplated work programs) or its current assumptions change or prove inaccurate, the Company may be required to seek additional financing through the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sales).

The Company's financial performance is dependent on many external factors. The Company expects that any revenues it may earn from its operations in the future will be from the sale of minerals. Both prices and markets for metals and minerals are cyclical, difficult to predict, volatile, subject to government price fixing and controls and respond to changes in domestic and international political, social and economic environments. In addition, the availability and cost of funds for exploration, development and production costs are difficult to predict.

SELECTED FINANCIAL INFORMATION

For the years ended December 31, 2010, 2009 and 2008 (under IFRS unless otherwise noted) ($)

	2010	**2009** Under Canadian GAAP	**2008** Under Canadian GAAP
Total assets	1,174,160	2,454,704	330,477
Total liabilities	79,601	144,083	474,680
Loss before discontinued and extraordinary items	(1,513,514)	(553,005)	(686,699)
Net loss and comprehensive loss for the year	(1,513,514)	(860,641)	(1,738,924)
Basic and diluted loss per share	(0.05)	(0.05)	(0.07)

Summary of Quarterly Results

By recent eight Quarters (under IFRS unless otherwise noted) ($)

Period	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010
Interest income	$ 3,839	$ 3,126	$ -	$ 9,600
Net loss available to Common Shareholders before extraordinary items	($110,009)	($74,984)	($404,621)	($964,349)
Net loss available to Common Shareholders before extraordinary items (on per common share basis)	$ (0.002)	$ (0.002)	$ (0.01)	$ (0.03)

Period	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009 Under Canadian GAAP
Interest Revenue	$ 8,001	$ 13,104	$ 10,710	$ 9,336
Net loss available to Common Shareholders before extraordinary items	($156,290)	($80,730)	($312,145)	($158,711)
Net loss available to Common Shareholders before extraordinary items (on per common share basis)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)

RESULTS OF OPERATIONS

Nine months ended September 30, 2011 and 2010

The Company is currently engaged in the early exploration stages with respect to its Chuchinka project in British Columbia and its Abitibi Claims located in the Montviel Area of Quebec. During the nine months ended September 30, 2011, $156,610 of exploration expenditures were capitalized to Chuchinka project. $66,684 of this amount relates to stock based compensation on stock options granted to geologists involved in the Chuchinka project. $79,184 of exploration expenditures was capitalized to the Abitibi project during the nine months ended September 30, 2011.

For the nine months ended September 30, 2011, operating expenses totalled $596,579 (2010 - $580,980) and was partially offset by interest income of $6,965 (2010 – $31,815). Net loss for the nine months ended September 30, 2011was $589,614 (2010 – $549,165).

Stock based compensation expense for the nine months ended September 30, 2011 was $380,044 compared to $222,480 for the same period in the previous year. The increase in expense relates to 3,405,000 stock options granted to directors, officers and consultants of the Company during the current period compared to 1,100,000 stock options granted during the same period of the previous year.

Consulting fees decreased by $44,560 from $116,842 incurred during the nine months ended September 30, 2010 to $72,282. The difference primarily relates to a prior period expense of $62,625 previously included in consulting fees that was reclassified to mineral properties in the fourth quarter of 2010.

Professional fees incurred during the nine months ended September 30, 2011 were $42,106 (2010 - $97,714), which consisted of audit and legal fees related to general corporate governance of the Company. The decrease is mainly due to less legal counsel involvement during the nine months ended September 30, 2011 as the acquisition of the Company's Chuchinka project occurred during the prior year.

Travel expenditures decreased by $39,499 to $5,586 incurred during the nine months ended September 30, 2011 as compared to $45,085 incurred during the same period of the previous year as a result of reduced travel and promotional activities.

Property investigation costs of $(16,522) recognized during the nine months ended September 30, 2011 is a result of a reversal amount previously accrued.

Transfer agent and filing fees decreased by $11,507 from $26,227 to $14,720 incurred during the nine months ended September 30, 2011 compared with the same period of prior year. The decrease mainly relates to additional filing costs in 2010 associated with obtaining the necessary regulatory approvals for the Company's transactions.

Office and general expenses increased by $17,421 to $37,528 (2010 - $20,107) incurred during the nine months ended September 30, 2011 compared to the same period of the previous year. Business development costs increased by $15,662 from $8,825 to $24,487 incurred during the nine months ended September 30, 2011. The increase is a result of increased activities by the company.

Three months ended September 30, 2011 and 2010

The Company is currently engaged in the early exploration stages with respect to its Chuchinka project in British Columbia and its Abitibi Claims located in the Montviel Area of Quebec. During the three months ended September 30, 2011, $45,574 of exploration expenditures were capitalized to the Chuchinka project. $74,264 of exploration expenditures was capitalized to the Abitibi project during the three months ended September 30, 2011.

For the three months ended September 30, 2011, operating expenses totalled $113,848 (2010 - $164,291) and was partially offset by interest income of $3,839 (2010 – $8,001). Net loss for the three months ended September 30, 2011 was $110,009 (2010 – $156,290). The decrease is mainly due to stock based compensation of $87,480 recorded during the three months ended September 30, 2010.

Stock based compensation expense for the three months ended September 30, 2010 was $87,480 and related to 1,100,000 stock options granted during the period. No stock options were granted during the three months ended September 30, 2011.

Consulting fees increased by $11,378 from $23,217 incurred during the three months ended September 30, 2010 to $34,595 for the same period of the current year due to an increase in the number of consultants hired.

Travel expenditures decreased by $1,632 to $2,368 incurred during the three months ended September 30, 2011 as compared to $4,000 incurred during the same period of the previous year as a result of reduced travel and promotional activities.

Professional fees incurred during the three months ended September 30, 2011 were $23,320 (2010 - $28,785), which consisted of audit and legal fees related to general corporate governance of the Company. The decrease is mainly due to less legal counsel involved during the three months ended September 30, 2011.

Business development costs increased from $653 during the three months ended September 30, 2010 to $16,197 during the same period of the current year. The increase is a result of new marketing strategies employed by a new management team.

Office and general expenses increased by $14,800 to $20,192 (2010 - $5,392) incurred during the three months ended September 30, 2011 compared to the same period of the previous year due to increased activities by the Company.

Management fees increased by $4,500 to $10,500 (2010 - $6,000) incurred during the three months ended September 30, 2011 compared to the same period of the previous year.

RISKS AND UNCERTAINTIES

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors which are beyond the control of the Company and which cannot be accurately predicted, such as market fluctuations of metal prices, the proximity and capacity of milling facilities, mineral markets, processing reagents and equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environment protection, the combination of which factors may result in the Company not receiving an adequate return on investment capital.

Exploration and Development Efforts May Not Be Successful

There is no certainty that the expenditures to be made by the Company in the exploration of its properties as described herein will result in the discovery of mineralized material in commercial quantities. Most exploration projects do not result in the discovery of commercially mineable ore deposits and no assurance can be given that any particular level of recovery of ore reserves will in fact be realized or that any identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. Estimates of reserves, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. Short term factors relating to ore reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale tests will be duplicated in large scale tests under on-site conditions or in production scale. Material changes in ore reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

Lack of Cash Flow

None of the Company's properties have advanced to the commercial production stage and the Company has no history of earnings or cash flow from operations. The Company does not expect to generate material revenue from mining operations or to achieve self-sustaining commercial mining operations for several years. The Company has paid no dividends on its shares since inception and does not anticipate doing so in the foreseeable future. Historically, the only source of funds available to the Company is through the sale of its securities. Future additional equity financing would cause dilution to current shareholders.

No Proven Reserves

The properties in which the Company has an interest or the right to earn an interest are in the exploratory stage only and are without a known body of ore in commercial production.

No Guarantee of Clear Title to Mineral Properties

While the Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties and properties in which it has the right to acquire or earn an interest are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects.

Uncertainty of Obtaining Additional Funding Requirements

Programs planned by the Company may necessitate additional funding, which could cause a dilution of the value of the investment of the shareholders of the Company. The recuperation value of mining properties indicated in the balance sheet depends on the discovery of mineralization that can be profitably exploited and on the Company's capacity to obtain additional funds in order to realize these programs. The Company's exploration activities can therefore be interrupted at any moment if the Company is incapable of obtaining the necessary funds in order to continue any additional activities that are necessary and that are not described in the exploration programs outlined in the Company's geological report for its properties.

Mineral Prices May Not Support Corporate Profit

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral resources are developed, a profitable market will exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any substances discovered. The price of minerals is volatile over short periods of time, and is affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining techniques.

Competition

The mining industry is intensively competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for the recruitment and retention of qualified employees.

Environmental Regulations

The current and future operations of the Company, including further exploration, development activities and commencement of production on its properties, require permits from various Provincial, Federal and State governmental authorities. Such operations are subject to various laws governing land use, the protection of the environment, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances mine safety and other matters. There can be no assurance, however, that all permits which the Company may require for construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violation of applicable laws or regulations.

Environmental Impact

The Company does not believe that there are any significant environmental obligations requiring material capital outlays in the immediate future and anticipates that such obligations will only arise when full scale development commences. As the Company's project is still in the exploration and development stage and no significant environmental impact has occurred to date, the Company does not currently consider that expenditures required meeting any ongoing environmental obligations at the projects material to its results or to financial condition to the Company at this time. However, these costs may become material in the future and will be reported in the Company's filings at that time.

Uncertainty of Reserves and Mineralization Estimates

There are numerous uncertainties inherent in estimating proven and probable reserves and mineralization, including many factors beyond the control of the Company. The estimation of reserves and mineralization is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may justify revision of such estimates. No assurances can be given that the volume and grade of reserves recovered and rates of production will not be less than anticipated. Assumptions about prices are subject to greater uncertainty and metal prices have fluctuated widely in the past. Declines in the market price of base or precious metals also may render reserves or mineralization containing relatively lower grades of ore uneconomic to exploit. Changes in operating and capital costs and other factors including, but not limited to, short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades, may materially and adversely affect reserves.

Operating Hazards and Risks Associated with the Mining Industry

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Hazards such as unusual or unexpected formations and other conditions are involved. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage. The Company may become subject to liability for caveins and other hazards for which it cannot insure or against which it may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration activities.

The Ability to Manage Growth

Should the Company be successful in its efforts to develop its mineral properties or to raise capital for other mining ventures it will experience significant growth in operations. If this occurs management anticipated that additional expansion will be required in order to continue development. Any expansion of the Company's business would place further demands on its management, operational capacity and financial resources. The failure to manage growth effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

Lack of Dividend Policy

The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends received from the Company will remain subject to the discretion of the Company's Board of Directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

Possible Dilution to Present and Prospective Shareholders

The Company's plan of operation, in part, contemplates the accomplishment of business negotiations by the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares, or securities convertible into common shares, would result in dilution, possibly substantial, to present and prospective holders of common shares.

Dependence of Key Personnel

The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term. As the Company's operations expand, additional general management resources will be required, especially since the Company encounters risks that are inherent in doing business in several countries.

Conflict of Interest

Certain directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Lack of Trading

The lack of trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares.

Volatility of Share Price

Market prices for shares of early stage companies are often volatile. Factors such as announcements of mineral discoveries, financial results, and other factors could have a significant effect on the price of the Company's shares.

SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.
Unlimited number of preferred shares without par value.

Issued and outstanding common shares:

	Number	Amount
Balance as at December 31, 2008	26,698,099	$ 5,276,131
Share consolidation at 5:1 basis	(21,358,479)	-
Shares issued for debt settlement	10,800,000	432,000
Shares issued for cash, net of share issue costs of $479,589	13,500,000	2,580,411
Balance as at December 31, 2009	29,639,620	8,288,542
Shares issued for resource properties	1,292,142	190,050
Stock options exercised	200,000	20,000
Fair value of stock options exercised	-	19,422
Balance as at December 31, 2010	31,131,762	8,518,014
Shares issued for cash, net of share issue costs of $159,469	15,000,000	1,415,531
Shares issued for resource properties	2,293,572	270,793
Stock options exercised	100,000	10,000
Fair value of stock options exercised	-	9,711
Balance as at September 30 and November 29, 2011	**48,525,334**	**10,224,049**

Stock Options

The Company has adopted an incentive stock option plan (the "Option Plan") dated June 27, 2008 and amended on June 26, 2009 and May 28, 2010 which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSX-V requirements, grant to directors, officers, employees and consultants to the Company, non-transferable options to purchase common shares. Included in the Option Plan are provisions that provide that the number of common shares reserved for issuance will not exceed 10% of the then issued and outstanding common shares of the Company. At the discretion of the Board of Directors of the Company, options granted under the Option Plan can have a maximum exercise term of 10 years from the date of grant. Vesting terms are determined at the time of grant by the Board of Directors.

The following is the summary of the Company's stock option activity:

	Number of Options	Exercise Price Per Share Range	Weighted Av. Exercise Price per Share
Balance as at December 31, 2008	-	-	-
Granted	1,350,000	$ 0.25	$ 0.25
Balance as at December 31, 2009	1,350,000	$ 0.25	$ 0.25
Granted	1,100,000	$ 0.10	$ 0.10
Cancelled	(500,000)	$ 0.25	$ 0.25
Exercised	(200,000)	$ 0.10	$ 0.10
Balance as at December 31, 2010	1,750,000	$0.10 - $0.25	$ 0.18
Cancelled	(450,000)	$ 0.25	
Exercised	(100,000)	$ 0.10	$ 0.10
Granted	3,405,000	$ 0.13	$ 0.12
Balance as at September 30, 2011	4,605,000	$ 0.10 - $0.25	$ 0.13
Cancelled	(1,000,000)	$ 0.12	$ 0.12
Balance as at November 29, 2011	**3,605,000**	**$ 0.10 - $0.25**	**$ 0.13**

The following is a summary of stock options outstanding and exercisable as at November 29, 2011:

Expiry Date	Number of Options	Weighted Average Exercise Price	Number of Options Outstanding and Exercisable
July 10, 2014	200,000	$ 0.25	200,000
October 29, 2014	200,000	$ 0.20	200,000
July 14, 2015	600,000	$ 0.10	600,000
August 3, 2015	200,000	$ 0.14	200,000
February 14, 2016	1,200,000	$ 0.15	1,200,000
March 30, 2016	1,205,000	$ 0.12	1,205,000
Total	**3,605,000**	**$ 0.15**	**3,605,000**

Share Purchase Warrants

The following table summarizes changes in the number of warrants outstanding:

	Warrants	Weighted Average Exercise Price
Balance, December 31, 2008	-	-
Issued	7,200,000	$0.38
Balance, December 31, 2009	7,200,000	$0.38
Expired	(7,200,000)	$(0.38)
Balance, December 31, 2010	-	-
Issued	15,750,000	$ 0.155
Balance, September 30 and November 29, 2011	15,750,000	$ 0.155

RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2011, management fees paid or accrued to companies controlled by directors and former directors of the Company amounted to $31,700 (2010 - $33,000) .

During the nine months ended September 30, 2011, $18,554 (2010 - $71,683) was incurred in professional fees, $21,494 (2010 - $Nil) in share issue costs and $3,734 (2010 - $Nil) was capitalized in mineral properties acquisition costs to a law firm, a partner of which is an officer of the Company. Accounts payable and accrued liabilities include $8,146 (December 31, 2010 – $5,400, January 1, 2010 - $55,234) due to this firm.

During the nine months ended September 30, 2011, the Company incurred $29,551 (2010 – $Nil) in office and general, $37,700 (2010 - $Nil) in consulting, $285 (2010 – $Nil) in professional fees, $2,348 (2010 – $Nil) in travel and $29,724 (2010 - $Nil) were capitalized to mineral properties exploration costs to a company with an officer in common. Accounts payable include $5,156 (December 31, 2010 - $Nil, January 1, 2010 - $Nil) due to this company.

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

Current receivables include $3,043 due from companies with common directors and officers.

Accounts payable include $3,920 (December 31, 2010 - $2,913, January 1, 2010 - $Nil) due to a company controlled by a director and officer of the company.

OFF- BALANCE SHEET TRANSACTIONS

The Company has not entered into any off-balance sheet arrangements.

COMMITMENTS

The Company entered into a lease for office premises which commenced March 1, 2010 and terminates on February 28, 2015. The following is a summary of the lease commitments over the term of the agreement:

2011	$ 58,800
2012	$ 64,250
2013	$ 65,340
2014	$ 68,060
2015	$ 11,434

The lease is prepaid for the years 2011 and 2012.

USE OF ESTIMATES AND JUDGMENTS

Critical accounting estimates

The preparation of the Company's condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Areas requiring a significant degree of estimation and judgment relate to the recoverability of the carrying value of exploration and evaluation assets, fair value measurements for financial instruments and stock based compensation and other equity-based payments. Actual results may differ from those estimates and judgments.

CHANGES IN ACCOUNTING POLICIES

Adoption of International Financial Reporting Standards ("IFRS")

The Company's condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 - "Interim Financial Reporting". The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 12 of the condensed consolidated interim financial statements. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under Canadian GAAP to those reported for those periods and at the date of transition under IFRS, along with details of the IFRS 1 exemptions taken. The adoption of IFRS does not impact the underlying economics of the Company's operations or cash flows.

FUTURE ACCOUNTING PRONOUNCEMENTS

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2011 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

- Amendments to IFRS 7, Financial Instruments: Disclosure (effective July 1, 2011) introduces enhanced disclosure around transfer of financial assets and associated risks; and

- IFRS 9, Financial Instruments (effective January 1, 2013) introduces new requirements for the classification and measurement of financial assets and financial liabilities.

These accounting standards are not expected to have a significant effect on the Company's accounting policies or financial statements.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, short-term investments, amounts receivable, and accounts payable and accrued liabilities.
The Company is exposed in varying degrees to a variety of financial instrument related to risks. The Board approves and monitors the risk management processes:

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company is not exposed to any significant credit risk on its financial assets. Cash and cash equivalents consisting of Guaranteed Investment Certificates ("GICs") have been invested with Schedule 1 banks or equivalents, with its cash held in Canadian based banking institutions, authorized under the Bank Act to accept deposits, which may be eligible for deposit insurance provided by the Canadian Deposit Insurance Corporation. The receivables consist of HST recoverable of $99,260 and trade receivable of $140,339. $95,495 of trade receivables was received subsequent to the period ended September 30, 2011.

Liquidity Risk

The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due. As at September 30, 2011, the Company had cash and short-term investments of $1,610,566 to settle current liabilities of $65,352 which mainly consist of accounts payable that are considered short term and settled within 30 days. The Company has sufficient capital to meet its requirements through the end of its fiscal year.

Market risk

(i) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's short-term investments are invested in GICs with greater than 90 day terms but not greater than one year. These GICs have a fixed interest rate for the term of the deposit. The interest on GICs is typical of Canadian banking rates, which are low at present and the conservative investment strategy mitigates the risk of deterioration to the investment. A change of 100 basis points in the interest rates would not be material to the financial statements.

(ii) Commodity Price Risk

Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company's risk relates primarily to the expected output to be produced at its mineral properties described in note 8 to its consolidated financial statements of which production is not expected in the near future.

CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of resource properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate available or committed financial resources to complete such acquisitions.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the period ended September 30, 2011. The Company is not subject to externally imposed capital requirements.

DISCLOSURE CONTROLS AND PROCEDURES

Management has assessed the effectiveness of the Company's disclosure controls and procedures used for the financial statements and MD&A as at September 30, 2011. Management has concluded that the disclosure controls are effective in ensuring that all material information required to be filed has been made known to them in a timely manner. The required information was effectively recorded, processed, summarized and reported within the time period necessary to prepare the annual filings. The disclosure controls and procedures are effective in ensuring that information required to be disclosed pursuant to applicable securities laws are accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

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

There have been no changes in the Company's internal controls over financial reporting during the period ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

Additional disclosures pertaining to the Company's material change reports, press releases and other information are available on the SEDAR website at **www.sedar.com**