MKANGO RESOURCES LTD

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2012 and 2011

Management's Discussion and Analysis ("MD&A") of Mkango Resources Ltd., formerly named Alloy Capital Corp. ("Mkango" or the "Company") should be read in conjunction with the interim consolidated financial statements and accompanying notes for the nine months ended September 30, 2012 and 2011. The results reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are prepared in United States dollars unless otherwise stated. This document is dated November 29, 2012.

Additional information relating to the Company, including the Company's Filing Statement, can be found on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. The Company is listed on the TSX Venture Exchange under the symbol MKA.

FORWARD LOOKING STATEMENTS

Certain disclosures set forth in this MD&A constitute forward-looking statements. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believes", "budget", "continue", "could", "estimate", "forecast", "intends", "may", "plan", "predicts", "projects", should", "will" and other similar expressions. All estimates and statements that describe the Company's future, goals, or objectives, including management's assessment of future plans and operations, may constitute forward-looking information under securities laws. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Mkango's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, accuracy of current drill and other exploration results, environmental risks, changes in environmental, tax and royalty legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Mkango's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements or if any of them do so, what benefits that Mkango will derive there from. Mkango 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 as required by law.

COMPANY OVERVIEW

Mkango was originally incorporated under the name Alloy Capital Corp. under the laws of the Province of Alberta, Canada. Mkango completed its initial public offering on August 27, 2008 as a Capital Pool Corporation as defined by Policy 2.4 of the TSX Venture Exchange ("Policy 2.4"). On December 20, 2010 Mkango completed its Qualifying Transaction, as defined in Policy 2.4, by acquiring all of the issued and outstanding shares of Lancaster Exploration ("Lancaster") through a reverse-takeover which closed on December 20, 2010.

Lancaster was incorporated August 3, 2007 by Memorandum and Articles of Association issued pursuant to the provisions of the BVI Companies Act. Lancaster's registered office is located at 56 Administration Drive, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

Lancaster Exploration Limited, a related party, was also incorporated under the laws of Blantyre, Malawi on May 19, 2011.

Mkango is a mineral exploration company with a portfolio of properties in Malawi, Africa. The Company's headquarters are in Calgary, Alberta, Canada.

GOING CONCERN

These interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. These interim consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

The Company is in the process of exploring and developing its mineral interests and has not yet determined whether the interests contain a commercially viable mineral resource. The recoverability of the amounts shown for mineral interests are dependent upon the existence of an economically recoverable mineral resource, the ability of the Company to obtain necessary financing to complete the development of such mineral resources, and upon future profitable production. The operations of the Company for the next 12 months will be funded by the equity raised during the Financings which closed December 20, 2010.

HIGHLIGHTS

As of September 30,	2012	2011
Cash used by operations	(3,280,102)	(3,071,951)
Cash from financing activities	153,406	(390,106)
Total comprehensive loss attributable to common shareholders	(2,349,530)	(3,829,962)
Loss per share - basic and diluted	$ (0.06)	$ (0.10)
Common shares outstanding	37,442,855	37,383,514
Evaluation and exploration spending:		
Malawi	1,878,022	2,062,687

	Sep 30, 2012	*Dec 31, 2011*
Current assets	713,371	3,757,725
Current liabilities	112,332	991,244
Working capital	601,039	2,766,481

SUMMARY OF QUARTERLY RESULTS

	2012			**2011**				**2010**
Total Operations	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Revenue	$ 500	$ (418)	$ 3,304	$ 5,289	$ 1,273	$ 249	$ 7,340	$ 1,737
Expenses	465,617	832,006	1,877,932	517,177	1,507,771	1,394,269	936,784	320,478
Reverse takeover and public company listing costs	-	-	-	-	-	-	-	407,575
Warrant fair value loss (gain)	(147,313)	(398,881)	(277,445)	(555,098)	(179,633)	(1,270,574)	1,267,454	37,138
Loan forgiven	-	-	-	-	-	-	-	-
Net revenue (loss) for period	(318,804)	(433,543)	(1,597,183)	43,210	(1,326,865)	(123,446)	(2,196,898)	(763,454)
Loss per share - basic and diluted	$ (0.01)	$ (0.01)	$ (0.04)	$ 0.00	$ (0.04)	$ (0.00)	$ (0.06)	$ (0.68)
Total assets	720,299	1,350,961	2,481,849	3,766,500	4,319,642	5,544,392	6,891,196	7,861,616
Long term debt	-	-	-	-	-	-	-	-

Total expenses for the three months ended September 30, 2012 were $465,617 (2011 - $1,507,771). During the three months ended September 30, 2012, exploration and evaluation expenses of $96,046 (2011 - $918,725) were recognized. During the three months ended September 30, 2012, general and administrative costs of $246,475 (2011 - $166,706) were recognized. The Company recognized a stock based compensation expense of $24,641 (2011 - $280,521), $147,313 gain on the revaluation of Warrants (2011- $184,131 loss), depreciation expense of $615 (2011

- nil) and a foreign exchange gain on translation of $80,983 (2011 - $325,007). Expenditures during the three months ended September 30, 2012 were due primarily to the Stage 2 drilling program which was completed in July, 2012. Expenditures during the comparative period ended September 30, 2011 was due primarily to the Stage 1 drilling program which was active during the entire third quarter.

Total expenses for the three months ended June 30, 2012 were $832,006 (2011 - $1,394,269). During the three months ended June 30, 2012, exploration and evaluation expenses of $449,565 (2011 - $728,636) were recognized During the three months ended June 30, 2012, general and administrative costs of $341,399 (2011 - $223,244) were recognized. The Company recognized a stock based compensation expense of $67,443 (2011 - $481,384), $398,881 gain on the revaluation of Warrants (2011- $1,267,454 loss), depreciation expense of $616 (2011 - nil) and a foreign exchange gain on translation of $28,791 (2011 - $37,634). Expenditures during the three months ended June 30, 2012 was due primarily to the Stage 2 drilling program. Expenditures during the comparative period ended June 30, 2011 was due primarily to the Stage 1 drilling program

Total expenses for the three months ended March 31, 2012 were $1,877,932 (2011 - $936,784). During the three months ended March 31, 2012, exploration and evaluation expenses of $1,332,411 (2011 - $415,326) were recognized During the three months ended March 31, 2012, general and administrative costs of $366,321 (2011 - $90,860) were recognized. These costs were also significantly higher for the three months ended March 31, 2012, as a result of the administrative support and supplies required for the drilling program. For the same period ended March 31, 2011, the costs were lower as the Company was initiating the start-up phase of the first diamond drilling program. The Company recognized a stock based compensation expense of $90,157 (2011 - $593,594), $277,445 gain on the revaluation of Warrants (2011 - $1,267,454 loss), depreciation expense of $615 (2011 nil) and a foreign exchange loss on translation of $88,428 (2011 - $157,771 gain). Expenditures during the three months ended March 31, 2012 was due primarily to the Stage 2 drilling program.

Total expenses for the three months ended December 31, 2011 were $517,177 (2010 - $320,478). During the three months ended December 31, 2011, exploration and evaluation expenses of $218,954 (2010 - $147,727) were recognized which included costs associated with initiation of the Company's second diamond drilling program. During the three months ended December 31, 2011, general and administrative costs of $344,267 (2010 - $214,475) were recognized. For the year three months ended December 31, 2011, these expenditures were the result of increased exploration activities in Malawi. For the same period ended December 31, 2010, the costs were incurred as a result of closing the reverse takeover transaction. The Company recognized a reduction of its stock based compensation of $76,123 (2010 - nil), $737,851 (2010 - nil) gain on the revaluation of Warrants, depreciation expense of $302 (2010 - nil) and a foreign exchange loss on translation of $22,430 (2010 - nil).

The 2010 comparatives have been adjusted to comply with International Financial Reporting Standards ("IFRS"). No adjustments were required to the opening balance sheet at January 1, 2010.

DISCUSSION OF OPERATIONS

The Company's corporate strategy is to further delineate the rare earth mineralization at Songwe Hill and secure additional rare earth element and other mineral opportunities in Malawi and elsewhere.

As at September 30, 2012, the Company holds 100% interest in two exploration licenses in Malawi through its ownership of Lancaster. On January 21, 2010 Lancaster was granted the rights to the Phalombe license and on September 10, 2010 the Thambani license was also granted. Each of the Company's mineral properties are at the early stage of exploration.

The Company incurred a net operating loss of $2,349,530 and $3,829,962 for the nine months ended September 30, 2012 and 2011 respectively. The expenditures for the nine months ended September 30, 2012 and 2011 were due primarily to the drilling programs which were undertaken during the period.

Total assets decreased from $3,766,500 to $720,299 for the nine months ended September 30, 2012, due to the consumption of cash by the Company's second exploration drilling program. The decrease in cash was slightly offset by an increase in prepaid expenses whereby a payment to a vendor was reclassified from expense to prepaid during the period and then a portion of the cash was returned. The remaining deposit will be returned once the drill rig is returned to the contractor. The Company raised total gross proceeds of C$7,625,026 through the Financings which closed on December 20, 2010 in conjunction with the completion of the Qualifying Transaction. The proceeds of the Financings will continue to be used to fund exploration programs on the Songwe Hill property.

The Company's expenditures are primarily denominated in the United States dollar ("USD"). In order to mitigate the negative impact of foreign exchange rates on converting its equity raised in Canadian dollars to the USD, the Company has converted a significant portion of the funds to USD at a favorable foreign exchange rate and holds the funds in short term, interest bearing investment vehicles until such time as the funds are required to extinguish liabilities.

EXPLORATION LICENSES

The Company is a mineral exploration company whose primary business is to conduct exploration activities for rare earth elements and associated minerals. Initially, Lancaster has established the Republic of Malawi as its platform country, focusing primarily on the Phalombe district, where past exploration has indicated strong geological potential for rare earths ("REE's") and other minerals.

1. SONGWE HILL

Through its ownership of Lancaster, the Company holds a 100% interest in an exclusive prospecting license over an area of 1,283 km2 in southeast Malawi (the "Phalombe License"). Its main exploration target is the Songwe Hill deposit, which features carbonatite hosted rare earth mineralization and was subject to previous exploration programs in the late 1980s and in 2010, the latter managed by Lancaster. Lancaster was awarded the license on January 21, 2010.

The Phalombe License runs for a period of three years and is renewable for further periods of two years and two years thereafter if the terms and conditions of the Phalombe License have been met. The expenditure commitment for the Phalombe License is 43,500,000 Malawian Kwacha (US$160,517 based on MK271 exchange rate) and has already been met.

Management believes that all necessary permits for Lancaster's current phase of the exploration program have been obtained.

Songwe is accessible by road from Zomba, the former capital, and Blantyre, the principal commercial town of Malawi. Total travel time from Zomba is approximately 2 hours, which will reduce as infrastructure continues to be upgraded in the area. Songwe is a volcanic vent that is expressed as a steep-sided hill rising some 230m above the surrounding plain.

The Company's corporate strategy with respect to Songwe Hill has been to further delineate the rare earth mineralization through additional drilling, surface sampling and geological mapping whilst in parallel evaluating the mineralogy and assessing potential processing options for the project.

During the period ending September 30, 2012, the Company was completed its Stage 2 drilling program. The drilling program was designed to complement the 13 hole, 2,000 meter Stage 1 drilling program and systematic channel sampling completed in 2011. Drilling focused on an area measuring approximately 350 by 100 metres comprising rare earth enriched carbonatite, carbonatite breccia and fenite lithologies, largely exposed at surface. A total of 25 holes were completed in Stage 2 for a total of approximately 4,860 metres to a maximum vertical depth of approximately 350 metres. All samples from Stage 2 drilling were delivered to Intertek-Genalysis Laboratories for assaying, and the results of 25 holes have now been announced.

Mkango engaged MSA Group to complete a National instrument 43-101 compliant resource estimate for the Songwe project to commence on receipt of all the assay results. The Company's 43-101 Resource Report was filed on Sedar on November 22, 2012.

The Company's long term continuing operations are dependent on its ability to secure equity and/or debt financing with which it intends to carry out further metallurgical and processing test work, commence scoping and feasibility studies, and maintain its proposed mineral exploration programs on the Songwe Hill property. The circumstances that could affect the company's ability to secure equity and/or debt financing that are reasonably likely to occur are, without limitation, the state of the capital markets and the prevailing market prices for commodities, in particular the prevailing market prices for REE. The current trends relating to these factors are relatively favorable for the Company but could change at any time and negatively affect the Company's operations and business. Other than as disclosed herein, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect on the Company's business, financial condition or results of operations.

2. THAMBANI MWANZA DISTRICT

Lancaster was granted an additional exploration license by the Malawi Minister of Natural Resources, Energy and Environment on September 10, 2010 in respect of an area of 468 km² in Thambani, Mwanza District, Malawi. During the period ended September 30, 2012, the Company completed further reconnaissance exploration in the license area. Reconnaissance work completed to date has identified a number of areas containing several existing and partially worked alluvial (and possibly elluvial) occurrences of zircon, which have become the initial exploration focus.

EXPENDITURES

The Company's principal activities require expenditures which include both exploration and general and administrative expenses. The following discussion describes the general and administrative expenditures in greater detail.

	For the three months ended September 30,		For the nine months ended September 30,	
	2012	2011	2012	2011
Administrative expenses	210,383	39,957	537,887	127,526
Investor communication expenses	111	23,307	71,410	38,988
Malawi field office expenses	35,980	74,510	288,380	233,074
Legal fees	-	26,486	46,450	29,956
Audit fees	-	2,446	10,067	51,266
Stock option expense	24,641	280,521	182,241	1,355,499
Depreciation	615	-	1,846	-
Mineral exploration expenditures				
Drilling	65,377	620,020	736,228	1,352,456
Camp equipment and travel	-	16,398	483,875	209,517
Technical review and analysis	6,946	160,661	471,382	162,862
Consulting fees	23,723	121,646	186,537	337,852
Total	$ 367,777	$ 1,365,952	$ 3,016,304	$ 3,898,996

Expenses of $367,777 and $3,016,304 were recognized for the three and nine months ended September 30, 2012, respectively (2011 - $1,365,952 and $3,898,996). Exploration expenses totaling $1,878,022 and $2,062,687 for the nine months ended September 30, 2012 and 2011, respectively, is the result of the exploration programs undertaken during the comparative periods on the Songwe Hill property and within the broader Phalombe License.

Stock based compensation of $182,241 (2011 $1,355,499) for the nine months ended September 30, 2012, was recognized as a result of stocks options granted to officers, directors and an investment relation firm during 2011. There have been no stock options issued during 2012, to date.

Administrative expenses of $537,887 (2011 $127,526) were recognized for the nine months ended September 30, 2012. The administrative costs are associated with managing a publically traded company and operating an exploration camp in Malawi. The costs were significantly higher in 2012 as a result of the following cost increases: Malawi camp fees $98,000, consulting fees and expenses $129,361, investor relations $48,000, travel $30,000, duty for importing drilling equipment into Malawi $65,000 and legal fees $40,000.

PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value
Balance at December 31, 2010	$ 288	$ -	$ 288
Additions	9,732	-	9,732
Less Depreciation	-	(940)	(940)
Balance at September 30, 2011	10,020	(940)	9,080
Less Depreciation	-	(305)	(305)
Balance at December 31, 2011	10,020	(1,245)	8,775
Less Depreciation	-	(1,847)	(1,847)
Balance at September 30, 2012	$ 10,020	$(3,092)	$ 6,928

Property and equipment include computer and office equipment and a vehicle which was purchased in Malawi for use in the camp.

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2012, the Company had a working capital surplus of $601,039 (2011 - $2,766,481). The Company completed its Qualifying Transaction on December 20, 2010 and raised gross proceeds of C$7,625,026. At September 30, 2012, the Company had a cash balance of $650,139, which included restricted cash of $4,241. The funds are being used to fund the exploration program in Malawi. Management believes that the Financings have generated a sufficient amount of cash in the short and medium long term to maintain the Company's ability to meet its planned exploration activities and to meet its short and medium term objectives and milestones.

Since the Company does not expect to generate any revenue in the near future, it must continue to rely upon the sale of its equity and/or debt securities to raise capital. There can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required at any particular time or for any period or, if available, it can be obtained on terms satisfactory to the Company.

ISSUED AND OUTSTANDING SHARE INFORMATION

As at the date of this report, the Company had 37,442,855 Common Shares, 8,066,110 warrants and 2,875,833 stock options issued and outstanding.

OFF BALANCE SHEET ARRANGEMENTS

The Company is not party to any off balance sheet arrangements or transactions.

ACCOUNTING POLICIES AND ESTIMATES

Management is required to make judgments, assumptions and estimates in the application of IFRS that have a significant impact on the financial results of the Company. Details outlining Mkango's accounting policies are contained in the notes to the interim consolidated financial statements for the period ended September 30, 2012.

BUSINESS RISKS

Readers are cautioned that the following is a summary only of certain risk factors and is not exhaustive and is qualified in its entirety by reference to, and must be read in conjunction with the additional information on these and other factors that could affect Mkango's operations and financial results that are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

The Company is presently pursuing direct investments in international mining projects. There is no assurance that exploration prospects will be granted in foreign jurisdictions where the Company is making applications, nor is there assurance the exploration efforts will be successful. If the Company is successful in obtaining exploration prospects in foreign jurisdictions, additional capital will be required to execute the exploration programs.

Rare earth element and related mineralogy exploration, development, production and marketing operations inherently have a number of business risks and uncertainties, including the uncertainty of finding new reserves, the volatility of commodity prices, operational risks, the cost of capital available to fund exploration and development programs, regulatory issues and taxation, and the requirements of new environmental laws and regulations.

The Company manages these risks by contracting competent professional staff, following sound operating practices and the prudent issuance of equity to fund capital expenditures so that debt does not become a burden. Extensive geological, geophysical, engineering and environmental analyses are performed before committing to the drilling of new prospects. These analyses are used to ensure a suitable balance between risk and reward. The Company conducts its operations in a manner consistent with environmental regulations as stipulated applicable local legislation. Mkango is committed to meeting its responsibilities to protect the environment wherever it may operate and anticipates making increased capital and operating expenditures as a result of the increasingly stringent laws relating to the protection of the environment. Mkango's operations are subject to the risks normally associated with the mining industry. The Company is committed to respecting the safety of its personnel, the environment and the communities where it has operations.

The mining industry has been subject to considerable price volatility, over which companies have little control, and a material decline in the price of rare earth elements could result in a significant decrease in the Company's future anticipated revenues. The mining industry has inherent business risks and there is no assurance that products can continue to be produced at economical rates or that produced reserves will be replaced. Fluctuations in currency and exchange rates and changes in production are daily risks in the mining industry.

FINANCIAL INVESTMENTS AND RISK MANAGEMENT

All financial instruments are initially recognized at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair value through profit or loss ("FVTPL"), held for- trading, loans and receivables, financial assets available-for-sale, financial assets held-to-maturity, and other financial liabilities.

Financial assets and financial liabilities classified as FVTPL are measured at fair value with changes in fair value recognized in net earnings or loss. Financial assets available-for-sale are measured at fair value, with changes in fair value recognized in other comprehensive income. Financial assets held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization.

Cash including short-term deposits are designated as FVTPL and are measured at carrying value which approximates fair value due to the short-term nature of these instruments. Accounts receivable are designated as loans and receivables. Accounts payable and accrued liabilities are designated as other financial liabilities.

The fair value of cash and cash equivalents, accounts receivable, accounts payable and amounts due to related party approximates the carrying value. The Company does not hold any other financial instruments. The main financial risks affecting the Company are discussed below:

<u>Fair values</u>
The Company's cash and cash equivalents and accounts receivable and current liabilities are approximated by their carrying values due to the short-term nature of the items.

<u>Concentration risk</u>
A majority of the Company's cash and cash equivalents are held by one major Canadian banking institution. Deposits held with this bank may exceed the amount of insurance provided on such deposits. Generally these deposits may be redeemed upon demand and bear minimal risk.

Credit risk
The Company has negligible accounts receivable.

Commodity price risk
The Company's operations and financial results may be affected by fluctuations in commodity prices and exchange rates.

Liquidity Risk
Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements, including amounts projected to complete the Company's existing capital expenditure program are continuously monitored and adjusted as input variables change. As these variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain project debt financing.

Capital Risk
The Company's objective when managing capital is to maintain a flexible capital structure which will allow it to execute its capital expenditure program, which includes expenditures in mining activities which may or may not be successful. Therefore, the Company monitors the level of risk incurred in its capital expenditures to balance the proportion of debt and equity in its capital structure. The Company has no externally imposed capital requirements.

COMMITMENTS

The Company was granted the Phalombe Licence for the Songwe property on January 21, 2010. The future spending commitments for exploration expenses up to 2013 with the Government of Malawi based on a foreign exchange rate for the local currency to US dollars of MK306, are as follows:

Exploration commitments	$	142,157
Ground rent		41,928
Total commitment	$	184,085

On September 10, 2010, the Company was granted an additional exploration licence by the Malawi Minister of Natural Resources, Energy and Environment in respect of an area of 468 km^2 in Thambani, Mwanza District, Malawi. The Company has not undertaken any activity on such licence area to date. The future spending commitments for exploration expenses up to 2013 with the Government of Malawi are as follows:

Exploration commitments	$	162,414
Ground rent		15,295
Total commitment	$	177,709

In November 2011, the Company was notified by the Malawi government that the ground rent had increased from 100 Kwacha ($0.33 USD) per square kilometer to 10,000 Kwacha ($32.68 USD) per square kilometer of licensed area.

RELATED PARTY TRANSACTIONS

a) All expenses of Lancaster from incorporation to December 20, 2010, were paid by Leo Mining and Exploration Ltd. ("Leo Mining") on behalf of Lancaster. The Company is considered related by virtue of common directors and officers who have an ownership in and exercise significant influence over both companies. As of September 30, 2012 Lancaster had a payable to Leo Mining in the amount of $15,343 (2011 – $27,843). The amount is part of an agreement between the Company and Leo Mining in an effort to help fund operations prior to the Company going public. The amount is unsecured and due on demand. Interest of 2% is to be incurred on the outstanding amount annually; however this has been waived for 2010, 2011 and 2012. During the third quarter of 2010, the former shareholder, Leo Mining, forgave $195,401 of the outstanding loan. During 2011, the Company repaid $414,708 of the funds advanced by the related party during the six months ended June 30, 2011. There was no repayment made during the nine months ended September 30, 2012.

The Company and Leo Mining have formalized their relationship with respect to services provided by Leo Mining. A written agreement sets out the types of services to be provided and the costs associated with such services. Generally the Company shall pay all disbursements made by Leo Mining on its behalf. During the year the Company has not engaged in services with Leo Mining.

b) For the nine months ended September 30, 2012, the Company recorded $275,728 (2011 - $270,840) for directors fees, legal fees and key management fees and related costs, including share based compensation. Included in accounts payable and accrued liabilities at June 30, 2012, was $26,984 (2011 - $26,956) due to directors and officers. The amounts owed are unsecured, due on demand and non-interest bearing.

c) Key management remuneration to directors and executives

	2012	2011
Salary	$ 244,881	$ 238,549
Share based awards	228,719	595,077
Total compensation	$ 473,600	$ 833,626

The transactions were conducted in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

SUBSEQUENT EVENT

There have been no transactions or events since September 30, 2012.

DIRECTORS AND OFFICERS AS AT SEPTEMBER 30, 2012

William Dawes, Director and Chief Executive Officer
Alexander Lemon, Director and President
David Berg, Director and Corporate Secretary
Adrian Reynolds, Director
Eugene Chen, Director
Sandra Beaulieu, Chief Financial Officer