MKANGO RESOURCES LTD

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the periods ended June 30, 2011 and 2010

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 consolidated financial statements and accompanying notes for the periods ended June 30, 2011 and 2010. 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 August 28, 2011.

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, imprecision of reserve estimates, 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 Limited ("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 is the only subsidiary of Mkango.

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 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 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 resource interests and has not yet determined whether the interests contain a mineral resource. The recoverability of the amounts shown for resource 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 financing which closed December 20, 2010 (“the Financing”).

The Financing involved the issuance of 4,825,000 units (the "Units") at a price of C$0.50 per Unit, pursuant to a brokered private placement for gross proceeds of C$2,412,500 and a non-brokered private placement of 10,696,499 Units at a price of C$0.50 per Unit for total gross proceeds of C$5,348,249.50. Each Unit consisted of one common share and one-half of one common share purchase warrant (the "Warrant"). Each whole Warrant entitled the holder to acquire one common share at the exercise price of C$0.75 on or before December 20, 2012. The combined gross proceeds from the Financing were C$7,760,749.50.

The Company also paid compensation under the Financing by way of the issuance of 272,970 finders’ units and 337,750 broker units and a collective cash commission of $390,419 USD. Each finder and broker unit is exercisable into one common share and one half warrant for a period of 24 months after December 20, 2012 at an exercise price of C$0.50 per unit. Each resulting warrant is exercisable into one common share at an exercise price of C$0.75.

HIGHLIGHTS

As of June 30,	2011	2010
Cash from (used) by financing activities	$ (378,177)	$ 127,391
Cash used by operations	(2,144,663)	(127,391)
Total comprehensive loss attributable to common shareholders	(2,323,464)	(127,391)
Loss per share - basic and diluted	$ (0.06)	$ (127.39)
Common shares outstanding	37,376,188	1,000
Evaluation and exploration spending:		
Malawi	1,143,962	-
Current assets	5,544,162	-
Current liabilities	(138,156)	(352,625)
Working capital	$ 5,406,006	$ (352,625)

SUMMARY OF QUARTERLY RESULTS

	2011		2010				2009	
Total Operations	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**
Revenue	249	7,340	1,737	-	-	-	-	-
Expenses	1,394,269	936,784	80,170	112,917	67,007	60,384	7,048	-
Recapitalization adjustment	-	-	312,737	-	-	-	-	-
Net loss for period	(1,394,020)	(929,444)	(391,170)	(112,917)	(67,007)	(60,384)	(7,048)	-
Loss per share - basic and diluted	$ (0.04)	$ (0.02)	$ (0.35)	$ (112.92)	$ (67.01)	$ (60.38)	$ (7.05)	$ 0.00
Total assets	5,544,392	6,891,196	7,861,616	1,045	1,045	1,045	-	-
Long term debt		-	-	(270,141)	(352,625)	(285,618)	(225,234)	(218,186)

The expenses for the three months ended June 30, 2011 were $1,394,269 which was $457,485 higher than the three month period ended March 31, 2011. During the three months ended June 30, 2011, the Company completed its stage one diamond evaluation program on the Songwe Hill property in Malawi. Exploration and evaluation of expenses of $728,636 were recognized. General and administrative costs increased by $223,244 for the period as a result of the increased activity in Malawi. In addition, the Company recognized $481,384 of stock based compensation and a foreign exchange gain of $38,995.

The expenses for the three months ended March 31, 2011 were $936,784. Exploration and evaluation costs for the period were $415,326 as the stage one diamond drilling program on the Songwe Hill property in Malawi began in April 2011. General and administrative costs were $90,860 which included $43,920 of audit fees. In addition, the Company recognized $593,594 of share based compensation expense and a foreign exchange gain of $162,996.

The 2009 comparatives represent the reverse takeover financial results of Lancaster and as such, do not include Mkango's financial results prior to the close of the Transaction on December 20, 2010.

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; as such, the 2009 comparatives are also IFRS compliant.

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 June 30, 2011, the Company holds a 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.

The Company incurred a net operating loss of $1,394,020 and $2,323,464 for the three and six months ended June 30, 2011 (2010: $67,007 and $127,391), respectively. The increase in expenses is the result of executing the first stage of the drilling program on the Songwe Hill property in Malawi during the second quarter of 2011.

Total assets decreased from $7,861,616 to $5,544,392 for the six months ended June 30, 2011, due to the consumption of cash as the company executed its first stage of the Songwe Hill evaluation program.

The Company raised total gross proceeds of $7,625,026 through the Financings which closed on December 20, 2010 in conjunction with the completion of the Qualifying Transaction. The proceeds continue to be used to fund the Company's exploration program on the Songwe Hill property and to repay the related party promissory note (see "Related Party Transactions").

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 licence on January 21, 2010.

The 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 license have been met. The expenditure commitment for the license is 43,500,000 Malawian Kwacha (US$290,145 based on MK149.9 exchange rate).

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 1.5 to 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.

During the six month period ended June 30, 2011, the Company was focused on completing its stage one of the evaluation programs at Songwe Hill.

In preparation for the drilling program, roads and bridges were upgraded on the road to the site and drill roads and pads were constructed on Songwe Hill. A drilling and exploration camp was established at the base of the hill, two water boreholes drilled, one to supply the camp and drilling operations and the other to supply Mphembezu school and Namalamba village which is the nearest village to the site, and a 14,000 liter diesel fuel tank was put in place to supply drilling operations. The Company also completed a topographic survey and geophysical review of the Songwe Hill project in addition to geological mapping and acquired Landsat and ASTER satellite imagery for the license area.

The Company subsequently drilled 13 diamond drill holes for a total of approximately 2,000 meters. The drill holes were designed to test the mineralized zones previously identified in the late 1980's in addition to potential extensions of these zones. After logging and sampling, the drill core samples were dispatched to Genalysis Laboratories in South Africa and Australia for sample preparation and assaying. In addition, a subset of samples was submitted to Actlabs in Canada. Assay results for the core samples are expected to be announced in September 2011.

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 (the "Thambani License"). During the period ended June 30, 2011, the Company completed a review of technical data for the license area and acquired Landsat and ASTER satellite imagery in preparation for commencement of exploration.

EXPENDITURES

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

Expenses

	For the three months ended June 30,		For the six months ended June 30,	
	2011	2010	2011	2010
General and administrative	209,938	6,623	265,285	67,007
Audit fees	13,305	-	48,820	-
Stock option expense	481,384	-	1,074,978	-
Mineral exploration expenditures	728,636	60,384	1,143,962	60,384
Foreign exchange gain	(38,995)		(201,992)	
Total	$ 1,394,269	$ 67,007	$ 2,331,053	$ 127,391

The Company incurred expenses of $1,394,269 and $2,331,053 for the three and six months ended June 30, 2011 (2010: 67,007 and $127,391), respectively. Mineral exploration expenditures of $728,636 and $1,143,962 for the three and six months ended June 30, 2011 were incurred resulting from the completion of the stage one evaluation program on the Songwe Hill property in Malawi. General and administrative costs of $209,938 and $265,285 were incurred for the three and six months ended June 30, 2011. General and administrative costs increased as a result of the increased activity in Malawi related to the stage one evaluation program on the Songwe Hill property. In addition, the Company recognized $481,384 and $1,074,978 of stock based compensation for the three and six months ended June 30, 2011.

Property and equipment

Other assets		
Opening balance, January 1, 2010	$	-
Additions		288
Disposals		-
Depreciation		(58)
Closing balance, December 31, 2010 and June 30, 2011	$	230

Property and equipment include computer and office equipment.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2011, the Company had a working capital surplus of $5,406,006 (working capital deficit at June 30, 2010 - $352,625). The Company completed its Qualifying Transaction on December 20, 2010 and raised gross proceeds of $7,625,026. The funds are being used to fund the exploration program in Malawi for the next 12 months, which is expected to cost a minimum of $2.9 million. Management believes that the Financing has generated sufficient amount of cash in the short and medium term to maintain the Company's ability to meet its planned exploration activities and to meet its objectives and milestones.

ISSUED AND OUTSTANDING SHARE INFORMATION

As at the date of this report, the Company had 37,376,188 Common Shares, 8,066,110 warrants and 3,030,000 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 GAAP 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 audited consolidated financial statements for the period ended June 30, 2011.

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.

IFRS CONVERSION

In 2008, the Canadian Institute of Chartered Accountants ("CICA") Accounting Standards Board confirmed that International Financial Reporting Standard ("IFRS") will replace GAAP effective January 1, 2011 for publically accountable enterprises. The adoption date of January 1, 2011 will require the restatement of comparative amounts beginning in January 2010, including an opening balance sheet as at January 1, 2010.

The Company has assessed the differences between Canadian GAAP and IFRS and has taken the applicable exemptions available at the transition date, January 1, 2010.

The Company's functional currency will not change as a result of its transition to IFRS. The Company continued to raise equity in Canadian dollars and incurs significant expenditures in the United States dollar. Therefore, the Company will continue to use the United States dollar as its functional currency.

No onerous contracts and no decommissioning were required as of the date of transition. Therefore, no exemptions were taken in regards to these classifications of liabilities.

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:

Fair values
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.

Concentration risk
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 Phalonbe licence for the Songwe property on January 21, 2010. The future spending commitments for exploration expenses up to 2013 with the Government of Malawi for the Phalombe licence are as follows:

Exploration commitments	290,145
Ground rent	994
	$ 291,139

On September 10, 2010, the Company was granted the Thambani 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 the licence area to date.

The future spending commitments for exploration expenses up to 2013 with the Government of Malawi for the Thambani licence are as follows:

Exploration commitments	323,500
Ground rent	303
	$ 323,803

The Company expects to use the funds received from the Financings to meet these commitments.

RELATED PARTY TRANSACTIONS

All expenses of Lancaster from incorporation to December 20, 2010, were paid by the former shareholder, Leo Mining, on behalf of the Lancaster. As of June 30, 2011 Lancaster owed Leo Mining $27,843. During the first three months of 2011, the Company repaid $139,708 of the outstanding loan. An additional $275,000 was repaid on June 14, 2011. The funding received by Lancaster from Leo Mining was managed as follows:

Opening balance, January 1, 2010	$	225,234
Loan forgiven		(195,401)
Mineral exploration expenditures		213,738
General & administrative		161,878
Closing balance, December 31, 2010	$	405,449
Loan repayment		(414,708)
General & administrative		37,102
Closing balance, June 30, 2011	$	27,843

On June 30, 2010, Lancaster entered into an unsecured promissory note in favour of the Leo Mining to repay the outstanding loan. Pursuant to the terms of the promissory note $139,708 plus interest at a rate of Libor + 2%. Interest at such rates shall accrue monthly and shall be payable monthly, in arrears, on the first business day of each month commencing on January 1, 2011. This promissory note was repaid on January 1, 2011.

The Company and Leo Mining have formalized their relationship with respect to the provision of services. A written agreement sets out the types of services to be provided and the costs associated with such services. Generally the Company shall reimburse Leo Mining for its proportionate cost of salaries, direct and overhead costs attributable to services provided to the Company, pay all disbursements made by Leo Mining on its behalf and pay a handling fee amounting to 15% of amounts paid and invoiced. These costs are noted above in general and administrative. The agreement also provides for further advances by Leo Mining should the Company so require and request, such advances to be interest bearing at a rate of LIBOR + 2%. Interest in payable monthly and commences January 1, 2011.

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.

DIRECTORS AND OFFICERS AS AT JUNE 30, 2011

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