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Form 51-102F1

Management's Discussion & Analysis of Financial Condition and Results of Operations for the Financial Period Ended September 30, 2011

DATE: December 16, 2011

GENERAL

This Management's Discussion and Analysis ("MD&A") of Confederation Minerals Ltd. ("Confederation" or the "Company") has been prepared by management and should be read in conjunction with the unaudited condensed consolidated financial statements for the period ended September 30, 2011 and 2010 and the audited condensed consolidated financial statements for the fiscal years ended June 30, 2011 and 2010. Additional information relating to the Company, including other regulatory filings, can be found on the SEDAR website at www.sedar.com.

All figures are in Canadian dollars unless otherwise noted.

FORWARD-LOOKING INFORMATION

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of its management as well as assumptions made by and information currently available to the Company. When used in this document, the words "anticipate", "believe", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of the Company's exploration properties. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Aside from factors identified in the Company's consolidated financial statements, additional important factors, if any, are identified here.

DESCRIPTION OF BUSINESS

Confederation Minerals Ltd. was incorporated on November 3, 2005 under the *Business Corporations Act* (British Columbia) as "Medina Ventures Inc.", changed its name to "Sienna Minerals Ltd." on April 26, 2006 and changed its name to Confederation Minerals Ltd. on April 11, 2007. The Company is a junior resource company whose business is to seek out and develop mineral deposits.

Newman Todd Project

On November 19, 2011, the Company entered into an option agreement with Redstar Gold Corp ("Redstar") entitling it to earn up to 70% of Redstar's Newman Todd gold project (the "Property") in the Red Lake Mining District of Northern Ontario. To exercise the option to earn an initial 50% interest, the Company will be required to incur a cumulative of \$5,000,000 of work expenditures on the Property, issue to Redstar a total of 500,000 shares of the Company and make payments to Redstar totaling \$250,000 in the following manner:

- a) 100,000 shares (issued) and a \$50,000 payment (paid) within 10 business days of approval of the Agreement by the TSX Venture Exchange (December 22, 2010);
- b) work expenditures of \$2,000,000, 100,000 shares (issued on November 1, 2011) and a further \$50,000 payment (paid on November 1, 2011) on or before the first anniversary of the Agreement;
- c) further work expenditures of \$1,500,000, a further 150,000 shares and a further \$75,000 payment on or before the second anniversary of the Agreement; and
- d) further expenditures of \$1,500,000, a further 150,000 shares and a further \$75,000 payment on or before the third anniversary of this Agreement.

To exercise the option to earn a further 20% interest, thereby increasing its overall interest to 70%, the Company will be required to produce, at its own cost, a preliminary assessment of the Property and issue a further 500,000 shares to Redstar on or before the sixth anniversary of the Agreement, subject to minimum annual expenditures of \$250,000 during the last three years of the option period. The parties also have agreed to form a joint venture following the exercise of the option by Confederation. The Property is subject to a 2% net smelter return and a 15% net carried interest. The latter interest does not receive payment until capital expenditures have been recovered with interest. On November 19, 2010, total finder's fee of \$132,500 was paid in the form of \$66,250 cash and the issuance of 228,448 shares at a deemed value of \$0.29.

On April 14th, 2011, the Company and Redstar entered into a Purchase Agreement with Ronald Gangloff ("Gangloff") to purchase a 50% interest in 18 mineral claims immediately adjacent to the Newman Todd Project. Of the 50% interest acquired, the Company has acquired an undivided 35% interest in the claims for a sum of \$50,000 (paid May 25, 2011) and 125,000 shares (issued May 12, 2011) and Redstar acquired an undivided 15% interest in the claims for the sum of \$70,000. On May 16, 2011, the Company agreed to lend \$70,000 to Redstar, secured by a promissory note payable on the earlier of May 16, 2012 and the date Redstar completes its next equity financing. On September 15, 2011, Redstar repaid in full the total amount of \$70,000 plus interest to date.

As at September 30, 2011 the Company had incurred \$3,938,501 in exploration expenditures on the property.

American Potash LLC.

The Company also owns 50% of American Potash LLC, a Nevada corporation which owns certain potash exploration leases and an option to acquire potash exploration permit applications in respect of certain potash prospects in the Paradox basin in Utah. On November 2, 2010 the option agreement dated June 2009 between American Potash (owned 50% by each of the Company and Magna Resources Ltd. ("Magna")) Sweetwater River Resources LLC ("Sweetwater"), John Glasscock and Kent Ausburn (the "Sweetwater Option Agreement") (collectively called the "Optionors") was amended to exclude the Arizona permits and properties which were previously part of the subject of that agreement.

On November 12, 2010, Confederation, Magna and Sweetwater granted an option to Passport Potash Inc. ("Passport") to acquire 100% of the Arizona properties, subject to a 2% royalty, in consideration of the issue of 500,000 shares by December 15, 2010, payments of \$90,000 in three instalments of \$30,000 each at 12, 18, and 24 months from the date of signing the agreement, and by meeting the exploration expenditures as required by the Arizona State Land Department. The consideration is to be shared as follows: Sweetwater (29.3%) and American Potash (70.7%).

Passport has the right, but not the obligation, to make the cash payments. Passport has the right at any time to buy the royalty for \$150,000 USD per percentage point.

In July 2011, American Potash acquired 100% of 160 Federal lithium placer mining claims totaling 3200 acres in northwestern Paradox Basin, southeast Utah, USA. The lithium claims are located on Bureau of Land Management administered Federal lands and are staked over a portion of existing American Potash BLM pending potash prospecting permit areas. The new American Potash lithium claims occur approximately 30 miles (50 km) northwest of Moab, Utah and 20 miles (38 km) northwest of Intrepid Potash's Cane Creek solution potash mine in the southeastern Paradox Basin of Utah.

In September 2011, American Potash acquired an additional 960 acres of potash and lithium leases as part of the Green River Potash Project in the Paradox Basin, Southeast Utah.

In September 2011, the Company signed a Letter of Intent allowing Magna Resources Ltd. ("Magna") to acquire its 50% interest in American Potash. The purchase price of the acquisition will be the issuance of 22,420,000 common shares of Magna at a deemed price of \$0.20 per share, for aggregate consideration of \$4,480,000. Prior to the completion of the acquisition, Magna will complete a 2 for 1 stock split of the outstanding common shares of Magna, resulting in 22,420,000 Magna shares being outstanding immediately prior to the issuance of any shares to the Company. Concurrent with the completion of the acquisition, Confederation will subscribe for up to 6,666,666 Magna shares at a price of \$0.30.

Confederation will subsequently distribute the Transaction Shares to its shareholders (the "Spin-Out") at a date to be determined by the Confederation board of directors in consultation with Magna. It is the intention of all parties that the Spin-Out will be completed on a tax deferred basis such that generally no taxable event will occur until a Confederation shareholder disposes of the shares so received.

As a result of this transaction, the related assets and liabilities of American Potash at September 30, 2011, have been reported as Assets held for sale and Liabilities held for sale and all operating expenses and income have been reported as Net Income/Loss from discontinued operations.

Other Properties

The Company also owns certain mineral claims in northern Ontario know as the Confederation Lake claims (sometimes referred to as the Mitchell-Belanger claims) and the Matless Lake claims. No work was undertaken on the properties during the last two fiscal years and therefore at June 30, 2011 management decided to abandon these properties for accounting purposes and as such all costs incurred to date were written off.

Other than its interest in American Potash LLC, all of the Company's presently held mineral properties are situated in the Red Lake mining district of the province of Ontario, Canada. However, the Company may seek to acquire interests in other provinces or countries.

The Company finances its properties by way of equity or debt financing. Additional information is provided in the Company's condensed consolidated financial statements. These documents are available on the SEDAR website at www.sedar.com.

EXPLORATION UPDATE

Newman Todd Project

By September 30, 2011, the Company carried out an exploration program on its Newman Todd Property which consisted of some mapping and sampling and approximately 16,700 of diamond drilling at a cost of \$1,073,647. The specific results of the program are discussed in the Company's news releases of March 14, 2011, June 9, 2011, June 20, 2011, June 28, 2011, August 16, 2011, September 12, 2011 and October 19, 2011, all of which are available on www.sedar.com.

The drill program was seen as highly successful and expanded the known sectors of gold mineralization across the property and identified new mineralized areas/zones through stepout drilling in previously untested areas. By September 30, 2011 recent and historic drilling at Newman Todd totaled 94 holes, 64 of those completed tested the zone and all of them intersected gold mineralization, with results indicating the gold-bearing nature of the Newman Todd Structure (NTS) along the entire length of the property.

US Potash Prospects

During the last completed fiscal year in the course of processing the exploration permit applications on the Utah potash prospects, the Company has incurred costs of \$170,541 for preparation of exploration plans for the Utah properties that were required by the United States Bureau of Land Management. As at September 30, 2011, the applications in Utah are pending approval from the United States Bureau of Land Management.

The above technical content of the above property updates was reviewed by Lawrence Dick.

OTHER CORPORATE INFORMATION

These condensed consolidated financial statements include the accounts of the Company and its 50% interest in American Potash LLC, a Nevada limited liability corporation. The joint venture has been accounted for in the Company's condensed consolidated financial statements using the proportionate consolidation basis, whereby the Company records on a line-by-line basis its proportionate share of the assets, liabilities, revenues and expenses of the investees. All intercompany balances and transactions are eliminated on consolidation.

The board of directors consists of Lawrence Dick, Kenneth R. Holmes, Kent Ausburn and Scott Parsons. Lawrence Dick is the President and Chief Executive Officer and Savio Chiu is the Chief Financial Officer.

On March 22, 2011, Peter Bryant resigned as Chief Financial Officer and director. Savio Chiu was appointed as Chief Financial Officer on April 6, 2011. Scott Parsons was appointed as director on February 22, 2011. The members of the Audit Committee are Lawrence Dick, Kent Ausburn and Scott Parsons. On February 23, 2011, Kent Ausburn and Scott Parsons were appointed as members of the Compensation Committee.

The Company is a reporting issuer in the Provinces of British Columbia and Alberta.

The Company's head office is located at Suite 1980, 1075 West Georgia Street, Vancouver, BC, V6E 3C9.

The Company's common shares were approved for listing on the TSX Venture Exchange and trading commenced on July 15, 2008 under the symbol CFM.

SELECTED ANNUAL INFORMATION

The following table provides a brief summary of the Company's financial operations for the three most recently completed financial years:

| | Restated as per IFRS | | As per Canadian GAAP |
|--|---------------------------------|---------------------------------|-----------------------------|
| | Year-Ended June 30, 2011* | Year-Ended June 30, 2010* | Year-Ended June 30, 2009 |
| Net Sales or Total Revenues | NIL | NIL | NIL |
| Net Income or (Loss) | (\$1,837,952) | (\$224,112) | (\$531,951) |
| Net Income or (Loss) per fully diluted share basis | (\$0.07) | (\$0.02) | (\$0.04) |
| Total Assets | \$14,366,967 | \$914,577 | \$824,820 |
| Weighted Average Number of Shares Outstanding | 26,084,782 | 13,966,352 | 13,464,234 |
| Total long-term financial liabilities | \$Nil | \$36,800 | \$37,444 |
| Shareholders' Equity | \$12,788,358 | \$778,084 | \$711,521 |

* The annual information for 2011 and 2010 reflect the presentation required for the sale of American Potash having classified its balance sheet items as Assets and Liabilities Held for Sale.

RESULTS OF OPERATIONS

During the period ended September 30, 2011, the Company incurred a net loss of \$435,162 compared to a net loss of \$58,924 for the period ended September 30, 2010. The significant variance is mainly attributable to an increase in operations during fiscal 2011. The significant costs during the period relate to consulting fees of \$209,515 (2010: \$41,250), share-based payments of \$166,578 (2010: \$Nil), and travel and accommodation expenses of \$15,173 (2010: \$Nil).

The increase in general operating costs were mainly attributable to the following:

- Consulting fees of \$209,515 (2010 - \$41,250) were paid or accrued to companies controlled by directors and to other directors and consultants of the Company for the management services they provided to the Company. The increase in fees compared to the prior year is due to an overall increase in fees paid to officers and directors which came into effect in January 2011, also in February 2011 the Company entered into a management and advisory agreement with Baron Global Financial Canada Ltd, whereby Baron agreed to act as corporate advisor and CFO of the Company for a monthly fee of \$10,000.
- Share-based payments of \$166,578 (2010 - \$Nil) was recognized for the period ended September 30, 2011. This is a non-cash expense which records the fair value of stock options that have been granted and vested during the period. During the period ended September 30, 2011, 150,000 incentive stock options were granted to an officer of the Company. The Company used the Black-Scholes option pricing model for the fair value calculation.
- Travel and accommodation expenses of \$15,173 (2010 - \$Nil) increased over the period due to an overall increase in corporate travel by the Company's management and directors.
- All other operating costs have increased over the period due to an overall increase in activity.
- Interest income of \$29,483 (2010: \$Nil) increased over the period due to interest earned on funds held in an interest bearing GIC account. The funds received from the financing held in January and March 2011 was transferred to a GIC account on receipt.

In line with the sale of American Potash, as discussed above, on the condensed consolidated interim statement of operation and comprehensive loss, the operating expenses and income of American Potash have been separated out and disclosed as Net Loss from Discontinued Operations.

Summary of Quarterly Results

The following table sets forth selected quarterly financial information for each of the last eight most recently completed quarters:

| For the Quarter Periods Ending on | Restated as per IFRS | | | |
|--------------------------------------|-----------------------|------------------|-------------------|----------------------|
| | September 30, 2011 | June 30, 2011 | March 31, 2011 | December 31, 2010 |
| Total Revenues | Nil | Nil | Nil | Nil |
| Total Net Income (loss) | (\$435,162) | (\$932,610) | (\$723,996) | (\$122,422) |
| Basic (Loss) per share | (\$0.01) | (\$0.02) | (\$0.02) | (\$0.01) |

| For the Quarter Periods Ending on | Restated as per IFRS | As per Canadian GAAP | | |
|--------------------------------------|-------------------------|----------------------|-------------------|----------------------|
| | September 30, 2010 | June 30, 2010 | March 31, 2010 | December 31, 2009 |
| Total Revenues | Nil | Nil | Nil | Nil |
| Total Net Income (loss) | (\$58,924) | (\$52,987) | (\$56,945) | (\$34,705) |
| Basic (Loss) per share | (\$0.01) | (\$0.00) | (\$0.01) | (\$0.01) |

Overall consulting fees and share based payments are the major components that caused variances in net loss from quarter to quarter. This as well as an overall increase in corporate activity throughout 2011 has led to increased losses over the last three quarters.

LIQUIDITY

During the quarter ended September 30, 2011, the Company had a cash balance of \$757,733 compared to \$685,229 as at June 30, 2011. The increase in cash is due to a partial redemption of funds from the Company's GIC account. During fiscal 2011, a total of \$10,488,781 which was raised from equity financing was transferred to an interest bearing GIC account and has been classified as a Short Term Investment on the balance sheet. The Company has working capital of \$8,551,493 as at September 30, 2011 compared to \$10,429,521 as at June 30, 2011.

Net cash used in operating activities for the period ended September 30, 2011 was \$1,602,308 compared to \$20,309 for the period ended September 30, 2010. During the period ended September 30, 2011, operations increased significantly due to the increase in exploration and drilling activities incurred on the Newman Todd property. The overall general and administrative costs increased due to costs incurred to support the Company's corporate operations.

Net cash used in investing activities for the period ended September 30, 2011 was \$1,225,410 compared to \$2,180 for the period ended September 30, 2010. This increase is mainly attributable to cash used in exploration activities for the Newman Todd property.

Net cash derived from financing activities for the period ended September 30, 2011 was \$2,900,222 compared to \$Nil for the period ended September 30, 2010.

The Company has no history of profitable operations and its mineral projects are at an early stage. Therefore, the Company is subject to many risks common to comparable junior venture resource companies, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources as well as a lack of revenues.

CAPITAL RESOURCES

The Company's sources of funds are derived from financings. The Company has a capitalization of an unlimited number of common shares without par value of which 45,091,721 common shares are issued and outstanding.

During the period ended September 30, 2011, the Company did not complete any financing. A total of 647,000 share purchase warrants and 94,600 agents warrants were exercised at a price of \$0.45 for gross proceeds of \$333,720 during the period ended September 30, 2011.

OFF-BALANCE SHEET ARRANGEMENTS

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

RELATED PARTY TRANSACTIONS

The aggregate value of transactions and outstanding balances relating to key management personnel and entities which they have control over or significant influence of were as follows:

| Services provided by: | Notes | Three Months Ended September 30, | |
|---|-------|----------------------------------|----------|
| | | 2011 | 2010 |
| Lawrence Dick | (a) | \$ 30,000 | \$ 8,250 |
| Primarius Capital Corp. | (b) | 30,000 | 8,250 |
| Pineview Enterprises | (c) | - | 8,250 |
| Baron Global Financial Canada Ltd. | (d) | 30,000 | - |
| Compensation benefits to key management | (e) | 99,049 | - |

- (a) Lawrence Dick, the President and CEO of the Company provided management services throughout the period.
- (b) Primarius Capital Corp. is a privately held corporation controlled by a director, which provides consulting services to the Company.
- (c) Pineview Enterprises is a privately held corporation controlled by the former Chief Financial Officer and director, which provided consulting services to the Company.
- (d) Pursuant to a management and advisory agreement with Baron Global Financial Canada Ltd. ("Baron"), Baron agreed to act as corporate advisor and Chief Financial Officer of the Company in return for a monthly fee.
- (e) Compensation benefits to key management personnel consists of share-based payments made during the period.

Related party payables:

| | Three Months Ended September 30, | |
|------------------------------------|----------------------------------|-----------|
| | 2011 | 2010 |
| Lawrence Dick | \$ 8,610 | \$ 17,903 |
| Primarius Capital Corp. | - | 17,903 |
| Pineview Enterprises | - | 17,903 |
| Baron Global Financial Canada Ltd. | 1,235 | - |

CRITICAL ACCOUNTING ESTIMATES

For the preparation of condensed consolidated interim financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. Financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- (a) The provision for income taxes which is included in the consolidated statements of comprehensive loss and composition and quantification of deferred income tax assets and liabilities included in the consolidated statement of financial position.
- (b) The recoverability of exploration and evaluation assets in the consolidated statements of financial position.
- (c) The inputs used in accounting for share purchase option expense in the interim consolidated statements of comprehensive loss.

FINANCIAL INSTRUMENTS

Classification of financial instruments

- (a) Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's balance sheet as at September 30, 2011 as follows:

| | Fair Value Measurements Using | | | Balance September 30, 2011 | Balance June 30, 2011 | Balance July 1, 2010 |
|---------------------------|--|---|---|----------------------------------|--------------------------|-------------------------|
| | Quoted prices in active markets for identical instruments (Level 1) \$ | Significant other observable inputs (Level 2) \$ | Significant unobservable inputs Level 3 \$ | | | |
| Cash and cash equivalents | \$ 757,733 | \$ - | \$ - | \$ 757,733 | \$ 685,229 | \$ 44,297 |
| Short term investment | \$ 8,046,794 | \$ - | \$ - | \$ 8,046,794 | \$ 10,532,493 | \$ - |
| Total | \$ 8,804,527 | \$ - | \$ - | \$ 8,804,527 | \$ 11,217,722 | \$ 44,297 |

The fair values of other financial instruments, which include accounts receivable, accounts payable and accruals, approximate their carrying values due to the relatively short-term maturity of these instruments.

- (b) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

The functional currency of the Company's joint venture is the US dollar. At September 30, 2011, the assets and liabilities of the joint venture have been classified as held for sale having been converted at the period end exchange rate. The Company does not have any other US denominated assets and liabilities.

(d) Liquidity Risk

Liquidity risk is managed by ensuring sufficient financial resources are available to meet obligations associated with financial liabilities. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

(e) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

(f) Interest Risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest bearing assets in relation to cash at banks carried at floating interest rates with reference to the market. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Company is considered minimal. As at September 30, 2011, the Company has \$8,046,794 (June 30, 2011: \$10,532,493) in guaranteed investment certificates.

The policies to manage interest rate risk have been followed by the Company during prior periods and are considered to be effective.

SUMMARY OF OUTSTANDING SHARE DATA

The Company's issued and outstanding share capital as at the date of this report is as follows:

- (1) Authorized: Unlimited common shares without par value.
- (2) As at December 16, 2011, the Company has 45,205,221 common shares, 19,855,091 warrants issued and outstanding and 2,650,000 stock options issued and outstanding.

RISK AND UNCERTAINTIES

The Company's principal activity is mineral exploration and development. These activities involve a high degree of risk which, even with a combination of experience, knowledge and careful evaluation, may not be overcome. Consequently no assurance can be given that commercial quantities of minerals will be successfully found or produced.

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many common risks applicable to new and developing enterprises, including undercapitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a positive return on shareholders' investment.

The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

The mineral industry is intensely competitive in all its phases. The Company competes with many other mineral exploration companies who have greater financial resources and technical capacity.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

Effective January 1, 2011, IFRS became Canadian GAAP for publicly accountable enterprises. As a result, the Company’s condensed consolidated interim financial statements for the first quarter ended September 30, 2011 are reported in accordance with IFRS, with comparative information for 2010 restated.

The Company developed and executed a changeover plan in order to begin reporting in accordance with IFRS from July 1, 2011. The changeover plan included a diagnostic phase, an impact analysis, evaluation on conversion phase and an implementation and review phase, each of which set out activities to be performed over the life of the project, resulting in the Company’s first interim reporting under IFRS for the first quarter of 2012. The implementation and review phase will continue and the company will continue to monitor accounting and regulatory developments and evaluate impacts on our financial reporting, and continuing to fulfill presentation and reporting requirements and culminate in the preparation of our financial reporting under IFRS in 2012.

Significant Differences between IFRS and Canadian GAAP in the Company’s Financial Statements

- *Share-Based Payment* (“IFRS 2”)

IFRS and Canadian GAAP largely converge on the accounting treatment for share based transactions with only a few differences. For stock options that vest in installments, IFRS 2 requires the Company to determine the fair value of each installment as a separate share option grant while Canadian GAAP treats the entire grant of stock options as a pool and recognize expense on a straight line basis. Under IFRS the Company must make an estimate of stock options that are forfeited before they vest whereas under Canadian GAAP the Company records forfeitures as they occur. The Company has not applied this standard to equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested before July 1, 2010.

- *Exploration for and evaluation of mineral resources* (“IFRS 6”)

Under the Company’s current accounting policy, acquisition and exploration costs of mineral properties are capitalized as incurred. IFRS 6 permits mining companies to retain their existing policies with respect to the capitalization of exploration and evaluation costs until guidance that is more definitively developed in this area. Such guidance is not expected to be issued until after the Company’s changeover to IFRS. The Company will retain its existing policies with respect to mining interests and exploration costs.

- *Flow-through shares*

Under the Company's current accounting policy, the proceeds from shares issued under flow-through share financing arrangements are credited to capital stock and the tax impact to the Company of the renunciation is recorded on the date that the renunciation is filed with taxation authorities, through a decrease in capital stock and the recognition of a future tax liability.

Under IFRS, a premium paid for flow-through shares in excess of the market value of the shares without the flow-through features at the time of issue is credited to other liabilities and then is recognized through the statement of loss at the time the qualifying expenditures are made. When the qualified expenditures are renounced for tax purposes the other liabilities amount is removed, income tax is expensed and a deferred income tax liability is set up.

Mandatory Exemptions at IFRS Transition Date

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP unless those estimates were in error. The Company's IFRS estimates as at the Transition Date are consistent with its Canadian GAAP estimates as at that date.

Reconciliations from Canadian GAAP to IFRS

The Company's interim condensed consolidated financial statements for the first quarter ended September 30, 2011 include reconciliations from our previous Canadian GAAP reporting to IFRS for our opening balance sheet as at July 1, 2010, our comparative balance sheets as at September 30, 2010 and June 30, 2011 and our statements of comprehensive loss, cash flows and changes in shareholders' equity for the three months ended September 30, 2010 and the year ended June 30, 2011.

The Company's significant accounting policies under IFRS are disclosed in our interim condensed consolidated financial statements for period ended September 30, 2011, and resulting accounting changes are highlighted in our reconciliations from previous Canadian GAAP reporting.

Future Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the September 30, 2011 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

- (a) IFRS 9, Financial Instruments

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement (“IAS 39”) in its entirety with IFRS 9, *Financial Instruments* (“IFRS 9”) in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2013, with earlier adoption permitted. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as at fair value through profit or loss, financial guarantees and certain other exceptions. The IASB has issued exposure drafts addressing impairment of financial instruments, hedge accounting and the offsetting of financial assets and liabilities, with comments throughout 2011. The complete IFRS 9 is anticipated to be issued during the second half of

2011. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

(b) IFRS 10, Consolidated Financial Statements

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes IAS 39, *Financial Instruments: Recognition and Measurement*. The Company has not early adopted the standard and is currently assessing the impact it will have on the condensed consolidated financial statements.

(c) IFRS 11, Joint Arrangements

IFRS 11 establishes principles for the financial reporting by parties to a joint arrangement. IFRS 11 supersedes current IAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*, and is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. The Company is currently evaluating the impact of this standard on its condensed consolidated financial statements.

(d) IFRS 12, Disclosure of Interests in Other Entities

IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

(e) IFRS 13, Fair Value Measurements

IFRS 13 defines fair value, sets out in a single IFRS framework for measuring value and requires disclosures about fair value measurements. The IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements, except in specified circumstances. IFRS 13 is to be applied for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted. The Company is currently assessing the impact of the standards on its condensed consolidated financial statements.

The Company anticipates that the application of these standards, amendments and interpretations will have no material impact on the results and financial position of the Company.

CORPORATE GOVERNANCE

Management of the Company is responsible for the preparation and presentation of the consolidated financial statements and notes thereto, MD&A and other information contained in this annual report. Additionally, it is Management's responsibility to ensure the Company complies with the laws and regulations applicable to its activities.

The Company's management is held accountable to the Board of Directors ("Directors"). The Directors are responsible for reviewing and approving the annual audited consolidated financial statements and MD&A. Responsibility for the review and approval of the Company's quarterly unaudited interim financial statements and MD&A is delegated by the Directors to the Audit Committee, which is comprised of three directors, two of whom are independent of management. Additionally, the Audit Committee pre-approves audit and non-audit services provided by the Company's auditors.

The auditors are appointed annually by the shareholders to conduct an audit of the consolidated financial statements in accordance with generally accepted auditing standards. The external auditors have complete access to the Audit Committee to discuss the audit, financial reporting and related matters resulting from the annual audit as well as assist the members of the Audit Committee in discharging their corporate governance responsibilities.

SUBSEQUENT EVENTS

The following occurred subsequent to the period ended September 30, 2011:

- (i) On November 1, 2011, in line with the Option Agreement with Redstar Gold Corp. for the Newman Todd Property, the Company issued 100,000 shares and made a cash payment of \$50,000.
- (ii) On November 21, 2011, the Company signed the Purchase Agreement with Magna Resources Ltd. for the sale of its 50% interest in American Potash LLC.

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

Additional information relating to the Company's operations and activities can be found by visiting the SEDAR website at www.sedar.com.