CONFEDERATION MINERALS LTD.
Suite 1980, 1075 West Georgia Street,
Vancouver, BC, V6E 3C9
Phone: 604-688-9588 Fax: 778-329-9361

Form 51-102F1

Management's Discussion & Analysis of Financial Condition and Results of Operations for the Financial Period Ended December 31, 2011

DATE: February 28, 2012

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 December 31, 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 (incurred), 100,000 shares (issued) and a further $50,000 payment (paid) on or before the first anniversary of the Agreement;

c) further work expenditures of $1,500,000 (incurred), 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 (incurred), 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 December 31, 2011 the Company had incurred $5,750,602 in exploration expenditures on the property.

American Potash LLC.

The Company also owns 50% of American Potash LLC ("American Potash"), 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.

On January 19, 2012, Manga purchased the Company's 50% interest in American Potash (the "Purchase and Sale Transaction"). The purchase price of the acquisition is comprised of 22,420,000 common shares and 2,400,000 common share purchase warrants of Magna. Each warrant entitles the Company to purchase a further common share at a price of $0.10 until February 25, 2016. Concurrent with the transfer, the Company subscribed for 6,666,666 common shares of Magna at $0.30 per share for gross proceeds to Magna of $2,000,000. Prior to the completion of the acquisition, Magna completed 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.

After the Purchase and Sale Transaction, Magna holds a 100% membership interest in American Potash, which holds potash leases and an option in respect of potash lease applications in the State of Utah. Magna has an aggregate of 51,506,666 common shares and 4,800,000 common share purchase warrants exercisable at $0.10 per share issued and outstanding (on a non-diluted basis), of which 56.47% of the shares and 50% of the warrants are held by the Company.

The Company will subsequently distribute the 29,086,666 shares of Magna 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 December 31, 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 write off all costs incurred to date. The Company abandoned its interest in the Matless Lake claim on February 3, 2012.

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 December 31, 2011, the Company carried out an exploration program on its Newman Todd Project which consisted of some mapping and sampling and approximately 28,672 metres of diamond drilling at a cost of $1,832,082. As of December 31, 2011, the Company has spent a total of $5,750,602 in exploration at its Newman Todd Project. 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, November 2, 2011, November 22, 2011, January 12, 2012, and January 23, 2012 all of which are available on www.sedar.com.

The 2011 drill program has confirmed the existence of a large scale open ended gold-bearing hydrothermal system. Several zones of high grade gold mineralization have been drill traced to date for an approximate strike length of 2.2 kilometers and from surface to a depth of 500m. Gold mineralization is associated with veining and silica/sulphide replacement zones within the widespread iron-carbonate alteration system of the NTS. Current interpretation suggests several individual steeply plunging and structurally controlled amoeba shaped high-grade bodies along the strike length of the NTS. Wide zones of disseminated gold mineralization occur peripherally to the high grade bodies.

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 $329,793 for preparation of exploration plans for the Utah properties that were required by the United States Bureau of Land Management. As at December 31, 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.

OVERALL PERFORMANCE

The following discussion of the Company's financial performance is based on the unaudited interim condensed consolidated financial statements for the six month ending December 31, 2011 and the audited financial statements for the year ended June 30, 2011.

The statement of financial position as at December 31, 2011 indicates a cash balance of $340,770 (June 30, 2011 - $685,229), short term investment of $5,848,969 (June 30, 2011 - $10,532,493), HST receivable of $541,466 (June 30, 2011 - $301,662), prepaid expense of $10,731 (June 30, 2011 - $14,161) and current asset held for sale of $392,922 (June 30, 2011 - $385,426). Total current assets amount to $7,134,858 (June 30, 2011 - $11,988,971). The decrease in total current assets is mainly due to payments of various operating expenses during the past six month, including consulting fees, legal fees, audit fees, and exploration expenditures associated with the Newman Todd Project.

The total current liabilities at December 31, 2011 is $725,886 (June 30, 2011 - $1,578,609). Shareholders' equity is comprised of share capital of $15,161,904 (June 30, 2011 - $14,762,322), share option and warrant reserves of $1,329,022 (June 30, 2011 - $1,209,800), deferred share based payment of $52,418 (June 30, 2011 - $64,998), accumulated other comprehensive income of $18,546 (June 30, 2011 - $18,563) and deficit of $3,799,888 (June 30, 2011 - $3,119,362). The decrease in shareholders' equity is due to the increased operating expenses incurred by the Company during the period.

Working capital, which is current assets less current liabilities, is $6,408,972 at December 31, 2011 compared to $10,410,362 at June 30, 2011. The Company's working capital decreased over the period due to the increases in operating expenses and exploration expenditures.

As at December 31, 2011, the Company has no earnings and therefore finances exploration activities by the issuance of its common shares. The key determinants of the Company's operating results are the following:

(a) the state of capital markets, which affects the ability of the Company to finance its exploration activities; and
(b) the write-down and abandonment of mineral properties should exploration results provide further information that does not support the underlying value of such properties.

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)	($1,837,033)	($224,112)	($531,951)
Net Comprehensive Income or (Loss)	($1,855,596)	($224,112)	NIL
Net Income or (Loss) per fully diluted share basis	($0.07)	($0.02)	($0.04)
Total Assets	$14,347,808	$913,062	$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	$12,769,199	$776,569	$711,521

* The annual information for 2011 reflects 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 six month period ended December 31, 2011, the Company incurred a net loss of $680,526 (2010: $180,986) and a net comprehensive loss of $680,509 (2010: $189,259). 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 $426,165 (2010: $82,500) and share-based payments of $144,589 (2010: $44,405).

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

- Consulting fees of $426,165 (2010: $82,500) 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 an 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. Furthermore, in May 2011, the Company entered into an agreement with Milestone Media AG for public relations services for $15,000 per month.

- Share-based payments of $144,589 (2010: $44,405) were recognized for the period ended December 31, 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 December 31, 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 $20,291 (2010 - $Nil) increased over the period due to an overall increase in corporate travel by the Company's management and directors.

- Legal fees of $23,240 (2010 - $Nil) were incurred for general corporate matters and the Purchase and Sale Transaction between the Company and Magna.

- Interest income of $51,957 (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.

- All other operating costs have increased over the period due to an overall increase in activity.

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:

	Restated as per IFRS			
For the Quarter Periods Ending on	**December 31, 2011**	**September 30, 2011**	**June 30, 2011**	**March 31, 2011**
Total Revenues	Nil	Nil	Nil	Nil
Total Net Income (loss)	($267,088)	($435,162)	($932,051)	($723,996)
Total Net Comprehensive Income (loss)	($267,071)	($435,162)	($942,341)	($723,996)
Basic (Loss) per share	($0.01)	($0.01)	($0.02)	($0.02)

	Restated as per IFRS		**As per Canadian GAAP**	
For the Quarter Periods Ending on	**December 31, 2010**	**September 30, 2010**	**June 30, 2010**	**March 31, 2010**
Total Revenues	Nil	Nil	Nil	Nil
Total Net Income (loss)	($122,062)	($58,924)	($52,987)	($56,945)
Total Net Comprehensive Income (loss)	($130,335)	($58,924)	($52,987)	($56,945)
Basic (Loss) per share	($0.01)	($0.01)	($0.00)	($0.01)

Overall consulting fees and share based payments are the major components that caused variances in net loss from quarter to quarter.

During the quarter ended December 31, 2011, the increase in general operating costs were mainly attributable to the following:

- Accounting and audit fees of $25,140 (2010: $3,220) were incurred in relation to the audit of the Company's June 30, 2011 annual financial statements.

- Legal fees of $19,883 (2010 - $Nil) were recognized for general corporate matters and the Purchase and Sale Transaction between the Company and Magna.

- Shareholder information fees of $15,904 (2010 -$5,009) were paid for legal and material fees associated with the Company's annual general meeting.

LIQUIDITY

During the quarter ended December 31, 2011, the Company had a cash balance of $340,770 compared to $685,229 as at June 30, 2011. The decrease in cash is due to the expenditures incurred for the Newman Todd Project. The Company has working capital of $6,408,972 as at December 31, 2011 compared to $10,410,362 as at June 30, 2011.

Net cash used in operating activities for the period ended December 31, 2011 was $795,567 compared to $41,757 for the period ended December 31, 2010. During the period ended December 31, 2011, operations increased significantly due to the increase in exploration and drilling activities incurred on the Newman Todd Project. 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 December 31, 2011 was $4,658,391 compared to $25,933 for the period ended December 31, 2010. This increase is mainly attributable to cash used in exploration activities for the Newman Todd Project.

Net cash derived from financing activities for the period ended December 31, 2011 was $5,109,499 compared to $572,250 for the period ended December 31, 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 45,205,221 common shares are issued and outstanding as at December 31, 2011.

During the period ended December 31, 2011, the Company did not complete any financing. A total of 660,500 share purchase warrants and 94,600 agents warrants were exercised at a price of $0.45 for gross proceeds of $339,795 during the period ended December 31, 2011.

Subsequent to the period ended December 31, 2011, a total of 9,061,311 share purchase warrants were exercised at a price of $0.45 for gross proceeds of $4,077,589. A total amount of $121,414 was transferred out of reserves and into share capital for the agent warrants exercised.

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:

		Three Months Ended December 31,		Six Months Ended December 31,	
Services provided by:	**Notes**	**2011**	**2010**	**2011**	**2010**
Lawrence Dick	(a)	$ 30,000	$ 8,250	$ 60,000	$ 16,500
Primarius Capital Corp.	(b)	30,000	8,250	60,000	16,500
Pineview Enterprises	(c)	-	8,250	-	16,500
Baron Global Financial Canada Ltd.	(d)	30,000	-	60,000	-
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 consist of share-based payments made during the period.

Related party payables:

	December 31, 2011	**June 30, 2011**
Lawrence Dick	$ -	$ -
Primarius Capital Corp.	-	-
Pineview Enterprises	-	-
Baron Global Financial Canada Ltd.	2,609	1,663
Kenneth Holmes	963	-

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 December 31, 2011 as follows:

	Fair Value Measurements Using					
	Quoted prices in active markets for identical instruments (Level 1) $	**Significant other observable inputs (Level 2) $**	**Significant unobservable inputs Level 3 $**	**Balance December 31, 2011**	**Balance June 30, 2011**	**Balance July 1, 2010**
Cash and cash equivalents	$ 340,770	$ -	$ -	$ 340,770	$ 685,229	$ 47,211
Short term investment	$ 5,848,969	$ -	$ -	$ 5,848,969	$ 10,532,493	$ -
Total	$ 6,189,739	$ -	$ -	$ 6,189,739	$ 11,217,722	$ 47,211
Accounts payables	$ 245,140	$ -	$ -	$ 245,140	$ 1,074,463	$ 99,693
Total	$ 245,140	$ -	$ -	$ 245,140	$ 1,074,463	$ 99,693

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 Company does not have any other US denominated assets and liabilities.

At December 31, 2011, June 30, 2011 and July 1, 2010 the US dollar denominated assets and liabilities of the Company's joint venture are as follows:

	December 31, 2011	June 30, 2011	July 1, 2010
	US$	US$	US$
Monetary assets			
Cash and cash equivalents	$ 4,286	$ 12,588	$ 2,747
Marketable securities	-	104,268	-
Reclamation bond	2,480	-	7,500
	$ 6,766	$ 116,856	$ 10,247
Monetary liabilities			
Accounts payable and accruals	$ 53,558	$ 77,902	$ 15,701
	$ 53,558	$ 77,902	$ 15,701

The following table discusses the Company's sensitivity to a 10% increase or decrease in the Canadian dollar against the US dollar denominated assets and liabilities above. The sensitivity analysis measures the effect from recalculation of these items as at the balance sheet date by using adjusted foreign exchange rates.

December 31, 2011	CDN appreciation by 10%	CDN depreciation by 10%
Increase (decrease) comprehensive loss	$ 6,135	$ (6,135)

June 30, 2011	CDN appreciation by 10%	CDN dereciation by 10%
Increase (decrease) comprehensive loss	$ (18,781)	$ 18,781

July 1, 2010	CDN appreciation by 10%	CDN dereciation by 10%
Increase (decrease) comprehensive loss	$ 1,957	$ (1,957)

(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.

	Less than 3 months	3-12 months	1-5 years	Longer than 5 years	Total
	$	$	$	$	$
December 31, 2011					
Accounts receivable	541,466	-	-	-	541,466
Payables	228,294	16,846	-	-	245,140
June 30, 2011					
Accounts receivable	301,662	-	-	-	301,662
Payables	1,074,463	-	-	-	1,074,463
July 1, 2010					
Accounts receivable	5,446	-	-	-	5,446
Payables	99,693	-	-	-	99,693

(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 December 31, 2011, the Company has $5,848,969 (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 February 28, 2012, the Company has 54,266,532 common shares, 8,676,265 warrants issued and outstanding and 4,800,000 stock options issued and outstanding.

ADDITIONAL DISCLOSURE FOR JUNIOR ISSUERS

The Company has expensed the following material cost components during the period ended December 31, 2011:

		Period ended December 31 2011	Period ended December 31 2010
		$	$
Accounting and audit fees	(a)	25,140	15,720
Consulting fees	(b)	426,165	82,500
Filing fees	(c)	22,703	6,867
Shareholder information	(d)	20,036	5,234
Legal fees	(e)	23,240	-
Share-based payments	(f)	144,589	44,405
Travel and accommodation	(g)	20,291	-
Interest and miscellaneous income	(h)	51,957	-
Net loss from discontinued operation	(i)	23,956	7,912

(a) During the period ended December 31, 2011 $25,140 accounting and audit fees were paid in relation to the previous year's financial statement audit.

(b) Consulting fees totalling $426,165 were paid to directors, officers and consultants of the Company to provide geological, corporate communication, administrative, investor relations and management services. The transactions were conducted in the normal course of operations, on commercial terms established and agreed to by the related parties, and were recorded at the exchange amount.

(c) $22,703 filing fees were paid for financial statement filing, stock exchange listing, and news releases fees.

(d) Shareholder information fees of $20,036 were incurred mainly for the annual general meeting.

(e) Legal fees of $23,240 were recognized for general corporate matters and the Purchase and Sale Transaction between the Company and Magna.

(f) Share-based payments of $144,589 were expensed for the period. 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 December 31, 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.

(g) Travel and accommodation expenses of $20,291 were paid the period in relation to corporate travel by the Company's management and directors.

(h) The Company reported interest income of $51,957 for 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.

(i) In line with the sale of American Potash, 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 operation. During the period ended December 31, 2011, $23,956 net loss from discontinued operation was recognized mainly because American Potash sold the shares of Passport and reported a loss on the disposal of marketable securities of $18,255.

The Company has capitalized the following exploration and development costs during the period ended December 31, 2011 for the Newman Todd Project:

	As of June 30, 2011	Period Ended December 31, 2011	Total
	$	$	$
Mineral acquisition			
Cash Payments	166,250	50,000	216,250
Shares issued for mineral property	197,250	47,000	244,250
	363,500	97,000	460,500
Deferred exploration expenditure			
Advance Payment	200,000	-	200,000
Assays and reports	114,354	638,810	753,164
Camp construction	38,662	65,394	104,056
Drilling	659,160	1,832,082	2,491,242
Equipment installation	101,950	-	101,950
Field expenses	366,700	293,526	660,226
General administration	5,597	13,899	19,496
Geological surveys	7,068	-	7,068
Geological consulting	422,483	735,318	1,157,801
Permitting	686	454	1,140
Travel and Accommodation	78,677	165,782	244,459
Reclamation	-	10,000	10,000
	1,995,337	3,755,265	5,750,602
Total	2,358,837	3,852,265	6,211,102

The Company carried out an exploration program on its Newman Todd Project which consisted of mapping and sampling of diamond drilling. Refer to Exploration Update section above for details.

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 second quarter ended December 31, 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 Canadian GAAP, 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 Canadian GAAP, 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 renouncement 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.

• *Foreign Currencies* (“IAS 21”)

Under Canadian GAAP, all the Company's subsidiaries are integrated foreign operations. Therefore, monetary items are translated at year-end rates and non-monetary items are translated at historic rates with all foreign currency gains and losses recognized in statement of operations.

Under IFRS, functional currency of each subsidiary of the Company is determined separately. It is determined that the functional currency of the Company is Canadian dollars and the functional currency of its joint venture is USD. Therefore, the financial statements of the joint venture are translated into Canadian dollars as follows: assets and liabilities – at the closing rate at the date of the statement of financial position, and income and expenses – at the average rate of the period (as this is considered a reasonable approximation to actual rates). All resulting changes are recognized in other comprehensive income as cumulative translation adjustments.

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.

Optional exemptions

IFRS 1 allows a first-time adopter to not comply with the requirements of IAS 21 "The Effects of Changes in Foreign Exchange Rates" for cumulative foreign currency translation differences that existed at the date of transition to IFRS. The Company has chosen to apply this election and has eliminated the cumulative foreign currency translation difference and adjusted deficit by the same.

Furthermore, IFRS 2 Share-based Payment has not been applied 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 January 1, 2010.

Reconciliations from Canadian GAAP to IFRS

The Company's interim condensed consolidated financial statements for the second quarter ended December 31, 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 December 31, 2010 and June 30, 2011 and our statements of comprehensive loss, cash flows and changes in shareholders' equity for the six months ended December 31, 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 December 31, 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 December 31, 2011 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

(a) IFRS 9, Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard on the accounting for the available-for-sale investment.

(b) IFRS 10, Consolidated Financial Statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

(c) IFRS 11, Joint Arrangements

IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

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

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

(e) IFRS 13, Fair Value Measurements

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on 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 December 31, 2011:

a) On November 21, 2011, The Company and Magna signed the agreement in respect of the acquisition by Magna of the Company's 50% interest in American Potash. Under the terms of the agreement, Magna completed a 2 for 1 subdivision of its outstanding common shares, resulting in Magna having 22,420,000 common shares being issued and outstanding. The purchase price for the Company's 50% interest in American Potash is comprised of 22,420,000 common shares and 2,400,000 common share purchase warrants of Magna. Each warrant entitles the Company to purchase a further common share at a price of $0.10 until February 25, 2016. Concurrent with the transfer, the Company subscribed for 6,666,666 common shares of Magna at $0.30 per share for gross proceeds to Magna of $2,000,000.

On January 19, 2012, the Purchase and Sale Transaction was completed. As a result, Magna holds a 100% membership interest in American Potash, which holds potash leases and an option in respect of potash lease applications in the State of Utah. Magna has an aggregate of 51,506,666 common shares and 4,800,000 common share purchase warrants exercisable at $0.10 per share issued and outstanding (on a non-diluted basis), of which 56.47% of the shares and 50% of the warrants are held by the Company.

b) On January 1, 2012, the Company engaged a consultant to perform investor relations services. The engagement is for a term of 60 days commencing on January 1, 2012 but will continue on a month to month basis. The Company has agreed to pay the consultant $4,000 per month and has granted him 150,000 options, exercisable at $0.47 per share on or before January 1, 2014, with 8.33% vesting each month.

c) On January 30, 2012, the Company granted stock options, exercisable to purchase up to an aggregate of 2,000,000 shares of the Company, to directors and consultants of the Company. The options are all exercisable at the price of $0.57 per share until January 30, 2017. All options were vested immediately at grant date.

d) Subsequent to period end, a total of 9,061,311 share purchase warrants issued on January 17, 2011 were exercised at a price of $0.45 for gross proceeds of $4,077,589. A total amount of $121,414 was transferred out of reserves and into share capital for the agent warrants exercised.

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.