Champion Minerals Inc.
Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") provides discussion and analysis of the financial condition and results of operations of Champion Minerals Inc. (the "Company") for the 6 months ended September 30, 2011 and should be read in conjunction with the unaudited consolidated financial statements and the accompanying notes. The MD&A is the responsibility of management and is dated as of November 14, 2011.

All dollar amounts are stated in Canadian dollars unless otherwise indicated. Additional information relating to the Company, including its Annual Information Form, is available on SEDAR at www.sedar.com.

Forward-Looking Statements

This MD&A may contain, without limitation, statements concerning possible or assumed future operations, performance or results preceded by, followed by or that include words such as "believes", "expects", "potential", "anticipates", "estimates", "intends", "plans", "will", "could" and words of similar connotation, which would constitute forward-looking statements. Forward-looking statements are not guarantees. The reader should not place undue reliance on forward-looking statements and information because they involve risks and uncertainties that may cause actual operations, performance or results to be materially different from those indicated in these forward-looking statements. The Company is under no obligation to update any forward-looking statements contained herein should material facts change due to new information, future events or other factors. These cautionary statements expressly qualify all forward-looking statements in this MD&A.

The Company

The Company is a Canadian-based iron ore exploration and development company with properties located in the heart of Canada's premier iron ore mining district, the Labrador Trough. The Company is one of the largest landholders of highly prospective iron ore properties located southwest of Fermont, Quebec and northeast of Schefferville, Quebec.

The Company is a reporting issuer in Ontario, Alberta and British Columbia and its common shares are listed for trading on the Toronto Stock Exchange under the symbol CHM and on the Frankfurt Stock Exchange under the symbol P02 (WKN – A0LF1C).

Overall Performance

Fermont Property Holdings

The Company owns an 82.5% joint venture interest in 17 properties (each a "Property") covering 647 square kilometres (collectively, the "Fermont Holdings") located in the Fermont Iron Ore District of northeastern Quebec, which is 250 km north of the St. Lawrence River port town of Port-Cartier and 60 kilometres southwest of Fermont. Fancamp Exploration Ltd. ("Fancamp") owns the remaining 17.5% joint venture interest.

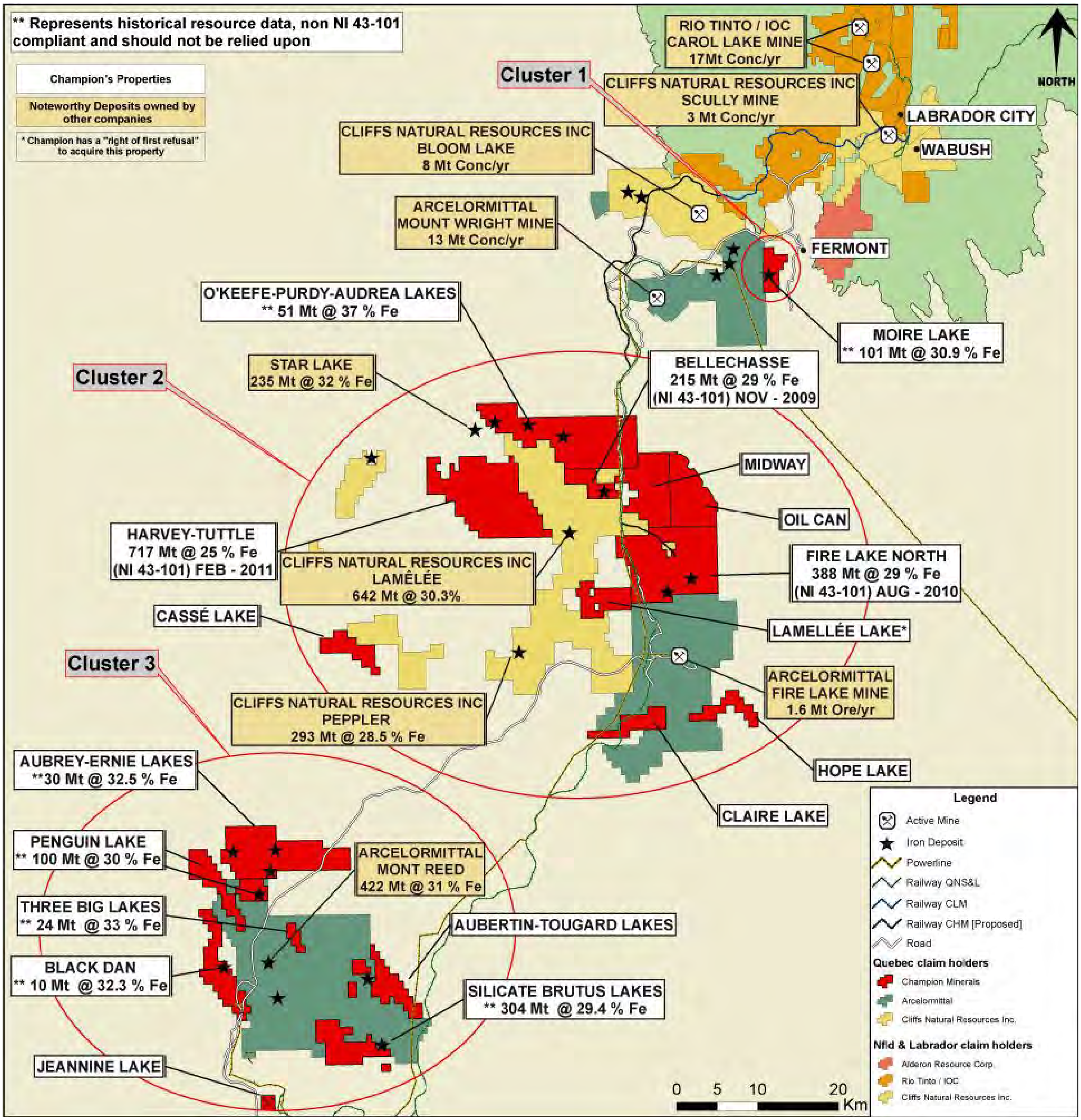
The Company has the option to earn an additional 2.5% interest in any Property by issuing 250,000 common shares on a one-time basis and incurring all necessary expenditures to completion of a positive bankable feasibility study for the respective Property. In addition, there is a 10 km area of influence around each Property.

The Company also has a right of first refusal on Fancamp's Lamêlée Lake Iron Property.

The Fermont Holdings are subject to a 3% net smelter return royalty ("NSR"), of which the Company has the option to purchase one-third for $3,000,000. The Company has a right of first refusal on the NSR and Fancamp's interest in the Fermont Holdings.

If Fancamp elects not to fund its proportionate interest in the joint venture, its interest would be diluted and, if its interest is reduced below 10%, Fancamp would be left with its half interest in the 3% NSR.

The 17 Properties comprising the Fermont Holdings are grouped into three clusters from north to south, termed Clusters 1, 2 and 3, as outlined in the following map:



The Fermont Holdings are located in proximity to and locally contiguous to an operating iron mine and a number of former operating iron mines and projects currently being developed for iron mining.

The following table sets out measured, indicated and inferred mineral resources and historical mineral resources for each of the 17 Properties:

			Measured Resources		Indicated Resources		Inferred Mineral Resources[1]		Historical Mineral Resources[2]	
Property	**Cluster**	**Cutoff grade (%)**	**Tonnes (millions)**	**Grade (% Iron)**	**Tonnes (millions)**	**Grade (% Iron)**	**Tonnes (millions)**	**Grade (% Iron)**	**Tonnes (millions)**	**Grade[3] (% Iron)**
Moire Lake	1	-			-		-	-	101	31
Fire Lake North	2	15	8.4	35.0	391.7	30.5	661.2	27.7	-	-
Bellechasse	2	15	-	-	-	-	215	27.8	-	-
Harvey-Tuttle	2	15	-	-	-	-	947	23.2	-	-
O'Keefe-Purdy	2		-	-	-	-	-	-	51	37
Midway Southeast	2		-	-	-	-	-	-	-	-
Oil Can Lake	2		-	-	-	-	-	-	-	-
Hope Lake	2		-	-	-	-	-	-	-	-
Cassé Lake	2		-	-		-	-	-	-	-
Claire Lake	2		-	-		-	-	-		-
Audrey-Ernie	3		-	-	-	-	-	-	30	33
Three Big Lakes	3		-	-	-	-	-	-	24	33
Aubertin-Tougard Lakes	3		-	-	-	-	-	-	-	-
Jeannine Lake	3		-	-	-	-	-	-	-	-
Silicate-Brutus Lakes	3		-	-	-	-	-	-	304	29
Penguin	3		-	-	-	-	-	-	100	30
Black Dan	3		-	-	-	-	-	-	10	30
			8.4	35.0	391.7		1,823.2	25.5	620	30

Notes:

1. Inferred Resources are part of a National Instrument 43-101 ("NI 43-101") Mineral Resource for which the estimated quantity and grade of a deposit, or a part thereof, that is determined on the basis of limited sampling, but for which there is sufficient geological information and a reasonable understanding of the continuity and distribution of metal values to outline a deposit of potential economic merit. There is no guarantee that further exploration will upgrade the Inferred Resources to Indicated and/or Measured Resources. Mineralized Material is not recognized Mineral Resources categories and there is no guarantee that any future exploration will ever convert any of this material to compliant NI 43-101 Mineral Resources.
2. Historical Mineral Resources estimates are strictly historical in nature and are non-compliant to NI 43-101 Mineral Resource standards, and should therefore not be relied upon. A Qualified Person has not done sufficient work to classify these historical Mineral Resource estimates as current NI 43-101 compliant Mineral Resources.
3. From Paquet, 1963 (*Ministère des ressources naturelles et de la faune Québec* Assessment File GM 13035).

Copies of the NI 43-101 Mineral Resource Estimate reports for Fire Lake North, Bellechasse and Harvey-Tuttle are available under the Company's filings on SEDAR at www.sedar.com.

Cluster 1

<u>Moire Lake (Historical Mineral Resource: 101 million tonnes; 31% Total Iron at 15% cut-off)</u>

Moire Lake is located 4 kilometres southwest of Fermont and adjoins the eastern boundary of the Mont Wright mine and concentrator operations owned by ArcelorMittal.

Following a review of the Moire Lake historical data, the Company re-interpreted the historical geological model for the deposit and identified areas with favourable magnetic responses where there was no previous drilling. The re-interpreted geological model developed by the Company indicates the iron units defined by historical drilling around the perimeter of a semi-circular ring-shaped magnetic anomaly converge inward to be within potential mining depths in a much larger "bowl"-like synform.

On May 19, 2011, the Company announced initial drill results from the first five holes completed. Drill holes LM11-04 and LM11-05 were designed to test the re-interpreted geological model and successfully intersected the iron units in the interpreted synform in the centre of the semi-circular ring-shaped magnetic anomaly, returning results of 130.2 m grading 30.5% Total Iron and 133.5 m grading 28.9% Total Iron, respectively.

On September 15, 2011, the Company announced further drill results from Moire Lake, including drill hole LM11-09 which intersected 358.9 m grading 30.3% Total Iron, drill hole LM11-10 which intersected 249.5 m grading 22.3% Total iron, including an interval of 130.7 m grading 29.1% Total iron.

On October 6, 2011, the Company announced further drill results from three additional holes at Moire Lake. Drill hole LM11-12 intersected 503.4 m grading 31.2% Total Iron, Drill hole LM11-16 intersected 390.1 m grading 27.6% Total Iron while drill hole LM11-09 intersected 383.4 m grading 30.3% Total Iron.

These positive results confirm the high grade and continuity of the iron formations present on the property and suggest potential to significantly expand on the Moire Lake Historic Mineral Resource estimate.

The Company expects to complete a NI 43-101 Mineral Resource Estimate in Q4-2011, based on the results of the 10,400 m Moire Lake drilling program. The Company expects to follow-up the Mineral Resource Estimate with a Preliminary Economic Assessment ("PEA") study in early 2012.

Cluster 2

All of the Cluster 2 properties – namely, Fire Lake North, Bellechasse, Harvey-Tuttle, O'Keefe-Purdy, Midway, Oil Can, Hope Lake, Claire Lake and Cassé Lake – are within a reasonable distance to the Fire Lake North Project to enable potential development of satellite resources that might be conveyed to a centralized production complex developed at Fire Lake North. It is for this reason that the Company remains dedicated to exploring the Cluster 2 properties in order to identify which of them have the potential for coarse grained specular-hematite mineralization and prioritize the delineation of these more valued resources for sinter feed. The Company will continue to further delineate the magnetite-rich resources at other Cluster 2 projects for potential development as sinter/pellet feed source.

Fire Lake North (NI 43-101 Measured Mineral Resource of 8.4 million tonnes: grade 35.0% Total Iron / Indicated Mineral Resource 391.7 million tonnes: grade 30.5% Total Iron / Inferred Mineral Resource of 661.2 million tonnes; grade 27.7% Total Iron / All categories are at a 15% cutoff grade)

A Preliminary Economic Assessment with an effective date of November 3, 2010 ("PEA") concluded that Fire Lake North has an internal rate of return of 24.8%; net present value of US$1.637 billion at a cash flow discount rate of 5% based on an iron concentrate production rate of 7 million tonnes per year at a grade of 65% Iron; and a payback period of 2.8 years. A copy of the Technical Report on the PEA prepared in accordance with NI 43-101 is available under the Company's filings at SEDAR at www.sedar.com (December 17, 2010).

Since the release of the PEA, drilling at Fire Lake North has comprised 84 holes totalling 26,221 m. On October 3, 2011, the Company announced the results of the updated NI 43-101 Mineral Resource Estimate completed on Fire Lake North. The following table presents the current NI 43-101 categorized Mineral Resource Estimate at a 15% Total iron cut-off grade for each of the three coarser grained specular-hematite rich deposits and provides category totals for the Fire Lake North Project as validated by P&E Mining Consultants Inc. of Brampton, Ontario.

Fire Lake North – NI 43-101 Mineral Resource Estimate at 15% Total Iron Cut-off						
Deposit	**Measured**		**Indicated**		**Inferred**	
	Million Tonnes	**Grade FeT**	**Million Tonnes**	**Grade FeT**	**Million Tonnes**	**Grade FeT**
East Area	2.1	33.9%	177.8	30.0%	209.5	29.0%
West Area	5.9	36.3%	161.7	32.3%	263.4	28.3%
Don Lake	0.4	21.4%	52.2	26.5%	188.3	25.3%
Totals	**8.4**	**35.0%**	**391.7**	**30.5%**	**661.2**	**27.7%**

The following table presents the results of the In-Pit Optimized Mineral Resource Estimate at a 15% cut-off grade and demonstrates the economic sensitivity of the resource estimates by indicating the portion of the mineral resources that may be potentially economically exploited.

Fire Lake North - In-Pit Optimized ("Pit-Shell") Mineral Resource Estimate at 15% Total Iron Cut-off						
Deposit	**Measured**		**Indicated**		**Inferred**	
	Million Tonnes	**Grade FeT**	**Million Tonnes**	**Grade FeT**	**Million Tonnes**	**Grade FeT**
East Area	2.1	34.0%	177.8	30.0%	201.7	29.2%
West Area	5.9	36.3%	161.7	32.3%	248.8	28.3%
Don Lake	0.4	21.4%	52.1	26.5%	186.8	25.3%
Totals	8.4	34.9%	391.6	30.5%	637.3	27.7%

The Company's next major milestone at Fire Lake North is the completion of the updated PEA study, which is expected by late November 2011. Block models and pit-optimized shells have been forwarded from P&E to Montreal Quebec based BBA Inc. for design of the engineered pits, mine production scheduling, and completion of the PEA study. The design and schedule will optimize mining of the near surface, higher grade iron resource followed by incremental push-backs to minimize stripping and maximize grades during the first decade of production.

It is worth noting that the 2010 PEA recommended two engineered open pits at the Fire Lake North Project with a combined In-Pit Inferred Mineral Resource of 251 million tonnes grading 30.5% Total iron. These engineered open pits contained 82.5% of the In-Pit Optimized Mineral Resources estimated at 304 million tonnes grading 30.4% Total Iron. Champion expects that a similar percentage of In-Pit Optimized Resources will be contained within the forthcoming 2011 engineered pits, and that a third pit will be designed over the Don Lake deposit.

Additionally, based on the positive results of the PEA, a feasibility study has been commissioned to be completed in 2012. On November 7, 2011, the Company announced the start of feasibility resource definition drilling at the Fire Lake North Project.

Harvey-Tuttle (NI 43-101 Inferred Mineral Resource of 947 million tonnes; grade 23.2% Total Iron at 15% cutoff)

On February 28, 2011, the Company announced the results of an initial NI 43-101-compliant Mineral Resource Estimate for the Harvey-Tuttle Project. The Total Inferred Mineral Resources at Harvey-Tuttle are estimated at 717 million tonnes grading 25.0% Total Iron at a 20% cut-off and 947 million tonnes grading 23.2% Total Iron at a 15% cut-off, the same cut-off used for the Fire Lake North PEA.

The Company will initiate a PEA of the Harvey-Tuttle Project with BBA Inc. of Montreal, Quebec. The PEA will include scoping the optimal cut-off grade and strip ratios in engineered pits and investigate potential synergies of integrating this new resource into the Company's existing PEA of the Fire Lake North Project located 10 km to the east. This will lead to an increased project scope for the planned PEA update and feasibility, expanding the potential growth profile for a centralized concentrator concept fed by several satellite open pit operations conceivably delivering economies of scale, reducing OPEX and increasing mine life.

The Company has deferred the second phase of diamond drilling at Harvey-Tuttle until 2012 when it intends to extend and delineate the known higher grade areas, and expects that the average grade of the deposit could potentially increase. The 12,500m of drilling originally budgeted for Harvey-Tuttle was redirected to the Fire Lake North Project to meet additional higher priority drilling requirements.

O'Keefe-Purdy (Historical Mineral Resource: 51 million tonnes; 37% Total Iron)

The O'Keefe-Purdy Project is located adjacent to the Harvey-Tuttle Project and hosts a Historical Resource of 51 million tonnes grading 37% Total Iron hosted in three deposits (MRNFQ Assessment File GM31090, 1975).

To date, the Company has completed 5,900 m of drilling in 22 holes at the O'Keefe-Purdy Project. This Phase 1 drilling program is designed to validate and expand upon the Historical Mineral Resource. Results from the Company's airborne magnetic and gravimetric surveys, rare bedrock exposures, and historic drilling results, indicate that the O'Keefe-Purdy property is underlain by a convoluted, locally thickened iron formation having an overall strike length of nearly 20 km. Should NI 43-101 compliant iron resources be identified at O'Keefe-Purdy, it could provide suitable satellite feed to the Fire Lake North Project and potentially enhance the economics of development.

Oil Can Project (No Historical Mineral Resource)

The assay results of the first three drill holes from the 8,000 m planned program at the Company's Oil Can Project were announced on October 20, 2011. Drill hole OC11-01 intersected 190.0 m grading 30.6% Total Iron, OC11-02 returned 401.5 m grading 30.7% Total Iron including 213.5 m grading 33.1% and OC11-03 intersected 224.0 m grading 28.1% Total Iron including 140 m grading 30.0% Total Iron.

The Company expects to complete the entire 8,000 m program at the Oil Can Project in Q4-2011. Upon completion of drilling and receipt of all assay results, a NI 43-101 Mineral Resource Estimate will be completed with results expected in early Q1 2012.

A prospective resource at Oil Can is located only seven kilometres from the proposed location of the Company's Fire Lake North Mine and Concentrator Complex. The long intersections from the initial drill holes at Oil Can are promising and could lead to the delineation of a large tonnage of magnetite-hematite iron resources.

Further Cluster 2 exploration

Drill rigs were deployed to the Midway Project where a Phase 1 diamond-drilling program completed 1,100 m of drilling for which assays are currently pending. Similar to ongoing exploration at Oil Can, the initial holes at Midway, totalling 1,800 m, will be widely spaced and will be followed by 1,200 m of in-fill and down-dip drilling to provide a better understanding of the sub-surface geometry.

One drill rig has also been deployed from the Moire Lake Project to the Bellechasse Project in Cluster 2. The drill is a large land based rig that completed 2 holes totalling 900 m beneath the lake at the SE end of the deposit required to better delineate the resource in this area.

All drill core logging and sample preparation was conducted by qualified Company personnel under NI 43-101 standards at the Company's core logging facilities located in Fermont (Quebec). The NQ-sized drill core was split in half. One-half of the drill core was kept in the core tray for reference purposes and the other half core was individually bagged, tagged, sealed and packed in large nylon bags which were then securely closed and sent by commercial ground transportation for analysis at ALS Chemex Laboratories in Val d'Or (Quebec). Quality Control samples including standards of certified reference material, field duplicates and blank samples were routinely inserted in sample batches including duplicate pulp and coarse reject samples prepared and assayed to further monitor results. ALS Chemex also inserted blank samples, standards and duplicates for Quality Control purposes.

Cluster 3

The Company currently remains dedicated to exploring the Cluster 1 and Cluster 2 areas of its Fermont Holdings. There are no NI 43-101 compliant Mineral Resources in Cluster 3 and the Company is currently evaluating its strategy on how to maximize their value.

Attikamagen (Taconite bearing Sokoman Iron Formation)

The Company owns a 100% interest in 938 claims comprising 310.7 square kilometres extending over a 56 kilometre strike length in Labrador and Quebec, including 52 claims comprising the Attikamagen Lake Iron Property in western Labrador, subject to an aggregate royalty of $1.50 per tonne of iron content in any and all iron ore, pellets or other products produced which the Company has an option to purchase for $2,500,000.

On May 12, 2008, the Company granted an option to Labec Century Iron Ore Inc. ("Labec") to earn up to a 60% interest in Attikamagen. In order to earn its interest, Labec must incur exploration expenditures as follows:

	Exploration expenditures $
To earn 51% interest	
March 26, 2009 (funded)	2,500,000
March 26, 2011 (funded)	2,500,000
March 26, 2012	2,500,000
	7,500,000
To increase to 56% interest	
March 26, 2013	2,500,000
To increase to 60% interest	
March 26, 2014	3,000,000
	13,000,000

Labec is solely responsible for funding the exploration program at Attikamagen until such time that it earns its 60% interest, at which time the Company and Labec will be responsible for funding their proportionate share of future exploration and developments costs. Up to November 14, 2011, Labec has advanced $11,100,000. The Company is in the process of verifying the exploration expenditures to confirm that the optionee has earned a 51% interest in Attikamagen or possibly a 56% interest.

On July 6, 2011, Labec reported that results of reverse circulation drilling completed at the Joyce Lake area of the Attikamagen property, which included drill hole JOY-11-06 which intersected 139.0 m grading 52.8% Total Iron ("FeT") and drill hole JOY-11-07 which intersected 91.0 m grading 52.5% Total Iron, including 42.0 m grading 65.3% Total Iron. Additionally, Labec reported that the 2011 diamond-drilling program at the Hayot Lake area corroborates results of its 2010 drilling program, which intersected a taconite iron occurrence. Drill hole HAY-11-10 intersected 108.2 m grading 33.2% Total Iron. Previously, drill hole HAY-10-06 intersected 92.6 m grading 31.6% Total Iron. Drilling is ongoing and further results will be released when available.

Powderhorn and Gullbridge (Base Metals)

Powderhorn

The Company owns a 70% interest in the Powderhorn Lake Project ("Powderhorn"), a base metals project, which consists of 115 claims covering an area of 29 square kilometres situated in the Buchans-Robert's Arm Belt in Central Newfoundland. Powderhorn is 40 km northeast of, and on strike with, the Buchans Mine Volcanogenic Massive Sulphide deposits which produced 16.2 million tonnes from 5 ore bodies with average mill head grades of 14.5% Zn, 7.6% Pb, 1.3% Cu, 126 g/t Ag and 1.4 g/t Au (source: J.G. Thurlow, 1990). The Company's 70% interest is subject to a joint venture agreement with the vendor which holds the remaining 30% interest.

Powderhorn is encumbered with a 2.85% net smelter royalty ("NSR"), of which 1.85% can be purchased by the joint venture participants for $2,300,000 to reduce the NSR to 1.0%.

Gullbridge

The Company has an option to earn an 85% interest in the Gullbridge Property in the Buchans Mining Camp, Newfoundland, adjacent and to the southeast of Powderhorn. In order to earn its interest in this base metals project, the Company must make option payments, issue common shares and incur exploration expenditures as follows:

	Option payments $	Common shares Number	$	Exploration expenditures $
To earn 51% interest				
On closing (paid and issued)	10,000	50,000	28,500	–
May 5, 2009 (paid, issued and incurred)	10,000	100,000	33,000	200,000
March 23, 2010 (issued)	–	75,000	76,500	–
May 5, 2011 (paid, issued and incurred)	10,000	75,000	126,000	200,000
May 5, 2012	–	–	–	400,000
	30,000	300,000	264,000	800,000
To increase to 75% interest				
2 years after earning 51% interest	–	150,000	–	700,000
To increase to 85% interest	–	–	–	All necessary expenditures up to the completion of a positive bankable feasibility study

It is the Company's intention to meet its exploration expenditures obligation in order to earn a 51% interest in Gullbridge from the cash on hand during 2011.

Appointments

On June 21, 2011, Jean Depatie joined the Company as an independent director. Mr. Depatie brings to the Company over 35 years of national and international experience in economic geology, having worked in several countries and acted, directly or indirectly, as consultant for organizations such as the United Nations, the World Bank, the Asian Development Bank, the Commonwealth Agency and the Quebec Ministry of Natural Resources. In addition to being a past director of Glamis Gold Ltd. (now Goldcorp) and Novicourt Inc. (now Xstrata), Mr. Depatie was instrumental in the development of Consolidated Thompson Iron Mines Limited ("Consolidated Thompson") through his six-year tenure as a director until its recent acquisition by Cliffs Natural Resources. At Consolidated Thompson, Mr. Depatie served as Chair of the Compensation Committee and sat on both the Audit and Corporate Responsibility Committees. Mr. Depatie has also served as president and/or director to a number of other companies listed on both US and Canadian stock exchanges and he is director of the resources division of Greater China Assets Ltd, a Hong Kong-based investment holding company. Mr. Depatie is also a former President of the Quebec Professional Association of Geologists and Geophysicists (1980-81). He was the recipient of an award of excellence, in 1990, from the Quebec Department of Energy and Resources for having financed and put into production the most important graphite mine in North America.

On September 2, 2011, Richard Quesnel was appointed the Company's Senior Technical Advisor and Head of its Advisory Board. Mr. Quesnel brings over 30 years of senior mine management and engineering experience to the Company. Most recently, Mr. Quesnel served over 5 years as President and Chief Executive Officer of Consolidated Thompson where he was responsible for the successful construction and production ramp-up of the Bloom Lake iron ore mine, located in the Labrador Trough in Quebec, Canada. Under Mr. Quesnel's guidance, Bloom Lake entered into commercial production in early 2010, on schedule and just four years after completion of its feasibility study. During his tenure at Consolidated Thompson, Mr. Quesnel also oversaw the construction of a railroad line and ore handling facilities near the port of Pointe-Noire, Quebec, in support of the mining operations at Bloom Lake. Additionally, Mr. Quesnel and the team at Consolidated Thompson raised over $850 million in financing, negotiated and concluded a $240 million strategic investment by Wuhan Iron and Steel Company ("WISCO"), one of China's largest steel producers, as well as off-take agreements with WISCO, Worldlink Resources of China and SK Networks Co., a subsidiary of the third largest Korean conglomerate, SK Group. Throughout his mining career, Mr. Quesnel has also contributed to the success of several large gold, base metals and iron ore mines, where he successfully developed, commissioned, operated and expanded mining operations, including Quebec Cartier's Mount Wright iron ore mine in Quebec, the Gibraltar mine in British Columbia, Barrick Gold's Meikle mine in Nevada and the Montcalm mine in Ontario.

On September 8, 2011, Marc Duchesne was appointed the Company's Project Finance Advisor. Mr. Duchesne will work closely with the Company's senior management and with Richard Quesnel. Mr. Duchesne has over 25 years of senior financial and management experience with major Quebec-based companies, most recently as Senior Vice President of Finance for Consolidated Thompson. Mr. Duchesne joined Consolidated Thompson in 2006 and actively participated in all phases of its growth including the successful construction and production ramp-up of the Bloom Lake iron ore mine. In addition to overseeing financial reporting, controllership and budget planning duties, Mr. Duchesne directed and supervised project capital expenditures during the crucial mine development phase. Mr. Duchesne has also held senior financial positions with other major Quebec-based companies, including Director of Finance for Domtar Inc. and Controller and Director of Corporate Finance for Tembec Inc. Mr. Duchesne is a Chartered Accountant and a Certified Management Accountant.

Risks and Uncertainties

The Company is exposed to financing risk as it is not in commercial production on any of its mineral resource properties and, accordingly, has no revenues. The Company finances its operations by raising capital in the equity markets. Although the Company has been successful in raising funds to date, there can be no assurance that additional funding will be available in the future, particularly in light of the volatility and uncertainties associated with current financial equity markets.

The Company is exposed to the inherent risks associated with mineral exploration and development, including the uncertainty of mineral resources and their development into mineable reserves; the uncertainty as to potential project delays from circumstances beyond the Company's control; and the timing of production; as well as title risks, risks associated with joint venture agreements and the possible failure to obtain mining licences.

The Company is exposed to commodity price risk with respect to iron ore prices. A significant decline in metal commodity prices may affect the Company's ability to obtain capital for the exploration and development of its mineral resource properties.

Results of Operations

	3 months ended September 30, 2011 $	3 months ended September 30, 2010 $	6 months ended September 30, 2011 $	6 months ended September 30, 2010 $
Expenses				
Professional fees	75,000	36,023	148,273	106,101
Consulting fees	197,225	185,500	366,681	273,000
Stock-based compensation	2,634,000	1,745,000	2,859,000	1,745,000
General and administrative	199,974	128,613	354,039	204,607
Investor relations	231,706	323,352	504,840	516,129
Travel	151,667	69,085	234,045	172,567
	3,489,572	2,487,572	4,466,879	3,017,403
Loss before the following items	(3,489,572)	(2,487,572)	(4,466,879)	(3,017,403)
Interest	64,339	-	175,024	5,849
Other income	-	-	23,425	-
Loss and comprehensive loss	(3,425,233)	(2,487,572)	(4,268,430)	(3,011,554)

6 months ended September 30

The increase in professional fees, consulting fees and general and administrative expenses reflects the increased exploration and financing activities of the Company. The increase in consulting fees also reflects increases in compensation to management. The increase in stock-based compensation represents the fair value of stock options granted.

3 months ended September 30

The increase in professional fees, consulting fees and general and administrative expenses reflects the increased exploration and financing activities of the Company. The increase in consulting fees also reflects increases in compensation to management. The increase in stock-based compensation represents the fair value of stock options granted.

Summary of Quarterly Results

	Q3 2010 $	Q4 2010 $	Q1 2011 $	Q2 2011 $	Q3 2011 $	Q4 2011 $	Q1 2012 $	Q2 2012 $
	GAAP	GAAP	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Revenue	Nil	18,794	5,849	Nil	Nil	107,697	134,109	64,339
Loss - Total	316,622 (note 1)	405,061	523,981	2,487,572 (note 2)	4,060,374 (note 3)	1,399,882	843,197	3,425,233 (note 3)
- Per share	0.01	0.01	0.01	0.04	0.06	0.02	0.01	0.04

Notes

1. Includes stock-based compensation of $116,047.
2. Includes stock-based compensation of $1,745,000.
3. Includes stock-based compensation of $3,135,000.
4. Includes stock-based compensation of $2,859,000.

Liquidity and Capital Resources

The Company is not in commercial production on any of its mineral resource properties and, accordingly, the Company has no revenues. The Company finances its operations by raising capital in the equity markets.

The Company's monthly "burn rate" (excluding discretionary investor relations and travel expenses) is approximately $100,000 and the Company is committed to make the following payments during the next year to retain its interests in its mineral resource properties:

Property	Nature of payment	Amount $	Due date
Fermont	Note payment	500,000	January 12, 2012
Gullbridge	Exploration expenditures	400,000	May 5, 2012

As at September 30, 2011, the Company had working capital of $24,731,272, which included cash and cash equivalents of $24,191,424. While the Company has sufficient funds to meet its current commitments, the Company will require additional funding to fund its operations and the exploration of its mineral resource properties. During the year, the Company will seek to raise the necessary capital to meet its future funding requirements. Although the Company has been successful in raising funds to date, there can be no assurance that additional funding will be available.

During the 6 months ended September 30, 2011, the Company received proceeds of $3,911,615 from the exercise of warrants at exercise prices ranging from $0.50 to $1.50.

Related Party Transactions

	6 months ended September 30, 2011 $	Outstanding as at September 30, 2011 $
Mineral resource properties, geological consulting services		
Alex Horvath, Executive Vice President, Exploration and a director, and A.S. Horvath Engineering Inc., a company controlled by him	60,000	-
MRB & Associates, a company controlled by Martin Bourgoin, Executive Vice President, Operations	1,503,320	675,429
Jeff Hussey & Associates Inc., a company controlled by Jeff Hussey, Vice President, Development	96,000	-
Consulting fees		
847785 Ontario Ltd., a company controlled by Thomas G. Larsen, for his services as President and Chief Executive Officer	108,000	-
Marlborough Management Limited, a company controlled by Miles Nagamatsu, for his services as Chief Financial Officer	72,000	-
J. Estepa Consulting Inc., a company controlled by Jorge Estepa, for his services as Vice President and Corporate Secretary	72,000	-
MRI Advisory AG, a company controlled by Ashwath Mehra, a director	30,000	-
Legal fees		
Sheldon Huxtable Professional Corporation, a law firm controlled by Donald A. Sheldon, a director	104,831	11,377

International Financial Reporting Standards ("IFRS")

Implementation of International Financial Reporting Standards ("IFRS")

The Company's IFRS conversion plan as detailed in its Annual MD&A is now complete, except for the review phase which will continue throughout 2012.

The Canadian Accounting Standards Board required all public companies to adopt IFRS for interim and annual financial statements relating to their first fiscal years beginning on and after January 1, 2011. The Company's interim consolidated financial statements for the first quarter of 2012 have been prepared in accordance with IFRS including comparative amounts shown for 2011. The significant accounting policies which the Company has adopted under IFRS can be found in note 2 to the Company's interim consolidated financial statements for the three months ended June 30, 2011 ("Q1 2012 Statements"). In addition, note 13 to Q1 2012 Statements includes the Company's opening balance sheet at April 1, 2010 prepared under IFRS and comparative balance sheets at June 30, 2010 and March 31, 2011 prepared under IFRS together with reconciliations to the corresponding financial statements prepared under previous generally accepted accounting principles ("Canadian GAAP").

Although IFRS has a conceptual framework that is similar to previous Canadian GAAP, there are significant differences in recognition, measurement and disclosure. The transition to the IFRS framework has resulted in several changes to accounting policies that impact financial reporting. The following are the more significant accounting differences:

Impairment of Non-Current Assets

Under Canadian GAAP, long-lived asset impairment testing is done using a two-step approach whereby long-lived assets are first tested for recoverability based on the undiscounted cash flows they are expected to generate. If the undiscounted cash flow expected to be generated is higher than the carrying amount, then no further analysis is required to be recorded. If the undiscounted cash flow is lower than the carrying amount of the assets, the assets are written down to their estimated value. Under IFRS, impairment testing is done using a one-step approach for both testing and measurement of impairment, with asset carrying amounts compared directly with the higher of fair value less costs to sell and value in use (which uses discounted cash flows). This may result in more frequent write-downs where carrying amounts of assets were previously supported under Canadian GAAP on an undiscounted cash flow basis, but could not be supported on a discounted basis. However, the extent of any asset write-downs may be partially offset by the requirements under IFRS to reverse any previous impairment losses where circumstances have changed such that the impairments are reduced. The previous Canadian GAAP did not permit reversal of impairment losses.

No changes in the carrying value of non-current assets were required as at September 30, 2010 or March 31, 2011 as a result of applying IFRS.

Stock-based compensation
Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting awards and estimate a forfeiture rate.

Under Canadian GAAP, the Company recognized stock-based compensation related to issue of stock options on a straight-line basis through the date of full vesting and did not incorporate a forfeiture multiple.

Other Considerations of the Changeover from Canadian GAAP to IFRS

Internal Control Activities
The Company has applied its existing internal control framework to the IFRS changeover process and there have not been any significant changes as a result. All accounting policy changes have been reviewed by senior management and the audit committee.

Information Technology and Systems
The primary information technology and systems impact of the conversion to IFRS is on the Company's consolidation system used to prepare its consolidated financial statements where the Company has implemented the changes necessary to collect and consolidate the information required to complete the consolidation process in accordance with IFRS.

Business activities
The implementation of IFRS did not impact any employee compensation plans or key ratios and the Company does not have any debt covenants. In addition, the transition to IFRS did not have a significant impact on internal controls except as noted above.

Review
The review phase involves continuous monitoring of changes in IFRS. IFRS accounting standards and the interpretation thereof are constantly evolving. As a result, the Company will continue to monitor and evaluate IFRS accounting developments. The review phase will continue throughout 2012.

IFRS 1: First-time Adoption of International Financial Reporting Standards
IFRS 1 provides entities adopting IFRS for the first time with a number of optional and mandatory exceptions, in certain areas, to the general requirement for full retrospective applications of IFRS. The purpose of these options is to provide relief to companies and simplify the conversion process by not requiring recalculation of information that may not exist or may not have been collected at the time of the original transaction. Mandatory exceptions provide that changes to estimates previously made are not permitted. The estimates previously made by the Company under Canadian GAAP have not been revised for application of IFRS except where necessary to reflect any changes resulting from differences in accounting policies.

To complete the implementation of IFRS, management has analyzed the various transitional exemptions available to the Company under IFRS 1. The Company has implemented the following optional IFRS 1 exemptions:

Business Combinations
IFRS 1 allows that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to the date of transition. The Company has elected to not restate any past business combinations and to apply IFRS prospectively from the transition date. As such, Canadian GAAP balances relating to business combinations entered into before the date of transition have been carried forward without adjustment.

Stock-based Payments
The Company has elected to apply the transitional exemption which allows the Company not to restate the accounting for its share-based payments under IFRS 2 to awards that were granted after November 7, 2002 that vested before the later of (a) the date of transition to IFRS and (b) January 1, 2005. All outstanding stock options at April 1, 2010 had vested and, therefore, there has been no restatement of the Company's accounting under Canadian GAAP for stock options.

Fair value as deemed cost
The Company may elect among two options when measuring the value of its assets under IFRS. It may elect, on an asset by asset basis, to use either historical cost as measured under retrospective application of IFRS or fair value of an asset at the opening balance sheet date. The Company has elected to use historical cost for its assets.

Adoption of IFRS 6
The Company has elected to adopt the provisions of IFRS 6, which allow the Company to continue with the current accounting policies followed under Canadian GAAP regarding the accounting for exploration and evaluation expenditures.

Critical Accounting Estimates
The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments with respect to certain estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expense and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results, however, could differ significantly from those based on such estimates and assumptions.

During the fiscal periods presented, management has made a number of significant estimates and valuation assumptions including estimates of the useful life of capital assets, the recoverability of investments and mineral assets, the fair value of stock-based compensation and warrants. These estimates and valuation assumptions are based on present conditions and management's planned course of action as well as assumptions about future business and economic conditions. Should the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

Exploration and evaluation
The Company's policy is to capitalize expenditures related to the acquisition, exploration and development of its exploration properties net of recoveries and carry these expenditures as assets until production commences. The Company's recorded value for exploration and evaluation costs is based on historical costs and does not necessarily reflect present or future values. If an exploration project is successful, the related exploration and evaluation costs will be amortized using the unit-of-production method following the commencement of production over the estimated economic life of the project. If an exploration project is abandoned, continued exploration is not planned in the foreseeable future or when other events and circumstances indicate that the carrying amount may not be recovered, the accumulated costs and expenditures are written down to the net recoverable amount at the time the determination is made.

At each quarter end senior management reviews the carrying value of the exploration and evaluation to consider whether there are any conditions that may indicate impairment. Where estimates of future cash flows are available, a reduction in the carrying value is recorded to the extent the net book value of the investment exceeds the estimated future cash flows. Where estimates of the future cash flows are not available and where other conditions suggest impairment, management assesses if the carrying value can be recovered and provides for impairment, if so indicated.

Assessment of recoverability of future income taxes
The determination of the ability of the Company to utilize tax loss carry-forwards to offset future income tax payable requires management to exercise judgment and make certain assumptions about the future performance of the Company. Management is required to assess whether it is probable that the Company would benefit from these prior losses and other future tax assets. Changes in economic conditions, metal prices and other factors could result in revisions to the estimates of the benefits to be realized or the timing of utilizing losses. Currently, the Company has recorded a valuation allowance against its carry-forward tax losses. If the valuation allowance is changed in a period, an expense or benefit must be included within the tax provision on the consolidated statement of comprehensive income (loss).

Environmental and land reclamation costs
The fair value of liabilities for asset retirement obligations will be recognized in the period in which they are incurred. Currently, there are no asset retirement obligations. As the development of any project progresses, the Company will assess whether an asset retirement obligation ("ARO") has arisen. At the point where such a liability arises, the financial statement adjustment required will be to increase the project's carrying value and ARO obligation by the discounted value of the total liability. Thereafter, the Company will be required to record a charge to income each year to accrete the discounted ARO obligation amount to the final expected liability.

Stock-based compensation
The Company recorded stock-based compensation based on an estimate of the fair value on the grant date of stock options issued. To determine the fair value, the Company uses the Black-Scholes option pricing model that requires input of management's assumptions on the expected volatility of the Company's share price, expected option life, a risk-free rate of return and expected dividend yield. The use of different assumptions regarding these factors could have a significant impact on the amount of stock-based compensation expense.

New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for periods beginning on or after January 1, 2013. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 9, Financial Instruments ("IFRS 9")

IFRS 9 addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments - Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 10, Consolidation ("IFRS 10")

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11, Joint Arrangements ("IFRS 11")

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities—Non-monetary Contributions by Venturers.

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

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13, Fair Value Measurement ("IFRS 13")

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement.

Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards

In addition, there have been amendments to existing standards, including IAS 27, Separate Financial Statements (IAS 27), and IAS 28, Investments in Associates and Joint Ventures (IAS 28). IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10-13.

Financial instruments and risk management

Fair value

Fair value represents the amount at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on quoted market values and other valuation methods.

The carrying value of cash and cash equivalents, short-term investments, accounts payable and accrued liabilities and notes payable approximates fair value due to the short-term nature of these financial instruments.

Risk management

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk and interest rate risk.

Currency risk

As the majority of the Company's expenditures are in Canadian dollars, the Company limits it exposure to currency risk by maintaining its cash and cash equivalents in Canadian dollars.

Credit risk

Credit risk is the risk of a loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company limits its exposure to credit risk by holding its cash in deposits with high credit quality Canadian financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet is financial obligations as they come due. The Company manages its liquidity risk through the management of its capital structure as outlined in note 8. Accounts payable are all due within 30 days and notes payable is comprised of a $500,000 payable due on January 12, 2012.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk due to the short-term nature of its financial instruments.

Controls and Procedures

The Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures ("DC&P") to provide reasonable assurance that material information relating to the Company is made known to them by others within the Company, particularly during the period in which the interim filings are being prepared. The Chief Executive Officer and Chief Financial Officer have also designed internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements in accordance with Canadian generally accepted accounting principles.

The Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's DC&P and ICFR and concluded that they are ineffective due to the weakness discussed below. As the Company has a limited number of personnel, management has concluded that a weakness exists in the design of internal controls over financial reporting caused by a lack of adequate segregation of duties. This weakness has the potential to result in material misstatements in the Company's financial statements and should also be considered a weakness in its disclosure controls and procedures. Management has concluded that taking into account the present stage of the Company's development and the best interests of its shareholders, the Company does not have sufficient size and scale to warrant the hiring of additional personnel to correct this weakness at this time. To help mitigate the impact of this weakness and to ensure quality financial reporting, there are additional supervisory controls exercised by management and audit committee oversight.

Shares Outstanding at November 14, 2011

Shares

Authorized:
Unlimited number of common shares.

Outstanding:
88,026,600 common shares.

Warrants
Outstanding:

Common share warrant exercise price	Expiry date	Warrants outstanding
$1.50	April 30, 2012	2,732,147
$1.15	April 30, 2012	453,945
$1.20 until October 7, 2012, and thereafter, $1.50	October 7, 2013	2,933,333
$2.84	February 3, 2013	792,000
		6,911,425

Stock options
Authorized:

The Company has a fixed stock option plan under which the Company may grant up to 15,000,000 stock options.

Outstanding:

Exercise price	Expiry date	Options outstanding
$0.45	January 10, 2013	775,000
$0.70	May 16, 2013	310,000
$0.30	September 16, 2014	1,195,000
$0.33	September 24, 2014	152,500
$0.405	November 9, 2014	50,000
$0.80	January 14, 2015	1,450,000
$0.85	February 2, 2015	300,000
$1.00	March 2, 2015	350,000
$1.15	October 1, 2013	70,000
$1.00	October 3, 2015	2,250,000
$1.00	October 4, 2015	500,000
$1.50	October 4, 2015	500,000
$1.00	October 24, 2015	100,000
$1.10	November 5, 2015	50,000
$2.17	January 10, 2016	150,000
$1.50	June 24, 2016	200,000
$1.50	September 9, 2016	2,650,000
		11,052,500