



Adex Mining Inc.
Management's Discussion and Analysis
June 30, 2013

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Discussion dated August 13, 2013 (Re-stated October 3, 2013)

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Adex Mining Inc. ("Adex" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and six month periods ended June 30, 2013.

This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion, dated August 13, 2013, should be read in conjunction with the Company's unaudited consolidated interim financial statements as at and for the six month period ended June 30, 2013 together with the notes thereto and the Company's audited financial statements for the year ended December 31, 2012, and the related MD&A. Results are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Company trades on the TSX Venture Exchange under the symbol "ADE". Further information about the Company and its operations can be obtained from the offices of the Company, the Company website, www.adexmining.com, or from www.sedar.com.

OVERVIEW OF THE BUSINESS AND OVERALL PERFORMANCE

The Company holds 100% of the subsurface mineral rights to approximately 1,600 hectares encompassing the Mount Pleasant mine area of New Brunswick, Canada (the "Property" or "Mount Pleasant"). Within the mineral rights area, the Company owns approximately 405 hectares of land, plus the buildings, machinery, equipment and tailings impoundment facility which comprise the dormant Mount Pleasant mine. Also within the mineral rights area there are two distinct poly-metallic mineral deposits, the Fire Tower Zone ("FTZ") and the North Zone ("NZ"). The principal metals include tungsten and molybdenum in the FTZ and tin, indium and zinc in the NZ.

The fundamental philosophy of the Company is to maximize shareholder value by seeking the highest value for its mineral and metal products. To this extent, the Company is evaluating the capability to create products beyond the traditional mineral concentrates and may progress to sell higher valued products such as ammonium paratungstate, tin metal, indium metal and zinc metal.

The Property was previously owned by Billiton Exploration Canada Limited which started production of tungsten concentrate from the FTZ in 1983, but ceased operations in 1985 when the rapidly decreasing price of tungsten metal made it uneconomic to continue. Approximately one million tonnes of tungsten ore was mined and processed during this short period of operations. The price of tungsten had not recovered by 1988 and as a result the FTZ mine workings were allowed to flood and the facilities placed on care and maintenance. The Company has owned the Property since 1995. During the period from 1995 to 1997 the Company embarked on various development activities, including the preparation of a feasibility study on the NZ. During the period from 1998 to 2006, the Company kept its claims to the Property in good standing, but activities on the property were limited.

RESOURCES ON FIRE TOWER ZONE AND NORTH ZONE

SRK Consulting, under contract to WGM, prepared Mineral Resource estimates for the Mount Pleasant Fire Tower West Zone and Fire Tower North Zone. Mineralized zones were defined based on a cutoff grade of 0.3% WO₃ equivalent ("Eq"), with $WO_3 \text{ Eq} = \%WO_3 + 1.5 \times \%MoS_2$. The WO₃ Eq cutoff was chosen as a result of the close geological and spatial relationship between the two elements. The equivalency formula is based on a US\$30/tonne tungsten price or US\$100/MTU (US\$10.0/kg WO₃) and the relationship between W and Mo.

The boundaries of the mineralized body were interpreted manually on E-W orientated cross sections then digitized for resource estimation purposes. Three main W-Mo mineralized units are recognized in the project area: Fire Tower Breccia ("FT BX"), Granite I ("GR1") and Quartz Feldspar Porphyry ("QFP"). Mineralization

boundaries were drawn halfway between drillholes, and if no holes existed, the boundaries were extended to a maximum of twenty metres away from the nearest hole. A minimum width of three metres was used for defining the zones.

Equal length composites of 3 m were generated from the raw drillhole intervals for the variography and grade interpolation. No high grade capping was used for either MoS₂ or WO₃. A specific gravity for tonnage estimation was set at 2.65 and was based on historic measurements however it was recommended that more density analyses be carried out in the future to support this number.

The Mineral Resource block grades were estimated with Ordinary Kriging ("OK") and checked with Inverse Distance Squared ("ID²") estimation. The block size in the model was 5m x 5m x 5m with the following search ellipses applied:

Fire Tower West

1. Indicated Search:
 - Spherical Search Ellipsoid – 35 m range
 - o Maximum number of composites used to estimate a block: 10
 - o Minimum number of composites used to estimate a block: 3
 - o Octant search strategy was used with minimum octants of 2 and maximum of 8 composites per octant.
2. Inferred Search:
 - Spherical Search Ellipsoid – 70 m range
 - o Maximum number of composites used to estimate a block: 15
 - o Minimum number of composites used to estimate a block: 2
 - o Octant search strategy was used with minimum octants of 2 and maximum of 8 composites per octant.

Fire Tower North

1. Indicated Search:
 - Spherical Search Ellipsoid – 30 m range
 - o Maximum number of composites used to estimate a block: 10
 - o Minimum number of composites used to estimate a block: 3
 - o Octant search strategy was used with minimum octants of 2 and maximum of 8 composites per octant.
2. Inferred Search:
 - Spherical Search Ellipsoid – 70 m range
 - o Maximum number of composites used to estimate a block: 15
 - o Minimum number of composites used to estimate a block: 2
 - o Octant search strategy was used with minimum octants of 2 and maximum of 8 composites per octant.

The Fire Tower Zone Mineral Resource estimate has been classified as Indicated and Inferred and a summary of the resource estimate is presented in Table 1. The mined out stope areas have been excluded from the resources.

TABLE 1
2008 MINERAL RESOURCES - FIRE TOWER ZONE, MOUNT PLEASANT PROPERTY

Area	Tonnes	%WO ₃	%MoS ₂	%As	%Bi
Indicated					
Fire Tower West	9,148,900	0.32	0.21	0.29	0.04
Fire Tower North	<u>4,340,100</u>	<u>0.35</u>	<u>0.20</u>	<u>1.15</u>	<u>0.09</u>
Total Indicated	13,489,000	0.33	0.21	0.57	0.06

Area	Tonnes	%WO ₃	%MoS ₂	%As	%Bi
Inferred					
Fire Tower West	831,000	0.26	0.20	0.21	0.04
Fire Tower North	<u>10,700</u>	<u>0.26</u>	<u>0.17</u>	<u>0.26</u>	<u>0.05</u>
Total Inferred	841,700	0.26	0.20	0.21	0.04

* Mineral Resources are not mineral reserves and do not have demonstrated economic viability. All figures have been rounded to reflect the relative accuracy of the estimates.

Reported at a cutoff of 0.3% WO₃ Eq grade. WO₃ Eq (equivalent) = %WO₃ + 1.5 x %MoS₂.

The Mineral Resource estimates for the North Zone were prepared by Reddick Consulting Inc., under contract to WGM. The North Zone resources occur in an area of variable mineralisation which has the potential for economic extraction of several elements. The elements reported for the 2012 estimate include Sn, Zn and In. The North Zone was divided into two domains; the Endogranite Zone (100 Domain) and the 200 Domain. Each domain was characterised by common elemental ratios. Values for other elements (As, Bi, Ca, Cu, Fe, MoS₂, Pb and WO₃) were tabulated as they have potential implications for metallurgical purposes, but those elements are not considered as part of the current NI 43-101 Mineral Resource estimate and they do not contribute to any of the economic parameters used for the estimate.

The following top cuts were applied for the purpose of grade interpolation.

Metal and Domain	Sn% 100 Domain	Sn% 200 Domain	Zn% 100 Domain	Zn% 200 Domain	In% 100 Domain	In% 200 Domain
Top Cut	4%	3%	5%	8%	0.05%	0.06%
Difference in Length-Weighted Metal Due to Top Cut	-3.8%	-6.2%	-7.2%	-11.8%	-6.3%	-11.9%

The difference in contained metal between the uncut and cut grades for the resource estimates ranges from about 4% to 12% depending on the metal and the domain. Tin is the metal that has the largest economic contribution to the resource. A bulk density factor of 2.70 was used for tonnage estimates and it was recommended that additional density be collected.

The elements used for grade interpolation were composited to 3 m equal lengths and the assays were cut before compositing. The grade of any unassayed sample intervals was assumed to be zero which had almost no effect on the Sn and Zn composites, but it has a significant effect on the In composites, since many of the sample intervals do not have In assays. Previous resource estimates for the Mount Pleasant Project have in-filled the missing Indium assays by predicting the Indium grade from the grades of other metals, principally relying on Zinc. The use of zeros where Indium is not assayed is conservative, but limits the risk of incorrectly predicting high Indium grades where no direct assays of Indium support this.

Sn, Zn and In grades were estimated by an ID² method and a minimum of six composites were needed within the search ellipsoid for a block in order for that block to be included in Indicated Mineral Resources. A block needed to have composites present within the search range in at least two different octants to be classified as Indicated to limit the impact due to clustering of sample data and composites had to be available from a minimum of two drillholes in order for a block to be classified as Indicated. If a block did not have enough composites within the search radius to be classified as Indicated a second interpolation was made to estimate Inferred Mineral Resources. The following summarizes the parameters used for grade interpolation and categorization for Domains 100 and 200.

Estimation Parameters for Indicated Resources Common to Both Domains

The following search parameters were used for the estimation of Indicated Resources in the 100 Domain and in the 200 Domain:

Minimum # of composites:	6
Maximum # of composites:	16
Minimum # of holes:	2
Minimum # of octants with data:	2

Both domains also used the same orientation for the axes of the variogram model and for the search ellipsoid. The search was isotropic in the horizontal plane.

- Direction 1: North-South, horizontal
- Direction 2: East-West, horizontal
- Direction 3: Vertical, no inclination from horizontal

The only differences in the estimation parameters used for the 100 Domain and those used for the 200 Domain are the size of the search ellipsoid.

Estimation Parameters for Inferred Resources Common to Both Domains

A second grade interpolation pass was done to identify Inferred Resources. The search parameters were modified using the same parameters for domains, search range, orientation and composites as for the Indicated Resources. An ID² estimation method was used with the same search parameters as for Indicated except that a minimum of only two composites and a maximum of 16 composites were used which could come from as few as one drillhole. The closest composites were used. Only blocks that had not had a grade value assigned during the pass for the Indicated Resources, as determined by a flag, were estimated in this pass.

Estimation Parameters for Sn, Zn and In for the 100 Domain

The search ellipse used in the 100 Domain uses the directions given above for the search ellipsoid, with the following parameters:

- Range in 1st direction: 35 m
- Range in 2nd direction: 35 m
- Range in 3rd direction: 20 m

Estimation Parameters for the 200 Domain

The search ellipse used in the 200 Domain uses the directions given above for the search ellipsoid, with the following parameters:

- Range in 1st direction: 30 m
- Range in 2nd direction: 30 m
- Range in 3rd direction: 20 m

A dollar equivalent value, designated as the Gross Metal Value ("GMV"), was calculated for each mineralized block by performing a simple manipulation of the block model grade parameters based on prices as listed below and as determined by the following formula:

$$GMV = Sn(\%) \times 183.72 + Zn(\%) \times 20.00 + In(\%) \times 6,000.00$$

The GMV values of 183.72 for Sn, 20.00 for Zn and 6,000.00 for In represent the USD value per tonne for those metals assuming the 3 year average of US \$18.37 per kg of Sn, US \$2.00 per kg of Zn and US \$600.00 per kg of In (the imperial equivalents of these are US \$8.33 per pound for Sn and US \$0.91 per pound for Zn).

Recoveries are assumed to be 100%. Using these values, the relative contribution for the individual metals for the resources reported is as follows:

- For the Indicated Resources, approximately 56% of the GMV value is derived from Sn, 14% from Zn and 30% from In; and
- For the Inferred Resources, approximately 46% of the GMV value is derived from Sn, 18% from Zn and 35% from In.

The minimum cutoff grade and block size used (5m x 5m x 5m) for the estimate were applied with the assumption that a resource with potential bulk mineable characteristics has been appropriately estimated using these parameters. The results were checked by an outside consultant using ID² interpolation and were also validated by using both OK and nearest neighbour interpolation methods. The Mineral Resource estimates for the North Zone are classified as Indicated and Inferred and are summarised in Table 2.

TABLE 2
2012 MINERAL RESOURCES - NORTH ZONE, MOUNT PLEASANT PROPERTY

Mineral Resource Class	Tonnage (Millions of tonnes)	Cut Sn Grade (%)	Cut Zn Grade (%)	Cut In Grade (ppm)
Indicated	12.4	0.38	0.86	63.5
Inferred	2.8	0.30	1.13	69.8

- Resources were estimated using composites within a Block Model with block dimensions of 5x5x5 m and using an inverse distance squared grade interpolation method. Top cuts were applied to Sn, Zn and In assays before compositing. A cutoff of US\$75 Gross Metal Value ("GMV") was applied and a recovery of 100% is assumed;
- Mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, socio-political, marketing, or other relevant issues;
- The quantity and grade of reported inferred mineral resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred resources as an indicated or measured mineral resource and it is uncertain if further exploration will result in upgrading them to an indicated or measured mineral resource category; and
- The mineral resources in this press release were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM), CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by CIM Council November 27, 2010.

During the fourth quarter of 2009 the Company successfully completed bench scale testing for the production of high purity zinc metal and indium sponge. The bench scale process development work completed in 2009 indicated that this unique hydrometallurgical process technology is capable of producing indium in excess of 88% purity.

During 2010 and early 2011 the Company completed a mini-pilot program to advance the development of its hydromet process. This work resulted in the production of indium sponge metal grading 96.25% indium and zinc metal grading 98.89% zinc. Feed for this successful mini-pilot run originated from zinc/indium concentrate from previous testwork on the NZ.

The hydromet process, developed for Adex by Thibault & Associates Inc. of Fredericton involves leaching a base metal sulphide concentrate containing approximately 4,500 ppm indium and recovering the indium and zinc through a series of solvent extraction and solution purification processes. Adex is considering patent applications with respect to certain aspects of this hydromet process technology.

Adex engaged SGS Lakefield to perform bench scale, locked cycle testing and pilot plant testing to produce tin concentrate and zinc-indium concentrates. The zinc-indium concentrate could potentially feed the hydromet process. The test program has completed extensive bench testing and a pilot plant run of approximately 60 tonnes of mineralized NZ material over a 120 hour period, and the results were reported by the Company on March 7, 2011. A zinc/indium concentrate grading 48.2% zinc and assaying 5,310 parts per million ("PPM") indium with 95.6% zinc and 91.7% indium recovery was produced in locked cycle test work ("LCT") completed in February and March, 2011. Final test work in the tin concentrate process is pending.

In late 2010, the Company completed a diamond drill program with the aim of upgrading the NZ NI 43-101 compliant "inferred" resources to "indicated" category. The drill program was also aimed at expanding high grade portions of the sub-zones identified above the 250 meter depth level. The program also obtained roof pillar geotechnical information in support of the planned definitive feasibility study ("DFS") for commercial development of the North Zone. In total, 3,734 metres of drilling was completed in 26 holes. An updated NI 43-101 resource estimate is pending.

Despite the definition drilling purpose of the program, exciting new exploration results were generated. Hole AM-10-10, drilled in an underexplored part of the North Zone, intersected four metres of 4.67% tin ("Sn"), 14.5% zinc ("Zn"), 980 g/t indium ("In") and 0.56% copper ("Cu") beneath a historical hole which in the 1970s had intersected 41 metres of 4.08% Zn and 0.10% Sn. No indium analyses had been completed on core from the historical hole. The intersection suggests the discovery of a new-high grade sub-zone open both laterally and at depth.

During the first quarter of 2010, the Company completed a Tailings Leachability and Wastewater Treatability Study involving a concept for the treatment of future tailings and wastewater from both metallurgical and hydrometallurgical processes. The study defines a water and tailings management concept for the NZ based on sub-aerial disposal of tailings, multi-stage wastewater treatment and reclaim of water from the tailings polishing pond. Results of the test program indicate that the overall management concept is technically viable.

On August 8, 2013, A letter was received from the Corporate Finance branch of the Ontario Securities Commission stating the company had been selected for an issue oriented review of its continuous disclosure record. It was noted from the review of the technical reports on the Mount Pleasant property in New Brunswick (April 13, 2012 on the North Zone; September 24, 2012 on the Fire Tower Zone) that these are separate technical reports on the same mineral property. It was regarded that this as a single property should be covered by a single , complete, current technical report.

On August 27, 2013, a response letter was sent to the Ontario Securities Commission stating that the company recognizes that it may be more appropriate, based upon current conditions, that it may be possible to develop the deposits using a single facility with metallurgical processes, albeit complex ones, to maximize the recovery of the metals from each of the zone.

The company has filed on SEDAR an updated single technical report prepared for the Mount Pleasant property on October •, 2013 which report is titled. Amended Technical Report on the Mount Pleasant property including Mineral Resource Estimates, Southwestern, New Brunswick for Adex Mining prepared by Steven McCutcheon, Ph.D., P.Geo., McCutcheon Geo-Consulting; John Reddick, M.Sc., P.Geo., Reddick Consulting Inc.; Tim McKeen, P.Eng., Thibault & Associates Inc.; Stephanie Scott, P.Eng., Thibault & Associates Inc.; Dorota El-Rassi, P.Eng., SRK Consulting; and Michael Kociumbas, P.Geo., Watts, Griffis and McQuat Limited.

The Company has also issued a news release respecting the Report on October 24, 2013.

Pending Environmental Protocols

The Company maintains reclamation bonds consisting of Province of New Brunswick, 8.5% bonds which matured on June 28, 2013. The bonds were pledged as security under environmental regulations with the Province of New Brunswick to ensure adequate funding is available for perpetuity to treat the acid water run-off from the abandoned Mount Pleasant mine workings. The bonds were held for the benefit of the Company, and interest was paid bi-annually into a cash on deposit account, and was disbursed at the discretion of the Ministry of Finance of the Province of New Brunswick. Upon maturity of the bonds at June 28, 2013 the funds continue to be held on account with the N.B. government and will be redeployed as per the current requirements of the Department of Environment.

The Company's Mount Pleasant property is governed by an Approval to Operate, which was granted by the New Brunswick Ministry of Environment in November 2007 and valid until September 2012. The approval to operate was renewed as of October 1, 2012 and is valid until September 30, 2017. Under the terms of the Approval to Operate, the Company has been granted permission by the Ministry of Environment to operate the Property, Tailings Impoundment Facility and Mine Water Treatment Plant on a "Care and Maintenance" basis. However, the Company is required to monitor the water quality at its Tailings Impoundment Facility on a monthly basis, and the Company provides the Ministry of Environment with monthly water quality monitoring reports and the results of its monthly water sampling and testing. Additionally, the approval to operate required Adex, to submit to the Department a mine water management plan including a cost report on this new facility, a tailings flood plan and contingency plan, and a new sludge cell project proposal and timeline to complete. Adex has submitted interim proposals of how these facilities will be operated until the production decision for re-opening is made. The approval also sets out parameters for the operation of the new mine water treatment facility to be approved and constructed, and the parameters for the operation of the tailings impoundment facility which already exists. These new plans will be accompanied by an updated requirement to post a rehabilitation bond, which may or may not exceed the bond currently posted by Adex for this purpose.

Under the Approval to Operate, the Company is permitted to carry out exploration activities and metallurgical test work on its Mount Pleasant property. Consequently, the current security posted with the Province of New Brunswick is sufficient for the Company to continue exploration activities and metallurgical test work at the Property. However, the Company may face a review of its posted security by the Ministry of Environment when the Company advances to feasibility studies on its mineral deposits or commences the dewatering of its past-producing underground tungsten mine located on the Mount Pleasant property. Dewatering activities may also trigger a provincial Environmental Impact Assessment ("EIA") and may require the Company to upgrade its current Mine Water Treatment Plant. The Company will, therefore, enter into direct consultations with the provincial Ministry of Environment prior to initiating feasibility or dewatering activities, in order to ascertain any changes that may be required with respect to the existing security, or any obligations that may arise under a EIA.

Financing Transaction

On October 19, 2010 the Company completed a private placement (the "Private Placement") transaction with Great Harvest Canadian Investment Company Limited ("Great Harvest") (see "note 8 - Shareholders Equity" of the December 31, 2012 notes to the financial statements) of 40,000,000 units (the "Units") at a price of \$0.12 per unit, with each Unit consisting of one common share of Adex and one common share purchase warrant (a "Series A Warrant"), raising gross proceeds of \$4.8 million. Each Series A Warrant entitles the holder thereof to acquire one common share at a price of \$0.18 at any time prior to the earlier of (i) October 19, 2011, and (ii) the 30th day following the delivery of a DFS on either or both of the North Zone or the Fire Tower Zone of the Property.

Other transactions contemplated in the Private Placement agreement with Great Harvest include requiring Great Harvest, subject to (i) the results of the DFS being satisfactory to Great Harvest and (ii) the then capital requirements of the Company as determined at the relevant time by the board of directors of the Company, to provide or arrange for the provision to the Company of loan facilities (the "Facilities") in an aggregate amount of up to \$50,000,000 to be used for the commercial development of the Property, on such terms and conditions as may be agreed upon between the Company and the relevant financier(s). If an aggregate minimum of \$10 million of the Facilities are made available to be drawn down by the Company within 180 days of the delivery to

Great Harvest of the report of the results of the Feasibility Study, Great Harvest will have the right (the "Share Purchase Right") to purchase, within 40 days of the Facilities being available to be drawn down by the Company, 1.2 common shares for each dollar of the facilities made available to be drawn down by the Company within one year of the completion of the Feasibility Study. The exercise price per common share pursuant to the Share Purchase Right will be equal to the volume weighted average trading price of the common shares on the TSX Venture Exchange (the "TSXV") for the five trading days ending the day immediately prior to the Facilities being available to be drawn down by the Company less the maximum discount therefrom permitted by the TSXV. The maximum number of common shares issuable pursuant to the Share Purchase Right is 60,000,000. The issuance of common shares pursuant to the exercise of the Share Purchase Right will be subject to further approval of the TSXV to be obtained following the Share Purchase Right becoming exercisable.

In connection with the above Private Placement, the agent to the transaction, was (i) paid a cash finder's fee of seven percent of the gross proceeds, (ii) issued by the Company as an additional finder's fee 2,800,000 Series A Warrants (seven percent of the Series A Warrants comprising part of the Private Placement), and (iii) issued by the Company as an additional finder's fee 2,800,000 common share purchase warrants ("Series B Warrants") (seven percent of the number of Series A Warrants comprising part of the Private Placement). Each Series B Warrant entitled the holder to acquire one common share at an exercise price of \$0.20 per common share until October 19, 2011, provided that (i) the Series B Warrants only became exercisable when Series A Warrants were actually exercised, and (ii) the Series B Warrants were only exercisable at any time to the extent of the number of Series B Warrants as was equal to 7% of the number of Series A Warrants comprising part of the Units which have been exercised at such time. These warrants expired unexercised on October 19, 2011. In addition, the agent is entitled (i) to be paid by the Company a retainer of \$144,000 payable in 12 equal monthly installments of \$12,000, the first of which was paid on the closing of the Private Placement, (ii) to be paid an additional cash finder's fee equal to 7% of the gross proceeds realized by the Company on the exercise, if any, of the Series A Warrants comprising part of the Units issued pursuant to the Private Placement (a maximum of \$504,000), and (iii) to be paid by the Company an additional cash finder's fee equal to 1.5% of the principal amount of each loan made available by Great Harvest or a third party financier arranged for by Great Harvest to be drawn down by the Company, to a maximum of \$750,000.

Assuming the completion of all of the transactions contemplated by the Agreement, the total capital provided to Adex as a result of such transactions is expected to be in excess of \$65 million (dependent on the trading price of the Common Shares at the time of the exercise of the Share Purchase Right). With this capital, the Company will be well positioned to commercially develop the Property, which includes two potentially economic mineral deposits, FTZ and the NZ.

On May 17, 2011, 40,000,000 Series A Warrants were exercised at an exercise price of \$0.18 per common share, providing gross proceeds of \$7,200,000.

OUTLOOK

[NTD: Can't say a production decision will be based on a PFS)

The Company has contracted with several consulting & engineering companies to provide services and studies to complete a pre-feasibility study and environmental permitting approval. The value of contracts signed to date is approximately Cdn\$1.5 million.

The Company is also in discussions with several China based smelting companies to process the tungsten and molybdenum concentrate which might be produced at Mt. Pleasant from the FTZ.

MINERAL PROPERTY EXPENDITURES

Deferred expenditures added to the carrying value of mineral properties relates to the metallurgical studies and production process development as described in *Overview of the business and overall performance* above.

Mineral property expenses have not changed in their general nature between the year ended December 31, 2012 and the three month and six month periods ended June 30, 2013, however, the total expenses incurred are subject to variance due to the timing and seasonal effects of required repair and maintenance events.

Expenses incurred during these periods are primarily related to care and maintenance activities required to ensure environmental compliance, safety and security at the Property

The following table illustrates spending activity related to the capitalized costs and period expenses for the Company's Mt. Pleasant mine site for the three and six month period ended June 30, 2013:

	For the three month period ended		For the six month period ended	
	June 30		June 30	
	2013	2012	2013	2012
	\$	\$	\$	\$
Technical reports	29,521	77,757	421,346	237,571
Wastewater treatment studies	19,847	38,575	28,972	175,151
Drilling, exploration and reporting	-	4,200	-	58,952
Process development	41,540	-	77,665	34,363
Pre-feasibility studies	39,831	-	58,005	-
Tailings impoundment facility	-	14,237	12,276	18,371
Additions to mineral properties	130,739	134,769	219,264	524,408
Wages	31,965	33,320	63,520	66,390
Utilities	9,307	7,226	35,842	35,696
Environmental compliance	15,303	17,427	31,256	35,534
Maintenance	10,751	12,356	17,408	28,166
Depreciation	5,432	13,426	10,653	25,758
Other	5,918	4,621	9,893	10,715
Property taxes	5,606	5,597	11,212	11,194
Travel, meals & entertainment	-	898	-	3,415
Consulting	-	325	750	1,790
Rental income	(6,000)	(6,000)	(12,000)	(12,000)
Interest income	(12,777)	(14,243)	(27,260)	(27,470)
Mineral property expenses	65,504	74,953	141,275	179,188
Total mineral property expenditures	196,243	209,722	360,539	703,5986

RESULTS OF OPERATIONS

The Company's net loss for the three month period ended June 30, 2013 was \$302,877 or \$0.00 per share (loss of \$531,567 or \$0.00 per share for the three month period ended June 30, 2012). The principal components of net loss during the three month period ended June 30, 2013 were administrative and general expenses of \$266,416 (\$425,278 for the three month period ended June 30, 2012), mineral property expenses of \$65,504 (\$74,953 for three month period ended June 30, 2012) and nil stock based compensation, a non-cash expense, compared to \$33,185 for the three month period ended June 30, 2012).

The Company's net loss for the six month period ended June 30, 2013 was \$636,260 or \$0.00 per share (loss of \$1,010,875 or (\$0.01) per share for the six month period ended June 30, 2012). The principal components of net loss during the six month period ended June 30, 2013 were administrative and general expenses of \$528,480 (\$763,145 for the six month period ended June 30, 2012), mineral property expenses of \$141,275 (\$179,188 for six month period ended June 30, 2012) and nil stock based compensation, a non-cash expense, compared to \$80,719 for the six month period ended June 30, 2012.

For the six month period ended June 30, 2013, cash used in operations by the Company was \$628,428 (\$1,048,010 for the three month period ended June 30, 2012).

Interest earned on funds on deposit for the three and six month periods, respectively, ended June 30, 2013 was \$29,732 and \$ 34,874 (\$2,241 and \$12,961 for the three and six month periods, respectively, ended June 30, 2012) and is comprised of interest earned on the Company's cashable GIC and environmental bonds..

ADMINISTRATIVE AND GENERAL EXPENSES

The variances in administrative and general expenses for the three and six month periods ended June 30, 2013 as compared to the three and six month periods ended June 30, 2012 is generally reflective of a normalization of the professional fees and board compensation, business development expenses and overall administrative activity after the change of board and management positions in 2011.

The following table illustrates spending activity related to administrative and general expenses for the three and six month periods ended June 30, 2013:

	For the three month period ended June 30	
	2013 \$	2012 \$
Wages, benefits and consulting (note 10)	112,121	165,466
Directors fees (note 10)	49,301	52,725
Professional fees (legal & audit)	42,519	93,448
Office rent	20,367	12,950
Shareholder communications & promotion	14,493	43,488
Office costs	10,337	5,265
Insurance	6,976	6,994
Business development	4,600	3,050
Travel	2,961	34,276
Regulatory and filing fees	2,741	7,616
	266,416	425,278

	For the six month period ended June 30	
	2013 \$	2012 \$
Wages, benefits and consulting (note 10)	225,570	305,125
Directors fees (note 10)	95,401	94,250
Professional fees (legal & audit)	53,350	150,130
Office rent	41,193	25,047
Shareholder communications & promotion	39,988	74,800
Travel	20,714	66,559
Office costs	19,708	12,949
Insurance	13,952	13,987
Regulatory and filing fees	9,454	15,698
Business development	9,150	4,600
	528,480	763,145

SUMMARY OF QUARTERLY RESULTS

A summary of the eight most recent quarters is as follows:

	June 30 2013 \$	March 31 2013 \$	December 31 2012 \$	September 30 2012 \$
Net loss for the period	302,877	333,383	325,902	407,577
Net loss per share (basic and diluted)	0.00	0.00	0.00	0.00

	June 30 2012 \$	March 31 2012 \$	December 31 2011 \$	September 30 2011 \$
Net loss for the period	531,567	479,308	658,161	588,175
Net loss per share (basic and diluted)	0.00	0.00	0.00	0.00

The Company does not consider the effects of seasonality to be significant. The primary drivers for large variations in quarterly results are:

- The net loss for the three months ended December 31, 2011 was effected by an income tax expense generated by deemed capital gain on the expiration of common share purchase warrants.
- The net loss for the each of the seven periods ended September 30, 2011, March 31, 2012, June 30, 2012, September 30, 2012, December 31, 2012, March 31, 2013 and June 30, 2013, reflect administrative and marketing activities as well as care and maintenance costs related to the Property.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares. As at June 30, 2013, the Company had 177,211,441 common shares, of no par value, issued and outstanding.

	Number of shares	Amount \$
Balance, January 1, 2012	177,211,441	51,169,336
Balance, December 31, 2012 and June 30, 2013	177,211,441	51,169,336

- (a) On October 19, 2010 the Company completed a private placement (the "Private Placement") transaction with Great Harvest Canadian Investment Company Limited ("Great Harvest") (see note 10 – Related party transactions) of 40,000,000 units (the "Units") at a price of \$0.12 per unit, with each Unit consisting of one common share of Adex and one common share purchase warrant (a "Series A Warrant"), raising gross proceeds of \$4.8 million. Each Series A Warrant entitled the holder thereof to acquire one common share at a price of \$0.18 at any time prior to the earlier of (i) October 19, 2011, and (ii) the 30th day following the delivery a definitive feasibility study ("DFS") on the either or both of the North Zone or the Fire Tower Zone of the Property.

Other transactions contemplated in the Private Placement agreement with Great Harvest include requiring Great Harvest, subject to (i) the results of the DFS being satisfactory to Great Harvest and (ii) the then capital requirements of the Company as determined at the relevant time by the board of directors of the Company, to provide or arrange for the provision to the Company of loan facilities (the "Facilities") in an aggregate amount of up to \$50,000,000 to be used for the commercial development of the Property, on such terms and conditions as may be agreed upon between the Company and the relevant financier(s). If an aggregate minimum of \$10 million of the Facilities are made available to be drawn down by the Company within 180 days of the delivery to Great Harvest of the report of the results of the Feasibility Study, Great

Harvest will have the right (the "Share Purchase Right") to purchase, within 40 days of the Facilities being available to be drawn down by the Company, 1.2 common shares for each dollar of the facilities made available to be drawn down by the Company within one year of the completion of the Feasibility Study. The exercise price per common share pursuant to the Share Purchase Right will be equal to the volume weighted average trading price of the common shares on the TSX Venture Exchange (the "TSXV") for the five trading days ending the day immediately prior to the Facilities being available to be drawn down by the Company less the maximum discount there from permitted by the TSXV. The maximum number of common shares issuable pursuant to the Share Purchase Right is 60,000,000. The issuance of common shares pursuant to the exercise of the Share Purchase Right will be subject to further approval of the TSXV to be obtained following the Share Purchase Right becoming exercisable.

In connection with the above Private Placement, the agent to the transaction, was (i) paid a cash finder's fee of seven percent of the gross proceeds, (ii) issued by the Company as an additional finder's fee 2,800,000 Series A Warrants (seven percent of the Series A Warrants comprising part of the Private Placement), and (iii) issued by the Company as an additional finder's fee 2,800,000 common share purchase warrants ("Series B Warrants") (seven percent of the number of Series A Warrants comprising part of the Private Placement). Each Series B Warrant entitled the holder to acquire one common share at an exercise price of \$0.20 per common share until October 19, 2011, provided that (i) the Series B Warrants will only become exercisable when Series A Warrants are actually exercised, and (ii) the Series B Warrants will only be exercisable at any time to the extent of the number of Series B Warrants as is equal to 7% of the number of Series A Warrants comprising part of the Units which have been exercised at such time. In addition, the agent is entitled (i) to be paid by the Company a retainer of \$144,000 payable in 12 equal monthly installments of \$12,000, the first of which was paid on the closing of the Private Placement, (ii) to be paid an additional cash finder's fee equal to 7% of the gross proceeds realized by the Company on the exercise, if any, of the Series A Warrants comprising part of the Units issued pursuant to the Private Placement (a maximum of \$504,000), and (iii) to be paid by the Company an additional cash finder's fee equal to 1.5% of the principal amount of each loan made available by Great Harvest or a third party financier arranged for by Great Harvest to be drawn down by the Company, to a maximum of \$750,000.

- (b) On December 14, 2010, 554,166 compensation unit options, with an assigned valuation of \$31,633, were exercised, providing gross proceeds of \$66,500. The compensation unit options exercised resulted in the issuance of 554,166 common shares and 554,166 half warrants. The total full warrants have an assigned valuation of \$14,087 and each full warrant was exercisable to purchase a common share at a price of \$0.20 per share until December 30, 2011.
- (c) On February 25, 2011, 131,249 compensation unit options, with an assigned valuation of \$ 17,871, were exercised, providing gross proceeds of \$15,750. The compensation unit options exercised resulted in the issuance of 131,249 common shares and 65,624 warrants. The total full warrants have an assigned valuation of \$17,020 and each full warrant was exercisable to purchase a common share at a price of \$0.20 per share until December 30, 2011.
- (d) On May 17, 2011, 40,000,000 Series A warrants were exercised, providing gross proceeds of \$7,200,000 and resulting in the 2,800,000 Series B Warrants, with a total valuation of \$134,400, becoming exercisable to the agent to the Great Harvest financing, all as per the October 19, 2010 financing terms described above in "note a". These Series B Warrants expired on October 19, 2011.

Contributed Surplus

	Amount \$
Balance, January 1, 2012	2,593,782
Common share options expense	176,800
Balance, December 31, 2012 and June 30, 2013	2,770,582

Stock options

- (a) On August 16, 2011, the Company granted 2,350,000 common share options with an exercise price of \$0.15 per common share to the directors of the Company. The options vest quarterly in equal amounts over a twelve month period from the date of the grant and expire on August 15, 2016.
- (b) On September 19, 2011, the Company granted 250,000 common share options with an exercise price of \$0.13 per common share to a senior officer of the Company. The options vest quarterly in equal amounts over a twelve month period from the date of the grant and expire on September 18, 2016.
- (c) On October 18, 2011, the Company granted 250,000 common share options with an exercise price of \$0.145 per common share to certain employees and consultants of the Company. The options vest quarterly in equal amounts over a twelve month period from the date of the grant and expire on October 17, 2016.

The assigned Black-Scholes fair value of the total options granted for the year ended December 31, 2011 is \$356,700.

No stock options, compensation or otherwise, were granted during the year ended December 31, 2012.

On January 30, 2013, 50,000 common share purchase options with an exercise price of \$0.33 per common share expired unexercised.

On June 11, 2013, 1,250,000 common share purchase options with an exercise price of \$0.30 per common share expired unexercised

On June 30, 2013, 250,000 common share purchase options with an exercise price of \$0.13 per common share expired unexercised

The following summary sets out the activity in outstanding common share stock options for the period ended June 30, 2013:

	Options #	Weighted- average exercise price \$
Outstanding, January 1, 2012	11,710,000	0.22
Options expired unexercised	(4,860,000)	0.27
Outstanding, December 31, 2012	6,850,000	0.17
Options expired unexercised	(1,550,000)	0.27
Outstanding, March 31, 2013	5,300,000	0.14
Options exercisable at June 30, 2013	5,300,000	0.14

The details of stock options outstanding at June 30, 2013 are as follows:

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
1,100,000	1,100,000	0.81 years	\$0.120	April 24, 2014
1,400,000	1,400,000	1.60 years	\$0.150	February 3, 2015
200,000	200,000	1.97 years	\$0.120	June 22, 2015
2,350,000	2,350,000	3.13 years	\$0.150	August 15, 2016
250,000	187,500	3.30 years	\$0.145	October 17, 2016
5,300,000	5,300,000			

Options that have been issued and remain outstanding vest over one year from the date of grant, in equal quarterly installments commencing three months following the date of grant.

The weighted average fair value of the options outstanding is \$0.14 per option, each contract fair value having been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate ranging from 1.43% to 2.43% and based on the full life of the option, expected dividend yield of nil, average expected forfeiture rate of nil, average expected volatility ranging from 96.53% to 169.35% and based on the annualized, weekly stock price calculated over the previous common share trading history, equal to the life of the option and expected life term of five years. Under this method of calculation, the Company has recorded nil as stock-based compensation, being the fair value of the options vested during the three and six month periods ended June 30, 2013 (\$33,185 and \$80,719 for the three and six month periods, respectively, ended June 30, 2012).

As of June 30, 2013, the Company had 177,211,441 common shares, of no par value, issued and outstanding. The Company also had 5,300,000 common share stock options issued and outstanding pursuant to its stock option plan. Each of the outstanding common share stock options are exercisable to purchase one common share.

As at June 30, 2013 and August 13, 2013, the number of common shares outstanding on a fully-diluted basis is 182,511,441.

RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL REMUNERATION

Key management personnel remuneration

Key management personnel remuneration is comprised of the Company's President & Chief Executive Officer, Chief Financial Officer and (for the period January 1 to June 30, 2012) Chief Operating Officer.

For the three month period ended June 30, 2013 the Company incurred related party expenses of \$62,710 (\$121,973 during the three month period ended June 30, 2012). For the six month period ended June 30, 2013 the Company incurred related party expenses of \$124,560 (\$220,773 during the six month period ended June 30, 2012). These expenses related to the payment of management fees to the Company's senior officers.

During the year ended December 31, 2011, the Company created a retirement allowance accrual of \$525,000 (nil for year ended December 31, 2012) to be paid out to retiring senior personnel, pending the resolution of the terms of the retirement agreements. During the year ended December 31, 2011, the Company paid out \$450,000 from this fund to a former member of senior management and, at June 30, 2013, \$75,000 remains on hand for future settlement, and final settlement negotiations are ongoing.

Included in stock-based compensation and attributable to key management personnel, for the three and six month periods, respectively, ended June 30, 2012 was \$6,878 and 22,927, and nil for the three and six month periods, respectively, ended June 30, 2013.

Related party transactions

For the three and six month periods, respectively, ended June 30, 2013, the Company incurred directors and committee fees of \$49,301 and \$95,401 (directors and committee fees of \$52,725 and \$94,250 during the three and six month periods, respectively, ended June 30, 2012). These amounts were expensed in the period incurred as administrative and general expenses.

During the three and six month periods, respectively, ended June 30, 2013, the Company incurred and paid technical and consulting fees of \$7,400 and \$20,800 (\$800 for the three and six month periods, respectively, ended June 30, 2012) to independent directors. These amounts were expensed in the period incurred as administrative and general expenses.

Included in stock-based compensation and attributable to related parties, for the three and six month periods ended June 30, 2012 was \$13,493 and \$44,978, respectively, and nil for the three and six month periods ended June 30, 2013.

Great Harvest, the Company's largest shareholder with 45.14% of the Company's common shares, is controlled by two of the Company's directors, one of whom also acts as the President and Chief Executive Officer. During the three and six month periods, respectively, ended June 30, 2013, the Company incurred expenses of \$3,420 and 10,021 (\$16,433 and \$26,885 for the three and six month periods, respectively, ended June 30, 2012) from Great Harvest for travel, administrative and project expenses.

COMMITMENTS AND CONTINGENCIES

As at	March 31 2013	December 31 2012
	\$	\$
Accounts payable	72,225	183,381
Accrued liabilities	219,458	161,860
Income tax payable	33,806	33,806
Related party payable	4,429	17,034
	329,918	396,081

The Company has a contractual lease obligation related to its corporate premises that requires minimum total lease payments of \$179,442 until October 31, 2017.

The following table demonstrates the outstanding office lease commitment.

	\$
2013	19,581
2014	39,746
2015	41,500
2016	42,084
2017	36,531
	179,442

The Company has entered into contracts, valued at \$1,486,280, with several consulting engineering firms. These firms have been engaged to perform services related to the completion of environmental studies and permitting, and a planned pre-feasibility report for the Company's FTZ.

The Company has contingent liabilities in respect of legal claims arising in the ordinary course of business. The Company is currently engaged in a legal proceeding in respect of the settlement of severance payment to a former employee. The Company has accrued \$75,000 in regards to settlement of this matter, however, the timing of the resolution of this matter, as well as the final settlement amount is uncertain and cannot be determined as at June 30, 2013.

LIQUIDITY, CAPITAL RESOURCES AND BUSINESS PROSPECTS

These unaudited condensed consolidated interim financial statements of the Company have been prepared using accounting policies applicable to a going concern, which contemplate the realization of assets and settlement of liabilities in the normal course of business as they fall due for the foreseeable future. For the six month period ended June 30, 2013, cash used in operations by the Company was \$628,428 and the Company carried an accumulated deficit of \$39,282,694. Furthermore, the Company had not generated revenue from operations. Management is able to control the timing of significant capital expenditures and at present has assessed it has sufficient cash balance to meet required operating expenditures through the end of fiscal 2013.

The Company will continue to pursue opportunities to raise additional capital through equity markets and/or related party loans to fund its exploration and operating activities; however, there is no assurance of the success or sufficiency of these initiatives. The Company's ability to continue as a going concern is dependent upon it securing the necessary working capital and exploration requirements and eventually to generate positive cash flows either from operations or additional financing.

FINANCIAL INSTRUMENTS

The carrying amount of financial instruments approximates fair value unless otherwise noted. The Company's financial assets include the cash and cash equivalents, proceeds of the June 28, 2013 redemption of the reclamation bond and interest receivable on the reclamation bond. As this bond and interest accrued are on deposit with the province of New Brunswick, the Company does not consider these assets to be subject to significant credit risk. The Company endeavors to mitigate credit risk by holding its cash and cash equivalents with major commercial banks with strong credit ratings.

RISK FACTORS

Given the Company's current status as an exploration stage company, there are numerous risk factors that could affect the Company's business prospects and future performance, including the following. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also affect the Company's business prospects and future performance.

Operating history

The Company has a very limited history of operations and must be considered a start-up. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and an absence of revenues. There is no assurance that the Company will be successful in achieving a return on shareholder investment and the likelihood of success must be considered in light of its early stage of operations. The Company has no intention of paying any dividends in the foreseeable future.

Highly speculative business

The nature of the Company's business is highly speculative due to its proposed involvement in the exploration, development and production of minerals. Exploration for minerals involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that any commercial quantities of ore will be discovered by the Company. The commercial viability of a mineral deposit, if discovered, depends upon a number of factors including the particular attributes of the deposit (principally size and grade), the proximity to infrastructure, the impact of mine development on the environment, environmental regulations imposed by various levels of government and the competitive nature of the industry which causes base metal prices to fluctuate substantially over short periods of time. Most of these factors are beyond the control of the Company. Mineral exploration and development are highly speculative and few properties that are explored are ultimately placed into commercial production.

Insufficient resources or reserves

Substantial additional expenditures will be required to establish either resources or reserves on the Company's mineral properties and to develop processes to extract the minerals. No assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis or at all.

Barriers to commercial production

The Company will rely upon consultants and others for construction and operating expertise. The economics of developing mineral properties are affected by many factors including, but not limited to, the cost of operations, grade of ore, fluctuating mineral markets, costs of processing equipment, competition, extensions on licenses and other factors such as government regulations, including regulations relating to title to mineral concessions, , allowable production, importing and exporting of minerals and environmental protection. Many of the above factors are beyond the control of the Company. Depending on the price of minerals produced, the Company may determine that it is impractical to either commence or continue commercial production.

Additional capital

The exploration and development of the Property will require substantial additional financing. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration, development or production on the Property. The Company will also require additional funding to acquire further property interests. The ability of the Company to arrange such financing in the future will depend, in part, upon the prevailing capital

market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from treasury of the Company, control of the Company may change and security holders may suffer additional dilution.

Commodity price and exchange rate fluctuations

The feasibility of mineral exploration is significantly affected by changes in the market price of the minerals expected to be produced. Mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control. The level of interest rates, the rate of inflation, world supply of minerals and stability of exchange rates can all cause significant fluctuations in mineral prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments.

Key officers, consultants and employees

The success of the Company will be largely dependent upon the performance of its key officers, consultants and employees. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration and development personnel involved. Failure to retain key individuals or to attract or retain additional key individuals with necessary skills could have a materially adverse impact upon the Company's success. The Company has not purchased any key-man insurance with respect to any of its directors, officers or consultants and has no current plans to do so.

Title

No assurances can be given that title defects to the Property do not exist. The Property may be subject to prior unregistered agreements, interests or land claims and title may be affected by undetected defects. If title defects do exist, it is possible that the Company may lose all or a portion of its right, title, estate and interest in and to the Property to which the title defect relates.

Title to mineral interests in some jurisdictions is often not susceptible to determination without incurring substantial expense. In accordance with industry practice, the Company conducts such title reviews in connection with its properties as it believes are commensurate with the value of such properties. The actual interest of the Company in certain properties may vary from the Company's records.

Maintaining interests in mineral properties

The Company's continuing right to maintain its ownership in its mineral property interests will be dependent upon compliance with applicable laws and with agreements to which it is a party. There is no assurance that the Company will be able to obtain and/or maintain all required permits and licences to carry on its operations. Additional expenditures will be required by the Company to maintain its interests in its properties. There can be no assurance that the Company will have the funds, will be able to raise the funds or will be able to comply with the provisions of the agreements relating to its properties which would entitle it to an interest therein and if it fails to do so its interest in certain of these properties may be reduced or be lost.

External market factors

The marketability and price of minerals which may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. The Company will be affected by changing production costs, the supply or/and demand for minerals, the rate of inflation, the inventory levels of minerals held by competing companies, the political environment and changes in international investment patterns.

Governmental and regulatory requirements

Government approvals and permits are currently, and may in the future, be required in connection with the Company's operations. To the extent that such approvals are required and not obtained, the Company may be restricted or prohibited from proceeding with planned exploration or development activities. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, which may include requirements for the Company to take corrective measures requiring capital expenditures, installation of additional equipment, or other remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, could have

a material adverse impact on the Company and cause increases in capital expenditures or production costs or reductions in levels of production at producing properties or require abandonment or delays in the development of properties.

Environmental regulations

All phases of the Company's operations are subject to environmental regulation. Environmental legislation is becoming more strict, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that environmental regulation will not adversely affect the Company's operations. Environmental hazards may exist on a property in which the Company holds an interest which are unknown to the Company at present which have been caused by previous or existing owners or operators of the property. The Company has in place a program of regular environmental monitoring to ensure compliance with existing environmental regulations.

Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means standards, and enforcement, fines and penalties for non-compliance are more stringent.

Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. The Company intends to fully comply with all environmental regulations in all jurisdictions in which it is active.

Conflicts of interest

Certain directors and officers of the Company are or may become associated with other natural resource companies which may give rise to conflicts of interest. In accordance with the *Business Corporations Act* (Ontario), directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the Company are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors and the officers are required to act honestly and in good faith with a view to the best interests of the Company. The directors and officers of the Company have either other full-time employment or other business or time restrictions placed on them and, accordingly, the Company will not be the only business enterprise of these directors and officers.

Uninsured risks

The Company currently has liability insurance in an amount which management considers adequate. However, in the future, the costs of such insurance may become prohibitive. The nature of the risks for mining companies is such that liabilities might exceed policy limits, certain liabilities and hazards might not be insurable, or the Company might, in the future, elect not to insure itself against such liabilities due to high premium costs or other reasons. Should such liabilities occur, the Company would incur significant costs that would have a material adverse effect upon its financial condition.

Competition in acquiring additional properties

Significant and increasing competition exists for mineral acquisition opportunities throughout the world. As a result of this competition, some of which is with large, better established mining companies with substantial capabilities and greater financial and technical resources, the Company may be unable to acquire rights to exploit additional attractive mining properties on terms it considers acceptable.

Dividend policy

No dividends on the common shares of the Company have been paid by the Company to date. The Company intends to retain its earnings, if any, to finance the growth and development of its business and has no present intention of paying dividends or making any other distributions in the foreseeable future.

OFF-BALANCE SHEET ARRANGEMENTS

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A may constitute “forward-looking” statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company and its subsidiary, or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this report, the words “estimate”, “believe”, “anticipate”, “intend”, “expect”, “plan”, “may”, “should”, “will”, the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. Such statements reflect the current expectations of the management of the Company with respect to future events based on currently available information and are subject to risks and uncertainties that could cause actual results, performance or achievements to differ materially from those expressed or implied by those forward-looking statements, including the risk factors summarized above under the heading “Risk Factors”. New risk factors may arise from time to time and it is not possible for management of the Company to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Company to be materially different from those expressed or implied in such forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A speak only as of the date hereof. The Company does not undertake or assume any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except as required by law.