

MONTERO MINING AND EXPLORATION LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2013

MONTERO MINING AND EXPLORATION LTD.

Management's Discussion and Analysis

For the three months ended March 31, 2013

1.1 DATE

This Management's Discussion and Analysis ("MD&A") of Montero Mining and Exploration Ltd. ("Montero" or the "Company") has been prepared by management as of May 29, 2013 and should be read in conjunction with the condensed consolidated interim financial statements for the three months ended March 31, 2013 and the audited consolidated financial statements and related notes thereto of the Company as and for the year ended December 31, 2012. The Company's Audit Committee have reviewed and approved this MD&A.

All amounts in the MD&A, financial statements and related notes are expressed in Canadian dollars unless otherwise noted.

1.2 OVERALL PERFORMANCE

Current Quarter Highlights

- The Company has continued its exploration program on the Wigu Hill Rare Earth Element ("REE") project in Tanzania, with highlights including:
 - Active discussions with funding parties to secure project financing to further development of the Wigu Hill rare earth Project.
 - The due diligence is ongoing by the Strategic Investor ("Investor") who signed a non-binding term sheet on November 16, 2012. The Investor has proposed to provide equity project funding for the further development of the Wigu Hill Project. The terms and conditions are indicative at this stage, and the due diligence results are subject to approval by the Investor's Executive Management and Board of Directors.
 - The final Environmental Social Impact Assessment (ESIA) report was submitted to the environmental authorities in Tanzania for final review and approval is pending.
 - The Wigu Hill project campsite has been closed since March 2013 due to seasonal rains.
 - In Q1 2013, geological mapping continued and metallurgical samples were taken of representative mineralization and wall rock material from exposures on the Nyati and Twiga target areas. These samples have been submitted for further metallurgical testwork at various laboratories.
 - A 1,500kg sample of Twiga high-grade carbonatite is in preparation for dispatch to Mintek, Johannesburg. This sample will satisfy an obligation to Mintek for a large sample on which to conduct solvent extraction testwork in a pilot plant currently being constructed in South Africa. This work will be at no cost to Montero.
 - AMEC continued work on a re-assessment of the Twiga resource estimation to define a small high grade TREO resource. A draft memo on this work was received.
- The Company continues with the process of selling its Phosco assets. Discussions have been undertaken with interested parties, but no formal offers have been received at this stage. On May 18, 2013, Montero agreed to transfer back the Bierkraal Phosco assets to the vendor for nil consideration as the commitment of exploration work was not met on this asset. Accordingly, the Company recorded an impairment charge of \$32,014 for costs related to this asset.
- The Company closed a private placement raising gross proceeds of \$1,400,000 by issuing 11,200,000 Units. Each Unit consists of one common share and one common share warrant to purchase one common share at a price of \$0.25 per share until January 18, 2015. The Company also completed a debt settlement for amounts totalling \$643,077 by issuing 5,144,616 common shares.
- The Company has made continued efforts to control costs to extend the Company's cash runway. All major categories of expenditures are less than the comparative quarter's expenditures.

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- Exploration expenditures of \$370,592 were made during the current quarter compared to \$949,972 for the comparative quarter, with the majority being spent on the Wigu Hill project in Tanzania.
- Montero's operating expenses decreased during the quarter to \$290,167 compared to \$558,014 for the prior comparative quarter, with expenditures in all categories being reduced, except for an impairment charge of \$32,014 as noted above which was an increase from the prior quarter.
- The Company recorded a net loss of \$288,526 (\$0.01 per share) for the three months ended March 31, 2013 compared to a net loss of \$568,093 (\$0.01 per share) for the three months ended March 31, 2012.

Company Overview

The Company was incorporated on October 5, 2006 under the laws of British Columbia, Canada. The Company is primarily engaged in the acquisition and exploration of mineral properties in Tanzania, South Africa and Quebec, Canada. Montero is a public company listed on the TSX Venture Exchange, and is trading under the symbol *MON.V*. The Company's registered address is 1040 West Georgia Street, Suite 1900, Vancouver, BC, V6E 4H3 and its head office is located at 20 Adelaide Street East, Suite 400, Toronto, Ontario, M5C 2T6; Phone: 416-840-9197; Fax: 866-688-4671; Web: www.monteromining.com.

The Company is engaged in the identification, acquisition, evaluation, exploration and development of mineral properties primarily focused on rare earth elements (REE), phosphates and uranium in Tanzania, South Africa and Quebec, Canada, respectively. The Company has not yet determined whether its exploration and evaluation assets contain sufficient mineral reserves, such that their recovery would be economically viable.

The key performance driver for Montero is to find and develop mineral deposits to create wealth for shareholders. This is being achieved through acquiring and exploring properties which host the highest potential for future discoveries or development of existing mineral resources into mineable reserves. Management works to rationalize all of its significant core holdings to maintain percentage ownership, while working with others to share the risk of exploration of these properties. Management acquires its exploration and evaluation assets through the issuance of common shares where possible to preserve the Company's cash reserves.

Management is experienced with the necessary skills required to achieve success, both in the technical and financial area with experienced exploration and consulting geologists and those with entrepreneurial and financial experience. Shareholders are represented by a strong Board of Directors, experienced in the exploration mining industry where the Board and management has collectively more than 200 years of mining, geological and exploration experience and have been part of at least 4 discoveries that have found mineral resources and gone into production.

The Company has access to consulting geologists with technical and geological expertise in the countries where the exploration properties are held. Consultants are retained through consulting contracts.

Our Exploration Process

Montero uses its management's expertise to evaluate and acquire exploration assets that can be tested, further explored with a view to defining resources and ultimately into production, although there are no assurances that this will occur. These can be acquired through assessment of projects offered to the Company, literature research or conceptual models. The appropriate exploration/development strategies for each style of deposit and mineral occurrences with time frame and key decision points throughout the year are applied. During periods where the Company's cash resources are limited and the markets are not

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receptive to financing, the Company continues with minimum exploration requirements on the exploration and evaluation assets to maintain the licences in good standing.

Our Exploration Results for the Year

Michael J Evans, Montero's consulting geologist is a qualified person as defined by National Instrument 43-101, and has reviewed the technical information presented herein.

Tanzania

Wigu Hill Project

Background:

The Wigu Hill project is located 170 kms south-west of Dar es Salaam and 68 kms south of Morogoro the nearest major regional center (straight line distances). The area of interest is covered by 2 Prospecting Licences and currently covers an area of 55.65 km²; (Wigu PL3379: 15.14 km² and Nyarutanga PL4834: 40.51 km²) straddling Wigu Hill itself including a contiguous area to the south. Documents for the areas that required relinquishment and reapplications of the original 2 Wigu Hill licences, covering an area of 86.21 km² in extent are in process with the Tanzanian Ministry of Energy and Minerals.

The main Wigu Hill Prospecting licence PL3379 was extended for a 4th term of two years effective from July 1, 2012 to June 30, 2014 and will enable the Mining Licence application to be submitted.

A comprehensive report on all aspects of exploration and development of the Wigu Hill project has been developed with attendant supporting reports and documentation.

Ownership:

On May 26, 2008 (amended September 30, 2009 and April 27, 2010) the Company and RSR (Tanzania) Limited ("RSR") entered into an agreement whereby RSR granted the Company an exclusive option to earn an initial 60% interest in the Wigu Hill Project (the "First Option"), and an additional 10% interest in the Wigu Hill Project (the "Second Option"). On April 27, 2010 Montero and RSR signed an amendment agreement whereby, in order to exercise the First Option, the Company must pay United States Dollars ("USD") \$150,000 on or before April 30, 2010 (paid). After the exercise of the First Option, RSR will transfer the prospecting licences comprising the Wigu Hill Project (the "Wigu Hill Licences") to a newly-formed company (established and called - Wigu Hill Mining Company Limited "WHMC") and the Company will concurrently pay RSR a further USD \$50,000 (paid). The Company is further obligated to incur exploration expenditures of USD \$3.5 million (incurred) (or alternatively complete a prefeasibility study) on or before November 28, 2012. Once completed, the Company may at its sole discretion, within 60 days after November 28, 2012, elect to acquire a further 10% interest in the Wigu Hill Licences by paying RSR a further USD \$2,000,000 to complete the requirements to execute the Second Option (amended as outlined below).

On September 22, 2011, the Company and RSR executed a Shareholders' Agreement, which outlined the following:

- amended the payment of USD \$2,000,000 to an initial Second Option payment of \$800,000 (paid) and a final Second Option payment of USD \$700,000, which is to be paid subject to receipt of mining and retention licences granted by the Government of Tanzania, as well as a development agreement executed by the Government of Tanzania and the Company. By mutual agreement between the Company and RSR, the USD \$700,000 may be satisfied by the issuance of common shares of Montero at the prevailing market price of such shares at the date of payment.
- agreement that the Company has duly and validly exercised the First Option and the Second Option, and owns a 70% interest in the Wigu Hill Licences.

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- RSR has transferred the Wigu Hill Licences to WHMC which was originally owned 70% by the Company and 30% by RSR. Further funding of exploration on the Wigu Hill Licences shall be provided by the Company and RSR in proportion to their ownership of WHMC.
- dilution provisions were provided subject to a deemed expenditure formula and, where a party's interest is diluted to less than 10%, conversion of such interest to a 2.5% net smelter returns royalty ("NSR") will be done. The Company has the right to purchase all or part of the NSR for USD \$1 million per each 0.5%.

After the establishment of WHMC, further exploration costs were incurred by the Company and RSR has failed to pay their share of these costs which at March 31, 2013 were determined to be \$1,139,161 (USD \$1,121,663) and have been included in exploration and evaluation assets. RSR was put on notice for its contribution required and advised that dilution will occur if payment is not received. As of March 31, 2013, the notice period for receipt of payment has expired and Montero increased its ownership of the Wigu Hill Licences to 82.25%.

Geology and mineralization:

The Wigu Hill carbonatite complex is known to be an extensive occurrence of rare earth mineralization, with bastnaesite-rich carbonatite dikes hosting high grade TREO's (Total Rare Earth Oxides) dominantly the light rare earths which include: Cerium, Lanthanum, Neodymium, Praseodymium and Samarium. Reconnaissance exploration sampling in 2009 and 2010 identified a number of rare earth enriched carbonatite dikes on the eastern and central portions of Wigu Hill. Five target areas have been identified for detailed exploration as follows: Tembo, Twiga, Tumbili, Lower Nyati and Upper Nyati targets.

In 2011, a focussed exploration mapping programme and grab sampling programme was carried out over the full extent of Wigu Hill. The sample results have been combined with the original reconnaissance assay data. The results are very positive, compliment and expand the 2009/2010 reconnaissance exploration results and emphasized the extent of the rare earth mineralization.

Exploration work:

Tembo and Twiga Targets

The exploration of the Twiga and Tembo Targets is at an advanced stage. A preliminary resource was estimated for these targets based on trenching and initial drilling data collected in 2010 (refer news release dated September 12, 2011). This initial exploration was followed by a programme of infill drilling and development of a geological model for the Twiga Target.

In 2010 and 2011, the bastnaesite-rich carbonatite dikes on both Tembo and Twiga Targets were assessed in detail by infill trenching and core drilling of 14 core boreholes ("BH") (1,610m) on Twiga and 5 boreholes (540m) on Tembo for a total of 19 boreholes and 2,150m of core drilling (refer news releases April 11, 2011 - Twiga trenching; May 16, 2011 - Twiga drilling and June 22, 2011 - Tembo trenching and drilling). All of the data collected during the exploration campaign was entered into an Access database.

AMEC Earth & Environmental UK Ltd. ("AMEC") developed a geological model of the Tembo and Twiga Targets on which to base a resource assessment. The preliminary resource was defined in a NI43-101 compliant technical report finalised by October 24, 2011 (refer to news releases dated September 12, 2011 and October 24, 2011).

Infill drilling commenced at the Twiga Target on the mineralised "EW" Dike and a total of 17 boreholes (895.3m) were drilled at approximately 25m spacings to determine geological and grade continuity of the "EW" dike, with a view to establishing a small, near surface, high grade resource of bastnaesite mineralisation. The sampling and assay result were assessed and reported (refer to news releases dated November 15, 2011 and January 26, 2012).

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Turgis Consulting of South Africa (Turgis) conducted an independent geotechnical review of the Twiga Target to assess the requirements to commence a small mining operation and are preparing a Scoping Study to investigate the potential for a small mining operation at Wigu Hill. This is planned to be finalized after completion of the revised resource estimation of the Twiga Target.

AMEC have utilised the infill drilling data and assays to prepare an updated geological model of the Twiga Target and have estimated an inferred resource for the Twiga Target only, including a high grade portion based on a 3% TREO cut-off grade. A final report is pending on this assessment.

Arrangements to take a >5 tonne bulk sample of run of mine (ROM - mineralised dike material and waste rock) for X-Ray separation and further larger scale physical metallurgical testwork at Mintek South Africa has been put on hold. The sites for blasting have been prepared, but not yet blasted.

Tumbili Target

Exploration work on the Tumbili Target included detailed mapping, trenching and drilling. By July 2011, 1,525m of core drilling had been completed from 6 deep boreholes (165m to 325m). An assessment of the drilling and trenching at Tumbili has led to the conclusion that the eastern portion of the target area is poorly mineralised with values largely <1.5% TREO. However, the carbonatite breccia in the western portion of the target area returned graded average values. in the range of 1.5 – 3.0% TREO. With higher grade carbonatite dikes located at the Nyati target. Exploration focus was shifted from this area to Nyati.

Exploration at Tumbili was revisited during the last quarter of 2012 with the re-assessment of a single 157m long trench (Trench #TU001) within the carbonatite breccia. The trench was reopened and remapped so as to assess the distribution of mineralisation within the carbonatite breccia unit.

Nyati Target

Geological mapping and sampling upslope from the Tumbili Target was successful in defining outcrops of well-mineralised dolomitic carbonatite dike swarms over a significant area. Initial rock chip sampling (100 samples taken) of the available outcrops over a wide area returned high TREO values from the well mineralised bastnaesite-rich carbonatites (refer news release October 11, 2011). Follow up sampling substantiated these positive results with 26 samples at Lower Nyati averaging 12.15% TREO and 104 panel samples at Upper Nyati averaging 7.08% TREO (refer to news release dated April 2, 2012). These latter results demonstrate that the positive results defined at Lower Nyati extend upslope to the upper Nyati Target, reaching the crest of the Hill.

A focussed program of trenching and core drilling followed from the grab sampling and was guided by the sample assay results. The results from 3 trenches and 5 core boreholes (1,030m) have been reported (refer to news release April 2, 2012 and news release dated April 12, 2012) and these have established the Nyati Target as a significant and extensive zone of mineralisation.

Road access was extended onto upper reaches of the Nyati Target and new drill pads were prepared for proposed infill and exploration drilling. The drill pads at Lower Nyati were cleared and all available outcrops was sampled and mapped in detail in preparation for the proposed drilling program. In addition, other sections of road were repaired and improved. Further evaluation work will be advanced using the currently available data, with site preparations completed.

Exploration work in 2012 focused on more detailed assessment work on the Lower Nyati Target. The results of trenches WTRN004 – WTRN007 substantiate the continuity of mineralization indicated by the grab sampling, earlier trenching and the positive drilling data (refer to news release dated June 13, 2012).

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The re-logging of the 5 Lower Nyati boreholes has been undertaken and this information used to revise the surface mapping data and interpret the continuity of the mineralized carbonatite dikes. This data is assisting in understanding the distribution of the rare earth mineralization.

During Q2 and Q3 of 2012, exploration work included the geological and planning assessment work with a view to defining the next stage of drill targets and planning of re-commencement of active operations. Activities were focused on the eastern and east central extent of the Wigu Hill carbonatite complex., specifically the Lower Nyati Target with additional work on the Upper Nyati target where positive grab sample assay values confirmed the potential for high grade concentrations of TREO mineralisation (refer to news release dated April 3, 2012).

During Q4 2012, Cut lines were established on each of the proposed infill drill lines on the Lower Nyati target, with sampling traverses undertaken, and sampling focussed only on the sections where good outcrop occurred. Geological mapping on a reconnaissance basis was extended to the upper reaches of the Upper Nyati target to assess the viability of selected exploration drilling to delineate new targets. This was found to be impractical due to steep slopes and very difficult terrain access.

General Exploration:

A geological plan of the entire Wigu Hill Project area was compiled in mid 2012, based on a concerted geological mapping exercise undertaken on Q4 2011. An assessment was made of the distribution of the higher grade TREO assays from the grab sampling done during the mapping. The overview assessment on the distribution of the grab sample values combined with historic data from sampling in 2009 confirms that the Lower and Upper Nyati Target areas are priority targets, but that significant additional potential exists within the other target areas nearby. This data will be useful in guiding future exploration efforts.

Environmental studies:

Work and reporting on the environmental impact assessment program at Wigu Hill by the Tanzanian Environmental consultants, MTL Consulting Company Ltd ("MTL") was finalized at the end of 2012 and submitted to NEMC (National Environmental Management Council), the governmental environmental agency, for review and acceptance. All of the baseline environmental reports compiled by the consultants for Montero were assessed by MTL and the relevant data incorporated into an Environmental Impact Assessment ("EIA") study. MTL undertook a Social Impact Assessment of the area surrounding the Wigu Hill Project and the information was compiled into the full Environmental and Social Impact Assessment Report ("ESIA") that was submitted on 19th December 2012. This report is now being reviewed by the relevant authorities and once accepted and approved, an acceptance certificate will be issue to the company.

Metallurgical testwork:

During 2011 and 2012 extensive metallurgical test work was undertaken by Mintek in Johannesburg on the high grade (>10% TREO), rare earth rich carbonatite samples from the Tembo and Twiga targets. The initial orientation tests were followed by a programme of bench scale leach tests. With the results from the 2nd and 3rd phase of the hydro-metallurgical testwork program, including monitoring and modification of procedures, resulted in an optimised leaching process which produced a final mixed rare earth solution. From this, a mixed rare earth and cerium salt can be prepared (refer to news release dated March 5, 2012).

The leach testwork report on the optimisation testwork from Mintek did not meet all the required objectives although the report was successful in quantifying all the optimization requirements for the leach process. The testwork still requires an additional stage of assessment through undertaking 3 x 50kg bulk leaches under the optimized conditions defined by Mintek to confirm the results. Additional testwork is being investigated, both in-house, with Mintek and with alternative research facilities to determine the best options to produce an upgraded bastnasite concentrate.

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Various physical separation methods being assessed by Mintek and some selective tests on particle size analysis and related mineralogical tests are ongoing to improve the mineral separation techniques. A detailed in-depth review of all the prior physical separation, metallurgical, pyro-metallurgical and hydrometallurgical test work undertaken to date was undertaken to assist and define future work requirements with a focus on the positive results achieved to date.

In the 1st quarter of 2013, a bulk sample (1,500kgs) was taken from Wigu Hill with an estimated grade of >10%TREO to be used in the preparation of TREO solutions for solvent extraction and refining testwork purposes at Mintek. This sample (once transported from site to Dar es Salaam and freighted to Mintek in Johannesburg) is to be used in a pilot plant facility currently being constructed. This work to be conducted by Mintek will have no cost implications to Montero and the company shall retain all information from such testwork.

The priority focus on flotation testwork resulted in SGS Mineral Services in Lakefield, Canada selected to undertake preliminary testwork and a 20kg sample was delivered to commence work in January 2013.

As at March 31, 2013, the Company had incurred cumulative acquisition costs of \$1,260,688 and cumulative exploration and evaluation costs of \$7,850,931 for a total investment of \$9,111,619 on the Wigu Hill Project.

South Africa

Phosco Project

On October 18, 2010, the Company's subsidiary, Montero Projects Limited ("Montero Projects") entered into a binding term sheet agreement with Celtic Trust Company Limited ("Celtic"), whereby Montero Projects had the exclusive right to acquire the shares in Celtic's subsidiary (Eurozone Investments Limited, hereafter "Eurozone") which hold interests in 4 phosphate exploration projects in South Africa ("Phosco"). Montero Projects paid an advance of \$101,700 (USD \$100,000) to be granted an exclusivity period, which expired on July 18, 2011, to complete due diligence on the Phosco assets. This payment was used to settle the liabilities of Eurozone. An amendment to the binding term sheet agreement was executed on November 18, 2011 (the "Effective Date"), whereby Montero Projects agreed to acquire the shares in Eurozone by issuing 2,500,000 common shares of Montero. Concurrently, the due diligence was completed, approval was received from the TSX Venture Exchange and the Company issued the 2,500,000 common shares to complete the acquisition of Eurozone.

An additional 1,000,000 common shares of Montero may be issued as consideration if a mining industry compliant report (the "Report") is obtained, indicating a phosphate inferred resource on certain prospecting rights of one of the Phosco assets (the "Bierkraal Project"). The Company has 18 months from the Effective Date to conduct an exploration program on the Bierkraal Project and, if at the end of this period, the Company has not obtained the Report or given notice to Celtic that they intend to obtain the Report, the Company shall offer to transfer back the shares of the subsidiary that holds the Bierkraal Project to Celtic for no consideration. On May 18, 2013, the Company and Celtic have agreed to complete the transfer the shares of the subsidiary that holds the Bierkraal from Montero to Celtic for nil consideration and have also agreed that no additional shares will be issued. The Company has therefore recorded an impairment charge for initial due diligence and exploration costs related to the Bierkraal Project totaling \$32,014 for the three months ended March 31, 2013.

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The Phosco assets initially covered the four phosphate exploration projects, namely: Phillips Kraal, Duyker Eiland and Lamberts Bay in the Western Cape and Bierkraal in the Northwest Province. Management believes that the return of the Bierkraal Project to Celtic does not have a significant impact on the valuation of the remaining Phosco assets as this Project was a relatively minor part of the original acquisition.

The Company has determined that it would be appropriate to sell its Phosco assets. On March 22, 2012 the Company engaged AltaCorp Capital Inc. ("Advisor") to assist them in completing a sale. The agreement with the Advisor provides for a payment of a success fee to the Advisor of 4% of the transaction value subject to a minimum success fee of \$250,000 if the Phosco assets are sold within six months of the expiry of the agreement to a buyer specifically introduced to the Company by the Advisor. The original agreement with the Advisor was in effect until the earlier of i) the date, which is three months from the date of the agreement, and ii) the date the Phosco assets are sold. Both parties have agreed that the expiry of the agreement be extended such that the agreement with the Advisor is in effect until the earlier of i) the date which is nine months from the date of the agreement (i.e., December 22, 2012) and ii) the date the Phosco assets are sold. Accordingly, the above-noted success fee is payable upon a sale of the Phosco assets to a buyer specifically introduced to the Company by the Advisor completed on or before June 22, 2013. It is not presently known when or in what specific manner the Phosco assets may be sold. Although management is committed and expects to sell the Phosco assets, there can be no assurances that a sale will take place and the timing of such a sale is uncertain. Interest has been shown by several parties, but no formal offers have yet been received.

Duyker Eiland Project

In late 2011 an independent NI43-101 compliant Mineral Resource Estimate of the sedimentary phosphate deposit at the Duyker Eiland project was completed. A total Inferred Mineral Resource of 32.8 M tonnes at a grade of 7.15% P₂O₅ has been outlined. Preliminary metallurgical test work has indicated that an acid-grade phosphate concentrate of 33% P₂O₅ to 35% P₂O₅ (72.1% BPL to 76.5% BPL) can be produced by flotation. The NI43-101 resource evaluation compliant resource report was prepared by AMEC Earth & Environmental UK Ltd. (AMEC) and posted on SEDAR in December 2011.

The NI43-101 Preliminary Economic Assessment (PEA) of the Duyker Eiland Project was completed by Turgis Consulting (Pty) Ltd. (refer news releases February 28, 2012 and April 13, 2012). The PEA is preliminary in nature and it includes the Inferred Mineral Resources which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves.

Selected environmental baseline studies (a low cost botanical survey was initiated in the 3rd Quarter, 2012) and additional analyses commenced in April 2012 on the existing test concentrates will focus on elements detailed in legislation relating to concentrations in fertilizer products.

In the second quarter of 2012, a comprehensive set of reports were compiled for submission the Department of Mineral Resources (Western Cape) in order to fulfill requirements for renewal of the Duyker Eiland Prospecting Right. This process is ongoing and included a successful site visit by personnel from the Mine Economics section of the Department of Mineral Resources of South Africa.

The licences for Phillips Kraal, Duyker Eiland, Lamberts Bay and Bierkraal (under transfer to Celtic) are in good standing.

As of March 31, 2013, Montero has spent a total of \$1,463,376 on acquisition and exploration costs, and reclamation bonds related to the Phosco assets, which are now disclosed as *Held for Sale* assets in accordance with International Financial Reporting Standards ("IFRS").

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Canada

Girard Claim Area, Quebec

The Girard Claim area is located 33 kms south of Cadillac town lies within the Abitibi-Temiscamingue region, in south-west Quebec province and the licence area is accessible via Highway 117 with all weather roads access. The original contiguous licence claims covered an area of 89.5 kms². The terrain is partially covered by glacial till, is undulating and covered with temperate forest.

On April 25, 2007, the Company entered into an agreement to acquire a 100% interest in the Girard claims located in Quebec for consideration of 2,000,000 common shares (issued) valued at \$625,000 and by incurring exploration expenditures totalling \$640,000 over five years. Anniversary payments were also required which totalled \$235,000, \$100,000 which was paid in cash and the remaining \$135,000 was settled by the issuance of 1,000,000 common shares valued at \$135,000. The claims are subject to a 2.0% NSR. The Company has the right to purchase, at any time, either one-half or all of the royalty for a purchase price of \$1,000,000 or \$2,000,000 respectively.

Past exploration work identified three areas with presence of uranium in anomalous concentrations: the North Beraud zone; the Ridge and LSD areas. The technical report written in 2008 and revised in 2009 have shown the presence of low level uranium values and resulted in further exploration work in (2009/2010) consisting of a sampling program, with coincident magnetic survey, with results covering 29 line kms that contoured values above 4.75ppm uranium and delineated a series of flat lying zones with higher uranium values indicated amounts greater than 100ppm of more valuable heavy REE (combined values of erbium, dysprosium and ytterbium). A magnetic survey in the King Lake and East Ledah vicinity in the northern centre of the licence block adds data to the licence area.

During the year ended December 31, 2012, the Company decided not to pursue exploration in certain areas of the Girard claim area and recorded an impairment of exploration and evaluation assets, while retaining certain claims with a carrying value of \$166,881 as of March 31, 2013.

Risk Factors

Through its operations, the Company is exposed to various business risks outlined below. Additional risks and uncertainties, including those that we are not aware of now or that we currently deem immaterial, may also adversely affect our business.

- The Company has not been profitable since inception and it may continue to incur substantial losses.
- The Company operates in the highly speculative business of mining exploration and development and is currently in the exploration stage. The Company has not yet determined whether their properties contain enough mineral reserves, such that their recovery would be economically viable.
- The Company is exploring for mineral resources and these commodities are subject to pricing and other risks.
- The Company may not be able to secure adequate financing to support the expenditures required to sustain the Company until profitable operations are achieved.
- The Company operates in foreign jurisdictions and although professional advice is obtained to ensure the Company meets all the local requirements, there may be deficiencies in some areas.
- The Company faces currency risks in its operations.
- The Company has limited personnel with various degrees of knowledge concerning their area of expertise and there may be instances where segregation of duties does not exist and reliance must be placed on outside advisors to assist with complex areas.

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The Company undertakes its best efforts to mitigate the above risks using the resources at its disposal, but believes that uncertainties and risks do exist in its business operations.

The condensed consolidated interim financial statements have been prepared using IFRS applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at March 31, 2013 the Company had not advanced its exploration and evaluation assets to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. These conditions give rise to significant doubt about the Company's ability to continue as a going concern. However, management believes it has sufficient cash resources on hand to finance operating costs and exploration activities over the next twelve months. If further funds are required, they will be financed through a private placement of common shares or the divestiture of non-strategic assets. Further details on financing alternatives available to the Company are more fully discussed in 1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES.

Financial Performance

During the three months ended March 31, 2013, the Company conducted exploration work on its exploration and evaluation assets. The majority of the work was conducted on the Wigu Hill prospect in Tanzania. The total cash expenditures on exploration and evaluation assets and assets held for sale were \$370,592 for the three months ended March 31, 2013 (\$949,972 for the three months ended March 31, 2012).

The Company's operating costs for the three months ended March 31, 2013 decreased significantly compared to the comparative three months ended March 31, 2012 due to management's efforts to control and reduce costs. Consulting, directors, administrative and management fees were lower due to reduced consulting personnel, no recruitment fees in 2013 and also a voluntary decrease in fees for management personnel. Impairment of held for sale assets is higher as amounts were Nil in prior comparative quarter. General and administrative and other expenses have decreased due to management efforts to reduce costs. Professional fees are lower due to less exploration activities undertaken in the current quarter requiring these services. Shareholder and regulatory costs are significantly lower this quarter due to less investor relations programs undertaken as well as reduced marketing consulting fees.

At March 31, 2013, the Company had cash and cash equivalents on hand of \$627,930 compared to \$498,872 on hand at December 31, 2012. The Company will require further funds in the future for general working capital and to fund its exploration programs since it currently has no revenue sources. Further details on financing alternatives available to the Company are more fully discussed in 1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES.

Company Objectives and the Year Ahead

The Company's corporate objectives are to create value by a focus on exploring, discovery and development of grass-roots rare earth element, phosphate and uranium deposits in geologically prospective under-explored regions in Tanzania, South Africa and Quebec, Canada.

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The Company believes that it has a portfolio of rare earth element, phosphate and uranium projects that can add value to the company and will seek methods of adding value by de-risking its portfolio of assets by drilling the resources and conducting metallurgy in a timely fashion, by raising exploration funding and using such funds in a prudent manner or joint venture or by disposal of non-strategic assets.

1.3 SELECTED ANNUAL INFORMATION

	Year ended December 31		
	2012	2011	2010
			restated to IFRS
Consulting, directors', administrative and management fees	\$ 791,960	\$ 820,564	\$ 315,607
Depreciation	41,287	17,676	12,236
Impairment of exploration and evaluation assets	1,942,364	-	24,583
Professional fees	129,241	280,715	248,579
Project investigation costs	11,281	136,029	60,117
Shareholder and regulatory	268,608	368,539	54,363
Stock-based compensation	-	1,243,162	167,109
Other operating costs	185,725	361,257	193,727
Interest income and other	(2,195)	(23,750)	(12,038)
Deferred income taxes	-	-	(62,863)
Net (loss)	(3,368,271)	(3,204,192)	(1,001,420)
Basic and diluted (loss) per share	\$ (0.06)	\$ (0.07)	\$ (0.03)
Exploration and evaluation assets	8,729,396	10,125,666	3,361,916
Total assets	10,906,874	13,668,334	4,996,548
Total liabilities	1,576,623	1,071,596	382,824
Shareholders' equity	9,330,251	12,596,738	4,613,724

The above financial information for 2012 and 2011 has been prepared in accordance with IFRS and the amounts for 2010 have been restated from amounts previously reported under Canadian GAAP to those amounts reported in compliance with IFRS.

1.4 RESULTS OF Q1 2013 OPERATIONS

During the three months ended March 31, 2013, Montero continued exploration work on its Wigu Hill property in Tanzania, albeit at a reduced pace. As well, they continued with their efforts to sell its Phosco assets. Total cash exploration costs incurred during the three months ended March 31, 2013 totaled \$370,592 (three months ended March 31, 2012 - \$949,972), which was spent primarily on the Wigu Hill Project. The Company continued its efforts to sell or joint venture its Phosco assets and has had various discussions with several interested parties, but no formal offers have yet been received.

The Company's operating expenses decreased significantly in most categories during the three months ended March 31, 2013 compared to the three months ended March 31, 2012. Significant changes in these expenses are outlined below.

Consulting, directors', administrative and management fees decreased from \$290,667 for the three months ended March 31, 2012 to \$153,508 for the three months ended March 31, 2013 due to reduced use of consulting personnel, lack of executive recruitment fees in 2013 and a voluntary fee reduction paid to management personnel.

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The Company agreed to return one of the Phosco assets (the Bierkraal Project) reflected as *Held for Sale* assets to the vendor for Nil consideration and therefore recorded an **impairment charge** of \$32,014 for the three months ended March 31, 2013 compared to \$Nil in the prior comparative quarter.

Other expenses decreased from \$48,144 for the three months ended March 31, 2012 to \$18,954 for the three months ended March 31, 2013 primarily because of reduced travel undertaken in the current quarter compared to the prior comparative quarter due to less investor relation activity as well as less operational activity.

Professional fees decreased from \$36,202 for the three months ended March 31, 2012 to \$16,171 for the three months ended March 31, 2013 due to reduced legal fees required for regulatory and various exploration agreements in the current quarter compared to the prior comparative quarter.

Shareholder and regulatory expenses decreased significantly from \$133,197 for the three months ended March 31, 2012 to \$37,370 for the three months ended March 31, 2013 due to less investor relations activities undertaken in the current quarter including reduced consulting fees for marketing personnel and fewer investor relations conferences and marketing materials being required.

The Company's net loss for the three months ended March 31, 2013 was \$288,526, \$0.01 per share, compared with a net loss of \$568,093, \$0.01 per share for the three months ended March 31, 2012.

During the current quarter ended March 31, 2013, the Company completed a debt settlement for amounts totalling \$643,077 by issuing 5,144,616 common shares and also closed a private placement raising gross proceeds of \$1,400,000 by issuing 11,200,000 Units. Each Unit consists of one common share and one common share warrant to purchase one common share at a price of \$0.25 per share until January 18, 2015.

Montero's cash and cash equivalents was \$627,930 at March 31, 2013 compared to \$498,872 at December 31, 2012. The Company will require further funds in the future to fund its operations and exploration programs since it currently has no revenue sources. Further details on financing alternatives available to the Company are more fully discussed in 1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES.

Commitments and Contingencies

The Company has no operating lease commitments. The Company has capital commitments relating to its exploration and evaluation assets as outlined in 1.2 OVERALL PERFORMANCE, *Our Exploration Results for the Year to Date* and the condensed consolidated interim financial statements for the three months ended March 31, 2013 (Notes 4 and 5).

The Company has no contingent liabilities.

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Segmented Information

The Company has one business segment being the exploration and evaluation of mineral resources. The Company is organized by geographic area and as such, its reportable operating segments are located in Canada, Tanzania and South Africa. Since the Company intends to sell the Phosco assets in South Africa, these costs are reflected as a current asset reported as *Held for Sale Assets* totaling \$1,463,376 as at March 31, 2013 (\$1,532,077 as at December 31, 2012).

Information regarding the Company's geographic segments is as follows:

As at March 31, 2013			
	Canada	Tanzania	Total
	\$	\$	\$
Plant and equipment	-	92,885	92,885
Exploration and evaluation assets	166,881	9,111,619	9,278,500
Total non-current assets	166,881	9,204,504	9,371,385

As at December 31, 2012			
	Canada	Tanzania	Total
	\$	\$	\$
Plant and equipment	-	99,809	99,809
Exploration and evaluation assets	164,186	8,565,210	8,729,396
Total non-current assets	164,186	8,665,019	8,829,205

1.5 SUMMARY OF QUARTERLY RESULTS

	2013		2012	
	Q1	Q4	Q3	Q2
	\$	\$	\$	\$
Consulting, directors', administrative and management fees	153,508	138,005	167,658	195,630
Impairment of exploration and evaluation and Held for Sale assets	32,014	1,282,810	42,228	617,326
Professional fees	16,171	33,730	22,957	36,352
Other expenses	88,474	68,138	71,657	135,961
Stock-based compensation	-	-	-	-
Interest income and other	(1,641)	(10,847)	1,348	(2,775)
Net loss	(288,526)	(1,511,836)	(305,848)	(982,494)
Loss per share				
Basic and diluted	(0.01)	(0.02)	(0.01)	(0.02)
Exploration and evaluation assets	9,278,500	8,729,396	9,583,513	9,527,353
Total assets	11,525,682	10,906,874	11,741,549	12,343,597
Total liabilities	825,191	1,576,623	1,300,523	1,266,810
Shareholders' equity	10,700,491	9,330,251	10,441,026	11,076,787

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	2012		2011	
	Q1	Q4	Q3	Q2
	\$	\$	\$	\$
Consulting, directors', administrative and management fees	290,667	146,750	303,895	221,600
Impairment of exploration and evaluation assets	-	-	-	-
Professional fees	36,202	65,209	65,896	54,809
Other expenses	231,145	281,366	262,451	144,117
Stock-based compensation	-	529,451	-	-
Interest income and other	10,079	(5,007)	(23,909)	4,156
Net loss	(568,093)	(1,017,769)	(608,333)	(424,682)
Loss per share				
Basic and diluted	(0.01)	(0.03)	(0.01)	(0.01)
Exploration and evaluation assets	9,369,960	10,125,666	7,863,032	5,298,287
Total assets	13,048,082	13,668,334	13,356,564	8,140,212
Total liabilities	1,174,279	1,071,596	925,949	823,927
Shareholders' equity	11,873,803	12,596,738	12,430,615	7,316,285

Note: Loss per share amounts disclosed above on a quarterly basis may not necessarily equal the cumulative amounts disclosed in the Company's annual financial statements, due to the timing of changes in the weighted average number of shares throughout the year versus the weighted average number of shares throughout the quarter.

Consulting, directors', administrative and management fees decreased in 2013 and 2012, due to fewer consultants being utilized as well as corporate strategy sessions undertaken in 2011 that are non-recurring in 2012/2013. The company recorded impairment on its Quebec, Liwale and Iringa assets in 2012, as well as an impairment on a Phosco asset being returned to the vendor in 2013. Professional fees are lower in 2012/2013 due to reduced legal costs for regulatory activities as well as fewer exploration agreements being required. Other expenses are higher in 2011 and Q1 2012 due to costs incurred to attend conferences, investor relation costs incurred to promote the company, regulatory fees required for a public company, increased travel costs and project investigation costs. Such costs were significantly reduced after Q2 2012. No stock options were granted since Q4 of 2011.

Generally, the expenditures have decreased in 2013 and 2012 compared to 2011 due to management efforts to control costs and less exploration and corporate activity undertaken. In 2011, the Company completed its IPO and expenditures were incurred in that regard, as well as efforts undertaken to introduce and promote the Company to investors that were not repeated in 2012 and 2013.

1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES

The Company held cash and cash equivalents of \$627,930 as at March 31, 2013 compared to \$498,872 as at December 31, 2012.

The Company used cash of \$372,424 in its operations for the three months ended March 31, 2013 compared to using cash of \$445,258 in its operations for the three months ended March 31, 2012. The Company used cash of \$370,592 on its exploration and evaluation assets and expenditures on plant and equipment for the three months ended March 31, 2013 compared to using cash of \$970,798 on its investing activities for the three months ended March 31, 2012. The Company generated net cash of

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\$882,275 from financing activities for the three months ended March 31, 2013 compared to generating cash of \$Nil in these activities for the three months ended March 31, 2012.

On January 3, 2013, the Company completed a debt settlement by issuing 5,144,616 common shares at a fair value of \$0.125 per share to settle trade and other payables totalling \$643,077. On January 18, 2013, the Company closed a private placement by issuing 11,200,000 Units at a price of \$0.125 per Unit for gross cash proceeds of \$1,400,000. Each Unit consists of one common share and one common share warrant to purchase one common share at a price of \$0.25 per share until January 18, 2015. In connection with the private placement, the Company paid a finders' fee of \$66,378 and other share issued costs of \$46,681 for total cash share issue costs of \$113,059. In addition, the Company issued 531,020 Finders' Warrants. Each Finder's Warrant entitles the holder to acquire one Unit at a price of \$0.125 per Unit until January 18, 2015.

The Company has no operating lease commitments. The Company has capital commitments relating to its exploration and evaluation assets as outlined in 1.2 OVERALL PERFORMANCE, *Our Exploration Results for the Year* and the condensed consolidated interim financial statements for the three months ended March 31, 2013 (Note 4 and 5).

The Company is dependent upon its ability to raise additional funds to support its operations and it does require additional financing since it is an exploration stage company with no current sources of revenue. Funding options available to the Company are outlined below.

Montero is a publicly traded corporation listed on the TSX Venture Exchange and plans to utilize the public market to raise the additional funds it requires, either through brokered or non-brokered private placements. The Company issues shares where possible for mineral property acquisitions as well as for debt settlements when practicable. In addition, the Company negotiates favourable funding terms for its mineral property payments where possible and amends the agreements, if required, to coincide with the Company's cash funds available. Montero works with its other exploration partners in exploring for its mineral properties to share the costs and risks in exploring them. The Company also considers divestiture of non-strategic assets so it can raise funds and focus its exploration efforts on its core holdings.

Management continues to work with its Advisor on its efforts in regards to the Phosco assets, seeking a potential sale or entering into joint exploration agreements with an interested party. Management believes that the return of the Bierkraal Project to Celtic does not have a significant impact on the valuation of the remaining Phosco assets as this Project was a relatively minor part of the original acquisition. Discussions have been undertaken with interested parties, but no formal offers have yet been received.

All other available options are being pursued in raising additional financings and exploring alternatives. Management is pursuing alternative options to obtain investments for the Wigu Hill Project to maintain its strategy to advance the deposit to the mining and production stage in the short term while further defining a larger deposit. On November 16, 2012, the Company signed a non-binding term sheet with a Strategic Investor ("Investor") whereby the Investor has proposed to provide equity funding at asset level for the further development of Montero's Wigu Hill Project. The terms and conditions are indicative at this stage, and the Investor still has to complete a detailed due diligence, the results of which are subject to approval by the Investor's Executive Management and Board of Directors.

The Company grants stock options to promote the profitability and growth of the Company by facilitating the efforts to attract and retain its directors, officers and consultants.

As of March 31, 2013, Montero has 4,255,000 stock options outstanding, exercisable at a weighted average exercise price of \$0.34 per share and 17,839,199 warrants outstanding, exercisable at a

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weighted average exercise price of \$0.41 per share. In addition, on April 30, 2013, the Company granted a further 1,805,000 stock options to directors, officers and consultants at an exercise price of \$0.125 per shares expiring in five years on April 30, 2018. These securities may be a future source of funding depending upon the Company's trading stock price, although there are no assurances that this will occur.

1.8 OFF-BALANCE SHEET ARRANGEMENTS

Montero does not utilize off-balance sheet arrangements.

1.9 TRANSACTIONS WITH RELATED PARTIES

Key management personnel compensation

	Three months ended March 31	
	2013	2012
	\$	\$
<i>Compensation of directors</i>		
Short-term benefits	9,500	20,986
Share-based payments	-	-
	9,500	20,986
<i>Compensation of key management personnel</i>		
Short-term benefits	155,042	200,191
Share-based payments	-	-
	155,042	200,191
Total remuneration of directors and key management personnel	164,542	221,177

The Company incurred the following transactions with management, directors, officers or companies which have directors in common, or in which the directors have significant influence and interests.

Related party transactions

	Three months ended March 31	
	2013	2012
	\$	\$
<i>Exploration and evaluation asset transactions</i>		
Geological consulting	7,415	100,014
Other	4,747	10,180
Total exploration and evaluation asset transactions	12,162	110,194
<i>Operating expense transactions</i>		
Consulting, directors', administrative and management fees	28,689	35,071
General and administrative	3,000	6,000
Project investigation costs	-	1,000
Shareholder and regulatory	6,858	18,000
	38,557	60,071
Total trading transactions with related parties	50,719	170,265

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Related party balances

	March 31, 2013	December 31, 2012
	\$	\$
Due to related parties	358,029	971,103

The amounts due to related parties represent amounts due to directors and officers or companies which have directors in common, or in which the directors have significant influence and interests. These amounts are unsecured, non-interest bearing and are due within twelve months.

1.10 FOURTH QUARTER

Please see 1.4 SUMMARY OF QUARTERLY RESULTS for information on the fourth quarter of 2012.

1.11 PROPOSED TRANSACTIONS

None.

1.12 CRITICAL ACCOUNTING ESTIMATES

Not applicable as the Company is a venture issuer.

1.13 CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Changes in accounting policies

None.

Initial adoption of accounting policies and accounting standards

None.

1.14 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, INCLUDING MANAGEMENT OF CAPITAL

Capital Management

The Company manages its capital to ensure that it will be able to continue as a going concern, while supporting the Company's business and maximizing the return to its stakeholders. The Company's capital structure is adjusted based on management's decisions to issue debt or equity instruments to fund expenditures. In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business. The capital of the Company consists of equity attributable to owners of the parent comprised of share capital, stock options and warrants.

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The Company's principle assets are in the exploration and evaluation stage and, as a result, the Company currently has no source of operating cash flow. In order to facilitate the management of capital and exploration of its mineral properties, the Company needs to raise capital as and when required to complete its projects and for working capital. The sources of future funds presently available to the Company are through the issuance of new share capital, through the exercise of stock options and/or warrants or through divestiture of certain assets. 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 assurances that the Company will be successful in its efforts to arrange additional financing, when required, on terms satisfactory to the Company.

Management prepares operating budgets to forecast its financing requirements in advance and they review their capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company. The Company's investment policy is to hold cash in interest-bearing accounts at high credit quality financial institutions to minimize risk and maximize liquidity.

The Company's overall strategy remains unchanged from the prior period. The Company is not subject to any externally imposed capital requirements.

Risk Management and Financial Instruments

The Company operates in the mining industry and faces a number of risks that could adversely affect the Company's operations. These risks include industry risk, credit risk, liquidity risk, interest rate risk, foreign currency risk, commodity price risk. Management reviews and develops policies for managing each of these risks which are summarized below.

Industry Risk

The Company is engaged primarily in the mineral exploration field, which is subject to inherent risks of success as well as compliance with environmental, political and regulatory requirements. The Company is potentially at risk for environmental reclamation obligations associated with resource property interests. As well, the Company operates in foreign countries and is subject to local political risks, as well as local regulatory requirements regarding ownership and maintenance of mineral licences. Management is of the opinion that they have the expertise to address these risks and makes all efforts to conduct their business in compliance with local industry standards, however environmental and local industry laws and practices are complex, and there is no certainty that all exposure to liability or costs have been mitigated.

Credit Risk

Credit risk is the risk of loss associated with a counter-party's ability to fulfil its payment obligations. The Company's primary exposure to credit risk is attributable to its cash and cash equivalents, as well as trade and other receivables. This risk relating to cash and cash equivalents is considered low since the Company only invests its cash in major banks which are high credit quality financial institutions. The trade and other receivables primarily comprise local sales tax refunds due from governmental agencies and, as such, management considers the risk with their collection minimal. The cash and cash equivalents is invested in short-term investment certificates for periods less than 90 days. The trade and other receivables are due in less than 90 days.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash in order to meet its liquidity requirements and to develop budgets to forecast cash requirements in advance of their requirements. As discussed previously, the Company currently does not have a source of operating cash flow and must raise funds for its exploration and evaluation programs and for general

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working capital. There are risks associated with raising the funds required, and there can be no assurances that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. The Company's trade and other payables are generally due within 90 days, with all amounts due within twelve months.

Interest Rate Risk

Interest rate risk refers to the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents which represent excess cash invested in short-term investments and these accrue interest at variable market rates. The Company monitors these investments with its need for cash flow and is satisfied with the return on these investments, given the timing of the need for cash in the Company. The Company has no interest-bearing liabilities. At March 31, 2013, the effect of changes in interest rates is not significant to the Company.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates in Canada, South Africa and Tanzania and portions of its expenditures are incurred in US dollars, South African Rand and Tanzanian Shillings. The Company's presentation currency is the Canadian dollar ("CAD"), the Tanzanian subsidiaries' functional currency is the United States dollar ("USD") and the South African subsidiaries' functional currency is South African Rand ("ZAR"). At March 31, 2013, the value of financial assets and liabilities denominated in currencies other than the functional currency of the entity to which they relate is not significant.

Commodity Price Risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is the potential adverse impact on earnings and economic value of its exploration and evaluation assets, due to commodity price movements and volatilities. The Company monitors commodity prices (primarily rare earth elements, phosphates and uranium) to determine the appropriate course of action to be taken by the Company.

1.15 OTHER MD&A REQUIREMENTS

DISCLOSURES FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The information required on the Company's exploration and evaluation assets are readily available from the Company's condensed consolidated interim financial statements for the three months ended March 31, 2013 and therefore are not required to be repeated here.

DISCLOSURE OF OUTSTANDING SHARE DATA

The information on the Company's share capital including numbers of shares outstanding, details of any conversion features, number of shares issuable on conversion of stock options and warrants, etc. are detailed in the Company's condensed consolidated interim financial statements for the three months ended March 31, 2013. The number of common shares outstanding as of the date of this report on May 29, 2013 is 71,031,679 shares.