MONTERO MINING AND EXPLORATION LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2011

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 April 25, 2012 and should be read in conjunction with the audited financial statements and related notes thereto of the Company, as at and for the years ended December 31, 2011 and 2010.

Effective January 1, 2011, the Company prepared its consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). This is the first year these consolidated financial statements have been prepared in accordance with IFRS, as previously the Company prepared its financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"). The disclosures concerning this transition from GAAP to IFRS are provided in 1.13 CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION. The Company's Board of Directors 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 Year Highlights

- The Company continues its drilling and trenching programs on the Wigu Hill Rare Earth Element ("REE") project in Tanzania with a focussed exploration program on the eastern and east central extent of the Wigu Hill carbonatite complex. Results include:

  - Exploration programs covered the Tembo, Twiga, Tumbili and Nyati Targets, including drilling, detailed mapping, trenching, sampling and radiometric logging.
  - An NI43-101 Compliant report outlined the Inferred Resource of 3.3Mt at 2.6% Light Rare Earth Oxide (LREO) from the Tembo and Twiga geological model.
  - Extensive hydro-metallurgical testwork in 3 phases at Mintek in South Africa with a 540Kg bulk sample (from Twiga) of fresh bastnaesite dike material resulted in an optimized leaching and comminution testwork program and produced a final mixed rare earth saleable product.
  - The Wigu Hill flora and fauna reports were finalized and a health study undertaken in the Kisaki area.

- The Company and RSR (Tanzania) Limited executed a Shareholders' Agreement in regards to the Wigu Hill project and the Company now owns 70% of the Wigu Hill licences.

- The Company completed the acquisition of the Phosco assets in South Africa by issuing 2,500,000 common shares of Montero. A further 1,000,000 shares are to be issued if a NI 43-101 resource is determined on the Bierkraal licence area within an 18 month period.

- The Company continued exploration work on the Phosco assets. Results at Duyker Eiland include the:
  - NI43-101 Mineral Resource Estimate Report outlined a total Inferred Mineral Resource of 32.8 M tonnes at a grade of 7.15% $P_2O_5$and preliminary metallurgical testwork indicated an acid-grade phosphate concentrate of 33% P_2O_5 to 35% P_2O_5 (72.1% BPL to 76.5% BPL) can be produced by flotation.

  - Results of the Preliminary Economic Assessment (PEA) on the Initial Inferred NI43-101 Mineral Resource Report presented potentially strong economics.

- Montero completed its Initial Public Offering ("IPO") and became listed on the TSX Venture Exchange on February 15, 2011.

- Montero raised gross proceeds of $9,900,300 from two private placements and the exercise of stock options during the year.

- Exploration cash expenditures of $5,857,052 were made during the year ended December 31, 2011 compared to exploration cash expenditures of $1,580,693 for the year ended December 31, 2010, with the majority being spent on the Wigu Hill project in Tanzania.

- Montero's operating expenses increased from $1,051,738 for the year ended December 31, 2010 to $3,227,942 for the year ended December 31, 2011 due to increased activity in the Company's operations.

- The Company recorded a net loss of $3,204,192 ($0.07 per share) for the year ended December 31, 2011 compared to a net loss of $1,001,420 ($0.03 per share) for the year ended December 31, 2010.

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 has subsidiaries which currently operate in Tanzania, South Africa and British Virgin Islands.

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; and Web: www.monteromining.com.

The Company is engaged in the identification, acquisition, evaluation and exploration 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 have 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 well-rounded 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 more than 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 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, who is a qualified person as defined by National Instrument 43-101, reviewed the technical information presented herein.

Tanzania

Wigu Hill Project

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 Licenses which have been reduced in size and currently cover an area of 55.65km^2 $^($Wigu PL3379: 15.14km^2 & Nyarutanga PL4834: 40.51km^2) straddling Wigu Hill itself and a contiguous area to the south. Re-applications have been submitted for the areas which were relinquished which are 86.07km^2 in extent.

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.

On September 22, 2011, the Company and RSR executed a Shareholders' Agreement, which outlines 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 now duly and validly exercised the First Option and the Second Option, and now owns a 70% interest in the Wigu Hill Licences.
- RSR has transferred the Wigu Hill Licences to WHMC which is 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 are provided subject to a deemed expenditure formula and, 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 not yet paid their share of these costs which at December 31, 2011 were determined to be $540,078 (USD $531,050) and have been included in exploration and evaluation assets. Management has not recorded RSR's share as a receivable, as discussions are currently underway with RSR concerning a potential dilution of RSR's interest in WHMC.

The Wigu Hill complex is known to be an extensive occurrence of rare earths, with bastnaesite-rich carbonatite dikes hosting high grades of TREO's essentially the light fraction which includes Cerium, Lanthanum, Neodymium, Praseodymium and Samarium.

Reconnaissance exploration sampling in 2009 identified a number of REE enriched sheeted carbonatite dikes across Wigu Hill with above average TREO values. Based on this evidence of the widespread occurrence of bastnaesite-bearing carbonatites, exploration was focussed on the eastern side of Wigu Hill with the Tembo, Twiga, Tumbili and Nyati Targets being the first area of focus for the Company.

Tembo and Twiga Target

Early exploration in 2010 finalized the trenching, sampling and geological mapping of the Tembo Target (Target 6).

In 2011, the bastnaesite-rich carbonatite dykes on both Tembo and Twiga Targets were assessed in detail by infill trenching and core drilling. 14 core boreholes ("BH") were drilled (1,610m) on Twiga and 5 boreholes (540m) on Tembo for a total of 19 boreholes and 2,150m of core drilling (refer to press 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 the NI43-101 resource report finalised by October 24, 2011 (refer press releases September 12, 2011 –and October 24, 2011).

Infill drilling was 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 establish geological and grade continuity of the "EW" dike, with a view to establishing a small, near surface, high grade reserve of bastnaesite mineralisation. The cores were sampled and the assays received, processed and assessed (refer to press releases November 15, 2011 and January 26, 2012).

An independent geotechnical review of the Twiga core was undertaken with preliminary inquiries to Turgis Consulting of South Africa, to assess the requirements to commence a small mining operation.

The Twiga Target infill drilling sample data and assay results were updated into the database, which Maptek, a geological modeling consulting company in Johannesburg, used to develop a geological model of the Twiga carbonatite dikes. This work commenced in late December 2011, but was not finalized before the year end.

Extensive metallurgical testwork was undertaken by Mintek in Johannesburg during 2011. Initial orientation tests were followed by a successful bench scale leach test. A 2nd phase of leach tests returned positive results, and based on this, a 3rd phase of detailed leach testwork was approved and undertaken by year end. The hydro-metallurgical testwork programme with monitoring and modification of procedures resulted in an optimised leaching process which produced a final mixed rare earth solution from which a mixed rare earth and cerium salt can be prepared (refer to press release March 5, 2012).

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 soon led to a conclusion that the nature of the geology and the lower tenor of the assay results down-graded the immediate potential of the target and focus of exploration was therefore moved upslope to the Nyati Target.

Nyati Target
Geological mapping upslope from the Tumbili Target was successful in defining outcrops of well mineralised dolomitic carbonatite over a significant area. Rock chip sampling of the available outcrops over a wide area returned high TREO (total rare earth oxide) values from the well mineralised bastnaesite-rich carbonatites from a total of 100 samples (refer to press release October 11, 2011).

Road access was extended onto the Nyati Target and drill pads were prepared. In addition, other sections of road were repaired and improved.

Drilling commenced with total of 5 inclined boreholes (1,030m) completed. All 5 boreholes intersected encouraging mineralization, with the best intersections being found in BH-NYT001 and BH-NYT005. Sampling of these boreholes was finalized in December 2011.

Exploration work undertaken in parallel with the drilling included geological mapping, trenching and surface sampling and radiometric logging.

The company's environmental management plan was lodged with the local environmental authorities. Reports submitted include baseline fauna study report, a flora study report and a detailed ornithology report. A Health Impact Assessment Scoping Study was undertaken in the Kisaki district (Kisaki village is 12km by road from Wigu Hill) and the final report submitted in early 2012. A Social-Impact Assessment study has been commissioned, but has not yet been commenced.

A base camp was established and new equipment purchased in 2010.

In 2011, a hydro-geological study was undertaken and the geophysical data identified two optimal sites to locate potable water. Both sites were drilled and intersected reasonable quantities of potable water. The land surrounding these sites was purchased from the local farmers. A pump and generator were installed and water is currently pumped to the camp.

At the beginning of 2012, work continued to finalize the Twiga Target geological model. All information and assays from the Twiga Target database was incorporated and the model verified. Further work is still required to define a preliminary tonnage and grade for the small high grade zone to be considered for a preliminary mining operation.

All borehole cores drilled at Nyati Target to date have been logged and assay data received and processed. More detailed fieldwork has been undertaken on the Nyati Target, including detailed mapping, panel sampling, trenching and planning for the next stage of drilling. The results of the first 3 trenches, grab and panel sampling results from the Nyati Target were received and processed (refer news release April 3, 2012). The assay results from the Nyati boreholes have been processed and evaluated (Refer news release dated 12th April 2012).

As at December 31, 2011, the Company had incurred cumulative acquisition costs of $1,167,915 which represents the payments required to purchase the First Option and Second Option as noted above, as well as the annual renewal licence fees. Cumulative exploration expenditures of $5,463,527 were incurred as of December 31, 2011 and included, geological mapping, trenching, drilling, geochemical and metallurgical, costs for the operational field camp and exploration programs.

Iringa and Liwale Licence Areas

In 2007 the Company acquired certain claims from a Tanzanian company as follows: three licences in the Iringa area by the payment of USD $18,750 and the issuance of 600,000 common shares valued at $120,000; and four licences in the Liwale area by the payment of USD $25,000 and the issuance of 800,000 common shares valued at $160,000. During the year ended December 31, 2010, the Company decided not to pursue exploration in one of the Liwale licence areas and wrote off the related mineral properties and exploration costs of $24,583 as an impairment loss.

The Iringa licence area is 350 kms west-south-west of Dar es Salaam located in the Kilombera Basin covering an area of ~748km^2 within which indications of uranium mineralization occur in a granite-pegmatite host. The area is large and rugged and focus was to outline the best target zones for initial evaluation within the alkali granite target areas highlighted by regional radiometric anomalies of a high level.

Exploration activity in 2011 included reassessing the previously undertaken research work followed with a reconnaissance exploration field evaluation including geological mapping, localised soil sampling and rock chip sampling. A number of the anomalous radiometric targets were confirmed and indications of uranium mineralization were detected. Batches of rock and soil samples were analysed. Follow up evaluation work to sample the source rocks of the pegmatites (thick potash rich granite sheets marked by high background total count radiometric anomalies) highlights the potential for finding uranium mineralisation within alaskitic pegmatites is quite high and warrants further reconnaissance exploration in this extensive area.

The Liwale licence area is ~400 kms south-west of Dar es Salaam and located in the east edge of the Selous (Luwegu) Basin covering of ~1,590 km^2 in total. The area covers a swathe of the Selous Basin in-filled with Karoo System age sandstone known to host uranium mineralization throughout southern Africa. The Selous Basin has the key characteristics required for the formation of such deposits.

Early fieldwork over the central licence area included a scintillometer survey, shallow trenching and stream sampling and results indicated a peak value of 6.67ppm uranium.

In 2011, the two Reconnaissance licences forming the Selous licences in the Liwale area was applied for under a Prospecting Licence to conform with the Mines Act 2010 regulations. The historical geological data and past exploration of the Liwale area followed with a reconnaissance field evaluation trip into this remote area in latter part of 2011.

Access to the licence area was restrictive with high mountains and a forest reserve in the central zone and 60kms of roads were opened to reach parts of the area. The surrounding flats are covered by thick soils and colluvium, and as a result geological mapping proved difficult resulted in limited trenching to identify the geology.

Field exploration work included 170 kms of ground spectrometer survey, trenching and pitting resulting in 179 samples taken. The work identified two major alluvial sand sheets enriched in monazite (a rare earth, phosphate mineral) on the eastern most licences Kikoteni and Makunguwiro which are mainly underlain by granitic terrane. In addition these sands carry small amounts of free gold and both are present in much diluted quantities and at this stage this occurrence is of limited economic interest with the remote location and absence of any water make this a difficult target to evaluate. The radiometric data identified a weak radiometric anomaly on one of the low hill slopes in the flats. Trenching defined the occurrence of narrow pegmatite dikes within the basement granite gneisses and identified to be the source of the low level radiometric anomalies. Assay results confirmed a presence of weak concentration of thorium and uranium within the pegmatites and a small occurrence of pegmatite anomalous with uranium and thorium located at surface. Some additional work may be warranted to establish if a larger occurrence may exist but may be limited with the thick colluvium coverage. Field spectrometer readings returned anomalous readings over the granites and attained a maximum equivalent reading of 255 ppm U. Further work is required to evaluate for anomalous background uranium values in these granites. A series of conventional stream sediment samples were collected to evaluate other parts of the licence area and assay results are pending.

As at December 31, 2011, the Company has incurred acquisition costs totalling $402,899 on the Iringa and Liwale projects. Minimal exploration programs were undertaken in 2011 as the Company focused on Wigu Hill and Phosco. As at December 31, 2011, Montero had spent an accumulated total of $230,558 on Iringa and Liwale on exploration costs.

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. Effective July 18, 2011, an amendment to the binding term sheet agreement was executed, whereby Montero Projects agreed to acquire the shares in Eurozone by issuing 2,500,000 common shares of Montero. The due diligence was completed, approval was received from the TSX Venture Exchange and on November 10, 2011, 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 the Phosco assets (the "Bierkraal Project"). The Company has 18 months 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.

The Phosco assets cover four phosphate exploration projects, namely: Phillips Kraal, Duyker Eiland and Lamberts Bay in the Western Cape and Bierkraal in the Northwest Province. The due diligence review assessed that there is sufficient topographical evidence to indicate an accumulation of phosphatic sediments in the Lamberts Bay area. The Bierkraal project area is located in an apatite-rich layer of the Bushveld Igneous Complex.

The licences for Phillips Kraal, Duyker Eiland, Lamberts Bay and Bierkraal are in good standing.

Subsequent to December 31, 2011, the Company determined that it would be appropriate to sell its Phosco assets which the Company acquired on November 10, 2011. 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. The agreement with the Advisor is 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.

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% P_2O_5has been outlined. Preliminary metallurgical test work has indicated that an acid-grade phosphate concentrate of 33% P_2O_5 to 35% P_2O_5 (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 by Turgis Consulting (Pty) Ltd. (Turgis) was completed (refer news release 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. AMEC provided the verified resource data set and was transferred into a 'Whittle" software format by Turgis.

In Q1 2012 further exploration work focused on completion of the Duyker Eiland PEA.

Lamberts Bay Project

In 2011 the regional and local exploration studies centered on the Lamberts Bay area was completed. This included further literature research and field trip. GIS resources were upgraded. Progress was made in understanding the depositional model relating to historical occurrences recorded on the 1: 125,000 geological survey sheets.

The Company has engaged a non-exclusive advisor to market the Phosco assets for a potential transaction (refer news release April 12, 2012).

As of December 31, 2011, Montero has spent a total of $1,487,634 on acquisition and exploration costs related to the Phosco assets.

Canada

Girard Claim Area, Quebec

The Girard Claim area is located 33 kms south of Cadillac town which lies within the Abitibi-Temiscamingue region, in south-west Quebec province. The licence area is accessible via Highway 117 and all weather roads access through the centre of the contiguous licence claims covering an area of 89.5 kms^2. 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.

Prior exploration work (2007/2008) identified three areas with presence of uranium in anomalous concentrations: the North Beraud zone; the Ridge and LSD areas and an area previously explored in the 1980's. Recommendations from the technical report have shown the presence of low level uranium values. Further work (2009/2010) consisted of an infill till sampling, with coincident magnetic survey and results covering 29 line kms contoured values above 4.75ppm uranium delineated a series of flat lying zones with higher uranium values and results indicated amounts greater than 100ppm of more valuable heavy REE in the combined values of erbium, dysprosium and ytterbium. A magnetic survey in the King Lake and East Ledah vicinity in the centre of the licence block adds data to the licence area.

During the year ended December 31, 2011, the Company spent minimal exploration funds on the property to maintain it's licences in good standing. As of December 31, 2011, the Company incurred cumulative acquisition and exploration costs totaling $1,291,476 on this claim area.

The proposed exploration work is to include a valuation and assessment study to identify further exploration work to be undertaken later in the seasonal exploration period of the year. This is ongoing.

Lac Yvonne Claim Area, Quebec

The Lac Yvonne claim area is located approximately 100 kms south of Chibougamau in the Bressani Township, in south-west Quebec province. The wholly owned claim area is contiguous covering an area of 10.1 kms^2. The area hosts three pegmatite uranium showings and historical data indicate uranium and gold showings along granite/pegmatite-greywacke/iron formation sheared contacts.

On March 14, 2008, the Company entered into a purchase and sale agreement to acquire a 100% interest in 12 of the Lac Yvonne claims for consideration of 100,000 shares at a deemed price of $0.35 per share, which were issued on April 10, 2008. A further 6 claims were transferred subsequent to the initial acquisition. 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.

The Company's exploration work up to 2011 included line cutting (12.6 kms), a magnetic geophysical survey, a radiometric survey on areas previously not surveyed and mapping on the dikes as outlined in the magnetic geophysical survey. In 2011, a second magnetic survey was completed in order to enlarge the exploration area and a total of 19.25 line km of new magnetic data was reported. The claims have been maintained and are in good standing.

During the year ended December 31, 2011, the Company spent minimal amounts on the property since it was focused on the Wigu Hill and Phosco projects. As of December 31, 2011, the Company incurred cumulative acquisition and exploration costs totaling $81,657 on this claim area.

The proposed exploration work is to include a valuation and assessment study to identify further exploration work to be undertaken later in the seasonal exploration period of the year.

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.

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 consolidated 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 December 31, 2011 the Company had not advanced its mineral licences 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.

Management is of the opinion that sufficient working capital will be obtainable from external financing sources (primarily through private placements of common shares) to meet the Company's liabilities

and commitments as they become due, although there is risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. 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 year ended December 31, 2011, 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 these exploration and evaluation assets were $5,857,052 for the year ended December 31, 2011 (December 31, 2010 - $1,580,693). The Company also completed the acquisition of the Phosco assets by issuing 2,500,000 common shares valued at $750,000 total consideration. In addition $103,886 was spent on the acquisition of equipment for the year ended December 31, 2011 compared to $41,497 for the year ended December 31, 2010. Further details of the nature of the work undertaken on the Company's exploration and evaluation assets is provided in the consolidated financial statements for the year ended December 31, 2011.

The Company's operating costs increased for the year ended December 31, 2011 to $3,227,942 compared to $1,051,738 for the year ended December 31, 2010 due to a significant increase in Montero's activity. Consulting, directors, administrative and management fees are higher due to more management and administrative support being required for a public company with increased operations. Other expenses are higher due to additional travel costs required on the Company's exploration projects. Shareholder and regulatory costs are higher since the Company became publicly traded on the TSX Venture Exchange due to regulatory requirements and investor programs undertaken. Stock-based compensation is higher in 2011 than 2010 as the number of options granted increased as well as the value of the shares used to determine the fair value of the stock-based compensation.

At December 31, 2011, the Company had cash and cash equivalents on hand of $3,249,762 compared to $1,526,902 on hand at December 31, 2010. The increase is primarily due to Montero successfully raising $9,900,300 in gross proceeds from the issue of shares and the exercise of stock options, offset by funds spent on exploration activity and operations. These funds are used to fund the Company's future exploration programs and its operations and for general working capital purposes. However, the Company will require further funds in the future 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 focus on exploring, discovery and development of grass-roots rare earth element, phosphate and uranium deposits in geologically prospective under-explored regions in Tanzania, southern and east Africa, South Africa and Quebec, Canada.

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 to these assets by drilling the resources in a timely fashion, by raising exploration funding or joint venture or by disposal of non-strategic assets.

The Company has managed its cash flow to maximize the expenditures which can be spent on its exploration programs and reduce to a minimum corporate expenses with small offices, contracted staff and minimal overheads. During the year, the Company has incurred costs in association with building

its infrastructure and hiring staff in Tanzania, which are not expected to be recurring. As well, the Company undertook investor relations programs to familiarize the market with Montero, since it became a public entity.

1.3 SELECTED ANNUAL INFORMATION

	Year ended December 31		
	2010	**2009**	**2008**
	(restated to IFRS)		
Consulting, directors', administrative and management fees	$ 315,607	$ 140,994	$ 125,553
Depreciation	12,236	5,569	5,570
Professional fees	248,579	118,327	124,691
Project investigation costs	60,117	10,400	11,980
Shareholder and regulatory	54,363	-	-
Stock-based compensation	167,109	-	305,172
Other operating costs	193,727	49,959	62,984
Impairment of exploration and evaluation assets	24,583	65,518	465,417
Interest income and other	(12,038)	(357)	(8,309)
Deferred income taxes	(62,863)	62,863	-
Net (loss)	(1,001,420)	(453,273)	(1,093,058)
Basic and diluted (loss) per share	$ (0.03)	$ (0.03)	$ (0.08)
Exploration and evaluation assets	3,361,916	1,745,998	1,569,659
Total assets	4,996,548	2,693,628	1,698,586
Total liabilities	382,824	199,722	181,180
Shareholders' equity	4,613,724	2,493,906	1,517,406

The above financial information has been restated from amounts previously reported under Canadian GAAP to those amounts reported in compliance with IFRS. See 1.13 CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION for further details.

1.4 RESULTS OF 2011 OPERATIONS

In February of 2011, Montero successfully completed its IPO. The funds raised during the year from private placements were used to continue its exploration work on its properties in Tanzania and South Africa and maintain its properties in Quebec, Canada. Total cash exploration costs incurred during the year ended December 31, 2011 totaled $5,857,052 (December 31, 2010 - $1,580,693), which was spent primarily on the Wigu Hill Project. Most of these costs were spent on drilling, geological consulting and geochemical and metallurgical costs.

The Company's operating expenses increased significantly during the year ended December 31, 2011 compared to the prior year ended December 31, 2010 due to increased activity in the company since it is now publicly traded and with more exploration activity being undertaken. Significant changes in these expenses are outlined below.

Consulting, directors', administrative and management fees increased from $315,607 for the year ended December 31, 2010 to $820,564 for the year ended December 31, 2011 as more demands

were placed on the Company with respect to increased exploration activity and the requirements of a new publicly listing entity. Consulting fees increased by $227,513 due to corporate strategy sessions, recruitment fees for new personnel, workforce planning fees, financial consulting fees and business development activities. Directors' fees increased by $10,258 due to increased remuneration. Administrative fees increased by $147,820 due to higher administrative costs required in South Africa, Tanzania and BVI for administrative staff, as well as initial costs required to establish new companies in BVI and Tanzania. Management fees increased by $119,366 due to additional costs related to the IPO and increased rates.

General and administrative costs increased from $76,869 for the year ended December 31, 2010 to $167,319 for the year ended December 31, 2011 primarily due to increased operations in Canada, Tanzania and South Africa, including increased insurance costs related thereto.

Other expenses increased from $116,858 for the year ended December 31, 2010 to $193,938 for the year ended December 31, 2011 due to increased travel costs required due to more activity on the Company's projects in Tanzania and South Africa, as well as strategic planning sessions in South Africa.

Project investigation costs increased from $60,117 for the year ended December 31, 2010 to $136,029 for the year ended December 31, 2011 primarily due to research undertaken on REE programs as well as phosphate programs.

Shareholder and regulatory expenses increased from $54,363 for the year ended December 31, 2010 to $368,539 for the year ended December 31, 2011 primarily due to various investor relations activities including consulting fees for marketing personnel, investor conference attendance costs, promotional materials and media program initiatives, as well as regulatory charges for public companies.

Stock-based compensation expenses are a non-cash charge used by management to compensate and retain staff. These costs increased from $167,109 for the year ended December 31, 2010 to $1,243,162 for the year ended December 31, 2011 due to an increase in the number of stock options granted, as well as an increase in the stock value which is used to determine the fair value of the stock options granted.

The Company's net loss for the year ended December 31, 2011 was $3,204,192, $0.07 per share, compared with a net loss of $1,001,420, $0.03 per share for the year ended December 31, 2010.

Montero's cash and cash equivalents amounted to $3,249,762 at December 31, 2011 compared to $1,526,902 at December 31, 2010. Working capital was $2,316,631 at December 31, 2011 compared to $1,217,226 at December 31, 2010. The cash has increased due to funds raised from a private placement in August 2011 for gross proceeds of $5,892,800. These funds, net of cash share issue costs of $453,272, are being used to fund its exploration programs, for operations and for general working capital purposes. However, the Company will require further funds in the future 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* and the consolidated financial statements for the year ended December 31, 2011 (Note 9).

The Company has no contingent liabilities.

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.

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

As at December 31, 2011	**Canada**	**Tanzania**	**South Africa**	**Total**
	$	**$**	**$**	**$**
Reclamation bonds	-	-	32,010	32,010
Property, plant and equipment	-	122,431	-	122,431
Exploration and evaluation assets	1,373,133	7,264,899	1,487,634	10,125,666
Total non-current assets	**1,373,133**	**7,387,330**	**1,519,644**	**10,280,107**

As at December 31, 2010	**Canada**	**Tanzania**	**South Africa**	**Total**
	$	**$**	**$**	**$**
Property, plant and equipment	-	34,582	-	34,582
Exploration and evaluation assets	1,203,414	1,938,289	220,213	3,361,916
Total non-current assets	**1,203,414**	**1,972,871**	**220,213**	**3,396,498**

1.5 SUMMARY OF QUARTERLY RESULTS

	2011				2010			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
					(restated to IFRS)			
Consulting, directors', admin, mgt fees	146,750	303,895	221,600	148,319	86,827	84,211	77,301	67,268
Prof fees	65,209	65,896	54,809	94,801	102,550	44,135	57,208	44,686
Other expenses	281,366	262,451	144,117	195,567	82,689	67,748	87,187	91,281
Stk based comp	529,451	-	-	713,711	-	-	42,324	124,785
Impairment of mineral pties	-	-	-	-	24,583	-	-	-
Interest income/other	(5,007)	(23,909)	4,156	1,010	321	(293)	(230)	(83,161)
Net loss	$ (1,017,769)	$ (608,333)	$ (424,682)	$ (1,153,408)	$ (296,970)	$ (195,801)	$ (263,790)	$ (244,859)
Loss per share								
Basic & diluted	$ (0.03)	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Explor and evaln assets	$ 10,125,666	$ 7,863,032	$ 5,298,287	$ 4,423,501	$ 3,361,916	$ 3,103,252	$ 2,828,378	$ 2,002,391
Total assets	$ 13,668,334	$ 13,356,564	$ 8,140,212	$ 8,237,400	$ 4,996,548	$ 3,380,843	$ 3,473,082	$ 2,602,445
Total liabilities	$ 1,071,596	$ 925,949	$ 823,927	$ 503,512	$ 382,824	$ 417,308	$ 278,938	$ 174,367
Shareholders' equity	$ 12,596,738	$ 12,430,615	$ 7,316,285	$ 7,733,888	$ 4,613,724	$ 2,963,535	$ 3,194,144	$ 2,428,078

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.

The above quarterly information is prepared in accordance with IFRS and has been restated from amounts previously reported under Canadian GAAP.

Consulting, directors', administrative and management fees increased in 2011 due to increased use of consultants for recruitment, strategic planning sessions, business development opportunities, increased financial reporting costs including IFRS conversions, increased administrative support costs for new companies established and increased management fees due to increased rates. Professional fees were higher in Q4 2010 and Q1 2011 due to IPO costs, tax fees and IFRS conversion costs. Other expenses are higher in 2011 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 increased project investigation costs. Stock-based compensation is higher in Q4 and Q1 of 2011 due to the increase in number of stock options granted and increase in Montero's stock price, which is used to calculate the fair value of stock options granted.

Generally, the expenditures have increased in 2011 over the 2010 amounts due to increased exploration and administrative activity in the Company due to increased scope of operations in Canada in regards to public reporting and investor programs to market the Company, and in Tanzania and South Africa, in regards to increased support costs required for increased exploration activity.

1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES

The Company held cash and cash equivalents of $3,249,762 as at December 31, 2011 compared to $1,526,902 as at December 31, 2010.

The Company used cash of $1,342,824 in its operations for the year ended December 31, 2011 compared to using cash of $600,542 for the year ended December 31, 2010. Montero spent $5,960,040 on investing activities on expenditures on exploration and evaluation assets and equipment for the year ended December 31, 2011 compared to spending cash of $1,622,190 on its investing activities related to expenditures on exploration and evaluation assets and equipment for the year ended December 31, 2010. The Company generated cash of $9,056,628 from its financing activities for the year ended December 31, 2011 compared to generating cash of $2,810,907 for the year ended December 31, 2010. Foreign exchange rate differences on cash holdings was $(30,904) as at December 31, 2011 compared to $1,777 as at December 31, 2010.

On February 10, 2011, the Company successfully closed its IPO through the issuance of 8,000,000 Units at $0.50 per Unit raising gross cash proceeds of $4,000,000. Each Unit consists of one common share in the Company and one half of one common share purchase warrant, each whole warrant exercisable into one common share at $0.70 per share until February 10, 2013. Agent's commission included a commission of 7.0% of the gross proceeds raised which amounted to $280,000, and $25,000 as a corporate finance fee. These costs, along with other offering costs totaled $422,900, of which $32,500 were incurred during the year ended December 31, 2010, with the balance of $390,400 being incurred during the three months ended March 31, 2011. The Agent was also granted Agent Warrants equal to 7.0% of the number of Units sold for a total of 560,000 Agent Warrants. Each Agent Warrant entitles the holder to purchase one Unit at $0.50 per Unit until February 10, 2013, each Unit consisting of one common share and one half of one common share purchase warrant, each whole warrant exercisable into one common share at $0.70 per share until February 10, 2013.

On April 25, 2011, 50,000 stock options were exercised for proceeds of $7,500.

On August 3, 2011, the Company completed a private placement financing by issuing 9,821,333 Units at $0.60 per Unit for gross cash proceeds of $5,892,800. Each Unit comprises one share and one half of a warrant, with each whole warrant entitling the holder thereof to purchase one additional share at a price of $0.80 per share until August 3, 2013. In addition, 666,493 warrants were issued to eligible finders, each such warrant entitling the holder to acquire one Unit for $0.60 until August 3, 2013. Share issue costs and finders' fees of 7% paid to eligible finders for this financing amounted to $453,272.

On November 10, 2011, the Company issued 2,500,000 common shares to acquire all of the shares of Phosco.

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 consolidated financial statements for the year ended December 31, 2011 (Note 9).

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 when practicable 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 other joint venture partners in exploring for its mineral properties to share the costs and risks in exploring them.

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 December 31, 2011, Montero has 5,105,000 stock options outstanding, exercisable at a weighted average exercise price of $0.32 per share and 12,328,159 warrants outstanding, exercisable at a weighted average exercise price of $0.73 per share. 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

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.

Key management personnel compensation

	Year ended December 31	
	2011	**2010**
	$	**$**
Compensation of directors		
Short-term benefits	52,234	18,242
Share-based payments	308,400	51,250
	360,634	69,492
Compensation of key management personnel		
Short-term benefits	577,244	316,981
Share-based payments	678,000	95,500
	1,255,244	412,481
Total remuneration of directors and key management personnel	**1,615,878**	**481,973**

Related party transactions

	Year ended December 31	
	2011	**2010**
	$	**$**
Exploration and evaluation asset transactions		
Geological consulting	425,117	416,891
Other	45,709	33,443
Total exploration and evaluation asset transactions	470,826	450,334
Operating expense transactions		
Consulting, directors', administrative and management fees	102,920	39,045
General and administrative	27,952	22,649
Project investigation costs	39,842	41,475
Shareholder and regulatory	50,578	31,489
	221,291	134,658
Total trading transactions with related parties	**692,118**	**584,992**

Related party balances

The following amounts due to related parties are included in trade and other payables:

	December 31, 2011	**December 31, 2010**	**January 1, 2010**
	$	**$**	**$**
Due to related parties	**221,426**	**181,248**	**33,448**

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 2011.

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

The Company adopted IFRS effective January 1, 2011 and as required by IFRS 1 "*First-time Adoption of International Financial Reporting Standards",* retroactively restated its financial position and results of operations from the previous accounting basis of Canadian Generally Accepted Accounting Principles ("GAAP") to its opening transitional statement of financial position at January 1, 2010 (the "Transition Date"). The comparative amounts for 2010 are also converted to IFRS for comparative purposes.

IFRS 1 sets forth guidance for the initial adoption of IFRS and outlines optional exemptions that may be adopted on the first-time adoption of IFRS. Under IFRS 1, the standards are applied retrospectively at the transitional statement of financial position date with all adjustments to the statement of financial position taken to deficit unless certain exemptions are applied. The Company has applied the following optional transition exemptions:

- The Company has applied the exemption that relates to cumulative translation differences on translation of foreign operations to its opening statement of financial position as of January 1, 2010. IFRS 1 allows a first-time adopter to elect not to calculate the translation difference related to foreign operations retrospectively. Instead, an entity may reset translation differences at the date of transition, determined in accordance with Canadian GAAP, to zero. If, subsequent to adoption, a foreign operation is disposed of, the translation differences that arose before the date of transition to IFRS will not affect the gain or loss on disposal of the foreign operation.
- The Company has also applied the exemption that relates to share-based payments, wherein IFRS 1 allows a first-time adopter to elect not to apply the guidelines provided for by IFRS 2 to equity instruments that were granted on or before November 7, 2002 or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to the Transition Date, which have been accounted for in accordance with Canadian GAAP.

IFRS employs a conceptual framework that is similar to Canadian GAAP. However, significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS has not changed the Company's actual cash flows, it has resulted in changes to the Company's reported financial position and results of operations. In order to allow the users of the financial statements to better understand these changes, the Company's Canadian GAAP statement of comprehensive loss, statement of financial position, statement of shareholders' equity and statement of cash flows have been reconciled with those presented under IFRS, as at the Transition Date with the resulting differences explained.

The Canadian GAAP statement of financial position has been reconciled to IFRS as at December 31 and January 1, 2010 as follows:

		December 31, 2010			January 1, 2010		
	Notes	**Canadian GAAP**	**Effect of transition to IFRS**	**IFRS**	**Canadian GAAP**	**Effect of transition to IFRS**	**IFRS**
		$	**$**	**$**	**$**	**$**	**$**
Cash and cash equivalents		1,526,902	-	1,526,902	936,950	-	936,950
Trade and other receivables		31,840	-	31,840	5,660	-	5,660
Prepaid expenses and deposits		41,308	-	41,308	-	-	-
Total current assets		1,600,050	-	1,600,050	942,610	-	942,610
Deferred financing costs	22 a)	190,142	(190,142)	-	24,071	(24,071)	-
Property, plant and equipment	22 d)	36,082	(1,500)	34,582	5,020	-	5,020
Exploration and evaluation assets	22 d)	3,469,486	(107,570)	3,361,916	1,775,533	(29,535)	1,745,998
Total non-current assets		3,695,710	(299,212)	3,396,498	1,804,624	(53,606)	1,751,018
TOTAL ASSETS		**5,295,760**	**(299,212)**	**4,996,548**	**2,747,234**	**(53,606)**	**2,693,628**
Trade and other payables		382,824	-	382,824	136,859	-	136,859
Total current liabilities		382,824	-	382,824	136,859	-	136,859
Deferred income taxes	22 b)	-	-	-	-	62,863	62,863
Equity attributable to owners of the parent							
Share capital	22 a)	6,902,015	(34,650)	6,867,365	4,175,244	-	4,175,244
Obligation to issue shares		-	-	-	55,480	-	55,480
Warrants	22 c)	-	397,023	397,023	-	-	-
Share-based payment reserves	22 c)	869,304	(397,023)	472,281	305,172	-	305,172
Foreign currency translation reserve	22 d)	-	(79,535)	(79,535)	-	-	-
Accumulated deficit	22 a) b) d)	(2,858,383)	(185,027)	(3,043,410)	(1,925,521)	(116,469)	(2,041,990)
Total shareholders' equity		4,912,936	(299,212)	4,613,724	2,610,375	(116,469)	2,493,906
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**5,295,760**	**(299,212)**	**4,996,548**	**2,747,234**	**(53,606)**	**2,693,628**

The Canadian GAAP shareholders' equity as at December 31, 2010 and January 1, 2010 has been reconciled to IFRS as follows:

	Notes	December 31 2010	January 1 2010
		$	$
Shareholders' equity reported under Canadian GAAP		4,912,936	2,610,375
Differences arising from applying the foreign exchange rate in effect at the balance sheet date to non-monetary items of foreign operations	22 d)	(109,070)	(29,535)
Difference arising from accounting treatment of deferred financing costs	22 a)	(190,142)	(24,071)
Difference arising from deferred taxes arising on transfer of assets between enterprises of a consolidated group	22 b)	-	(62,863)
Shareholders' equity reported under IFRS		**4,613,724**	**2,493,906**

The Canadian GAAP statement of comprehensive loss for the year ended December 31, 2010 has been reconciled to IFRS as follows:

		Year ended December 31, 2010		
	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
		$	$	$
Expenses	22 a)	(920,317)	(131,421)	(1,051,738)
Other items		(12,545)	-	(12,545)
Loss before income taxes	22 a)	(932,862)	(131,421)	(1,064,283)
Deferred income tax recovery	22 b)	-	62,863	62,863
Net loss	22 a)b)	(932,862)	(68,558)	(1,001,420)
Exchange difference on translating foreign operations	22 d)	-	(79,535)	(79,535)
Comprehensive loss		**(932,862)**	**(148,093)**	**(1,080,955)**

Notes describing in more detail the reconciliations of accounts from Canadian GAAP to IFRS are as follows:

a) Under certain conditions, Canadian GAAP allows a Company to defer corporate transaction costs incurred in connection with an upcoming share financing. If the financing is successful, the Company then considers these costs as capital transaction costs and charges them to share issue costs. If the financing is unsuccessful, these costs are expensed. Under IFRS, there is no such deferral allowed. All costs that relate to share issue costs are to be charged to share issue costs and other financing costs are to be expensed to operations as incurred. Therefore, the Company has determined that all of the deferred financing costs incurred as of December 31, 2009 do not relate directly to the raising of additional cash through the issue of new share capital and therefore have been charged to the deficit as of that date. The Company reviewed the costs incurred for the year ended December 31, 2010 and have determined that $131,421 relate to professional fees which have been charged to expense, and $34,650 relate to share issue costs incurred related to the Company's IPO and have been charged to share issue costs and netted against share capital.

b) During 2009 the Company transferred assets from one Tanzanian subsidiary to another, realizing a loss on the transaction, which was reversed on consolidation. Under Canadian GAAP, no deferred tax liability should be recognized on the transfer of assets between enterprises in a consolidated group for a temporary difference arising between the tax basis of the asset in the buyer's tax jurisdiction and its cost as reported in the consolidated financial statements. Under IFRS, a deferred tax liability shall be recorded on temporary differences between the book and tax basis. Accordingly, the Company recorded a deferred tax liability of $62,863 in its statement of financial position on the transition to IFRS as of January 1, 2010. During the year ended December 31, 2010, the Company incurred sufficient losses to offset this deferred tax liability and so a recovery of deferred income taxes of $62,863 was recorded in the statement of comprehensive loss.

c) This is a reclassification only between equity accounts from contributed surplus, the Canadian GAAP term for this account, to share-based payment reserve or warrant reserve accounts, the IFRS terms for these accounts.

d) IFRS requires that the functional currency of each entity in the consolidated group be determined separately. The Company has determined that the functional currency of the Company's subsidiaries located in Tanzania and BVI is the United States dollar, and the functional currency of its subsidiary located in South Africa is the South African Rand. At the end of each reporting period, the subsidiaries translate their results and financial position into the presentation currency of the Company, which is the Canadian dollar. Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that financial period end. Income and expenses for each statement of loss and comprehensive income are translated at the average exchange. Equity transactions are translated using the exchange rate at the date of the transaction. All resulting exchange differences are recognized as a separate component of equity. The effect of this difference at the Transition Date has been recorded as an adjustment to deficit.

The effect of the transition to IFRS impacted the classification of certain cash flows as reported in the consolidated statement for cash flows for the year ended December 31, 2010 as follows:

	Year ended December 31, 2010		
	Canadian GAAP	**Effect of transition to IFRS**	**IFRS**
	$	**$**	**$**
Cash flows from:			
Operating activities	(461,198)	(139,344)	(600,542)
Financing activities	2,679,486	131,421	2,810,907
Investing activities	(1,628,336)	6,146	(1,622,190)
Effect of exchange rates on cash holdings in foreign currencies	-	1,777	1,777
Net change in cash	**589,952**	**-**	**589,952**

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.

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.

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 Harmonized Sales Tax and other amounts 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 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. If interest rates increased or decreased by 0.5%, the loss for the year would be higher or lower by $15,086 (December 31, 2010 - $7,006). The Company has no interest-bearing liabilities.

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' (owned by Eurozone) functional currency is South African Rand ("ZAR"). The Company manages this risk by matching receipts and payments in the same currency where possible, but not all of its expenditures can be matched as the Company has no current source of operating cash flow and so must fund the currency as required to pay the expenditures. Consequently, the Company is exposed to changes in CAD compared to the USD and ZAR and a significant fluctuation in the exchange rates could have an effect on the Company's results of operations, financial position or cash flows. The Company does not engage in any hedging activities to reduce its foreign currency risk, but does manage the currency of its cash resources to complement the denomination of the expenditures required.

The Company is exposed to currency risk through the following CAD equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars:

	December 31, 2011	**December 31, 2010**	**January 1, 2010**
	$	**$**	**$**
Cash and cash equivalents	167,337	25,863	16,794
Prepaid expenses and deposits	1,220	1,092	-
Reclamation bonds	32,010	-	-
Trade and other payables	(946,853)	(130,193)	(59,820)
	(746,286)	**(103,238)**	**(43,026)**

Based on the above net exposures at December 31, 2011, a 10% depreciation or appreciation in the USD dollar against the CAD dollar would result in a $74,629 (December 31, 2010 – $10,324; January 1, 2010 - $4,303) increase or decrease in the Company's comprehensive loss and foreign currency translation reserve.

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.

The Company's financial instruments consist of cash and cash equivalents, trade and other receivables, deposits and reclamation bonds, and trade and other payables. Cash and cash equivalents, deposits and reclamation bonds are measured at face value, representing fair value, and are classified as fair value through profit and loss. Their fair value is in accordance with "Level 1", unadjusted quoted prices in active markets for identical assets. Trade and other receivables are designated as loans and receivables. Trade and other payables are designated as other financial liabilities.

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 consolidated financial statements for the year ended December 31, 2011 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 consolidated financial statements for the year ended December 31, 2011. The number of common shares outstanding as of the date of this report on April 25, 2012 is 54,687,063 shares.