

MONTERO MINING AND EXPLORATION LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the nine months ended September 30, 2013

MONTERO MINING AND EXPLORATION LTD.

Management's Discussion and Analysis

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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 November 29, 2013 and should be read in conjunction with the condensed consolidated interim financial statements for the nine months ended September 30, 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.

All statements, other than of historical facts included herein, including without limitations, statements regarding potential mineralization, reserves and exploration results and future plans and objectives of the Company are forward looking statement and involve various risks and uncertainties, which are detailed in the Section "Risk Factors" of this MD&A. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.

1.2 OVERALL PERFORMANCE

Current Quarter Highlights

The Company has continued to advance selected initiatives of its exploration program on the Wigu Hill Rare Earth Element ("REE") project in Tanzania, with highlights including:

- The due diligence is ongoing with various Strategic Investors ("Investors") one of whom has signed a non-binding term sheet on November 16, 2012, and others are in the process of negotiation or discussion. The Investors are proposing to provide funding at the project level for the further development of the Wigu Hill Project by committing to Pre-Feasibility and/or Definitive Feasibility studies. The terms and conditions are indicative at this stage, and subject to due diligence process and also subject to approval by the Investor's Management and Board of Directors.
- At Wigu Hill, the exploration camp has been maintained on a care and maintenance basis with constant surveillance by staff. Basic maintenance of the project infrastructure is carried out.
- During the 3rd quarter of 2013, various metallurgical initiatives were advanced.
 - Mintek commenced work on the three bulk leach tests each on 50kg samples of bastnaesite-rich material from Wigu Hill to assess in detail the leaching process identified and tested successfully in 2011/12. This will provide accurate information on the REE leach recovery.
 - The 1.5 tonne bulk sample of >10% TREO bastnaesite-rich carbonatite from the Twiga target was dispatched from Dar es Salaam to Mintek in Johannesburg. This sample will undergo mineral separation and upgrade process and be used to prepare a REE rich leach solution this will be used to prepare a pregnant REE rich liquor for Solvent Extraction (SX) testwork. This will take place in a SX Pilot Plant that Mintek are in the process of construction and commissioning. This testwork will investigate the cost efficiencies of the separation of the individual light rare earth into various refined products.
 - Several pulp samples from Wigu Hill have been sent to PAnalytical in Randburg, South Africa. These samples were analyzed by PAnalytical to calibrate a new Epsilon 5 Energy Dispersive X-ray Fluorescence Instrument. This analytical instrument is

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being developed to determine accurate REE grades of Wigu Hill type ore materials. Montero expects a report from PAnalytical by end of 2013 summarizing the results of this calibration study.

- The EIA Certificate for the Wigu Hill Project dated 17th April 2013 was received in June of 2013. This confirms the successful completion of Montero's Environmental and Social Impact studies.
 - In Q2 2013, geological mapping on the western extent of Wigu Hill (PL4834) was undertaken and the report finalised in Q3.
 - AMEC finalized the amended assessment work on the Twiga Target resource estimation to define a small grade TREO resource. A final memo report on this work has been received.
 - The company has finalised and submitted various reports to Government relating to the works conducted on the Wigu Hill licences to date.
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- The Company continues with the process of selling or joint-venturing its phosphate (Phosco) assets in South Africa. Discussions and negotiations are ongoing with several groups of local and international investment and mining groups. The Company is in the process of assessing various phosphate opportunities in the vicinity of its phosphate assets to enhance the property portfolio significantly.
 - Subsequent to the quarter-end, the Company entered into loan agreements with a company that has a director in common with the Company and with an associate for funds totalling \$165,000.
 - Exploration expenditures of \$85,082 were made during the current quarter compared to \$403,094 for the comparative quarter, with the majority being spent on the Wigu Hill project in Tanzania.
 - The Company has made continued efforts to reduce costs. Montero's operating expenses decreased during the quarter to \$132,272 compared to \$304,500 for the prior comparative quarter.
 - The Company recorded a net loss of \$132,759 (\$0.01 per share) for the three months ended September 30, 2013 compared to a net loss of \$305,848 (\$0.01 per share) for the three months ended September 30, 2012. Cumulatively, the Company recorded a net loss of \$648,991 (\$0.01 per share) for the nine months ended September 30, 2013 compared to a net loss of \$1,856,435 (\$0.03 per share) for the nine months ended September 30, 2012.

Company Overview

Montero was incorporated on October 5, 2006 under the laws of British Columbia, Canada. The Company is. The Company 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, and South Africa. 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.

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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 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 and approved 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. 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

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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.
- 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's share of these costs at September 30, 2013 was determined to be \$1,219,993 (USD \$1,186,187). These expenses have been included in exploration and evaluation assets. Management has not recorded RSR's share as a receivable due to the uncertainty of payment. RSR was put on notice for its required contribution and advised that dilution would occur if payment was not received. As of September 30, 2013, the notice period for receipt of payment had 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:

Report writing and project site care and maintenance were the main exploration activities undertaken during the 3rd quarter of 2013. Compliance reports to the Ministry of Mines were written and delivered during the period. The exploration camp has been maintained on a care and maintenance basis security provided by a team of locally employed security staff.

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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.

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).

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.

On August 6, 2013, Montero released an update on its independent NI 43-101 compliant high-grade REE resource for only the Twiga Zone prepared by AMEC (refer to news release dated August 6, 2013). The review of the rare earth resources at the Twiga Zone was designed specifically to outline the potential for a smaller, higher grade rare earth resource of 0.47 million tonnes @ 5.2% TREO within the larger deposit. This has enabled the Twiga Zone overall resource to be updated independently of the adjacent Tembo Zone.

Suitable sites for blasting have been prepared. Planning to take a >5 tonne sample of run of mine mineralised dyke material and waste rock is on hold.

Tumbili Target

Exploration work on the Tumbili Target included detailed mapping, trenching and drilling. By July 2011, 1,525m of core drilling and 1,190m of trenching has been completed. An assessment of the drilling and trenching at Tumbili has led to the conclusion that the eastern portion of the target area has relatively poor mineral potential for high grade REE mineralisation (>5% TREO), but the carbonatite breccia in the western portion of the target area is more prospective with graded average values in the range of 1.5 – 3.0% TREO.

The higher grade carbonatite dikes located at the Nyati target shifted the exploration focus from this area to Nyati.

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. Three stages of rock chip sampling (a total of 227 samples) of the available outcrops over a wide area returned high TREO values from the well mineralized bastnaesite-rich carbonatites (refer news release October 11, 2011 and April 2012).

A focused 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 carbonatite hosted, bastnaesite mineralisation.

Road access was extended onto upper reaches of the Nyati Target and new drill pads were prepared for 20 proposed infill and exploration drill holes (5,200m).

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

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grab sampling, earlier trenching and the positive drilling data (refer to news release dated June 13, 2012).

During 2012, exploration work included geological mapping as well lines cutting on each of the proposed infill drill lines of the Lower Nyati target. Sampling was undertaken only on the sections where good outcrop occurred. Positive results were returned from this work.

In 2013, the data from the 2012 sampling exercise was used to prepare a bulk sample representative of the Nyati Target for flotation testwork. This exercise increased the confidence levels in the grade and continuity of the carbonatite dykes at Lower Nyati.

Environmental studies:

Work and reporting on the environmental impact assessment program at Wigu Hill was undertaken by the Tanzanian Environmental consultants, MTL Consulting Company Ltd ("MTL") at the end of 2012, submitted to the 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 has been accepted and an Acceptance certificate dated 17th April, 2013 was issued during the second quarter.

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 using the optimisation parameters defined by 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. During the 3rd quarter of 2013, Mintek commenced work on the three bulk leach tests each on 50kg samples of bastnaesite-rich material from Wigu Hill to assess in detail the leaching process identified and tested successfully in 2011/12. This work is currently still in progress.

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 was dispatched from Dar es Salaam to Mintek in Johannesburg. This bulk sample will be used in a pilot plant facility currently being constructed by Mintek to isolate the individual light rare earths through a solvent extraction process. This work to be conducted by Mintek will have no cost implications to Montero and the company shall retain all information from such testwork.

In Q2 2013, geological mapping on the western extent of PL4834 was completed and a geological report on the work undertaken in Q1 was compiled. A review and update of the proposed drilling programme at the Lower Nyati Target was undertaken. The access roads to the proposed sites have been and continue to be maintained in good condition and the drill pads are still accessible. Geological planning sections have been prepared for a number of these sites.

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The priority focus on flotation testwork resulted in a comprehensive set of bench scale tests being undertaken at SGS Mineral Services in Lakefield, Canada in January 2013 on a 20kg bulk sample with positive preliminary testwork results. The results indicate that a 2x upgrade of the rare earths as measured from the cerium content can be achieved in rougher stage flotation tests. This result is very positive in that it is an initial test and requires optimisation (see news release dated July 29, 2013).

Several pulp samples from Wigu Hill have been received by PAnalytical in Randburg, South Africa. These samples were analyzed by PAnalytical to calibrate a new Epsilon 5 Energy Dispersive X-ray Fluorescence Instrument. This instrument is being explored as an analysis method for determining REE grade of Wigu Hill ore materials. Montero expects a report from PAnalytical by end of 2013 summarizing the results of this calibration study.

During the quarter, several proposals have been received from Engineering Consulting companies with experience in REE metallurgy have been received to undertake Pre-Feasibility Study and Definitive Feasibility Study. These are currently being assessed and will be presented to our potential funding partners.

Quarterly exploration reports for the Wigu Hill (PL3379) and Nyarutanga (PL4834) were submitted for reporting requirements with the Ministry of Mines of Tanzania.

As at September 30, 2013, the Company had incurred cumulative acquisition costs of \$1,276,701 and cumulative exploration and evaluation costs of \$8,215,406 for a total investment of \$9,492,107 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 have had to 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 had 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 had 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 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 nine months ended September 30, 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.

On March 22, 2012 the Company engaged AltaCorp Capital Inc. ("Advisor") to assist them in completing a sale of its Phosco assets. 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. Since the Phosco assets were not sold on or before June 22, 2013, there are no amounts payable to the Advisor on any eventual sale of the Phosco assets. 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.

The Company has signed various confidentiality agreements with interested parties to acquire or joint venture additional Prospecting Rights in the vicinity of the Montero phosphate assets in the Western Cape. Discussions and negotiations are on-going.

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. The Duyker Eiland and Phillips Kraal licences have been renewed for 3 years from March 2013.

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As of September 30, 2013, Montero has spent a total of \$1,422,987 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").

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 \$170,131 as of September 30, 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.

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- 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. Further discussions on risks associated with the Company's operations are elaborated below. Readers should review and consider the financial, operational, permitting and environmental risk factors faced by the Company, which are common to junior exploration companies.

Industry and economic factors affecting the Company

The Company's future performance is largely tied to the financial markets related to junior exploration companies, which is often cyclical and is currently very unfavorable. The Company continuously monitors several economic factors including the uncertainty regarding Rare earths and phosphate prices and the availability of equity financing for the purposes of mineral exploration and development. The Company's future performance is largely tied to the development of its current mineral property interests and the overall financial markets. Financial markets relating to commodities are likely to continue to be volatile reflecting ongoing concerns about the global economy and potential sovereign defaults throughout the world. Companies worldwide have been affected negatively by these trends. As a result, the Company may have difficulties raising equity financing for the purposes of mineral exploration and development, particularly without excessively diluting the interests of its current shareholders.

With continued market volatility expected, the Company's current strategy is to continue to conduct limited exploration work on its properties until access to capital for junior mining companies becomes available and to seek out other prospective business opportunities including entering into option arrangements and/or joint ventures. The Company believes that this focused strategy will enable it to maintain momentum on key initiatives. These trends may limit the Company's ability to develop and/or further explore its Tanzanian properties, and/or other property interests that could be acquired in the future. Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in short-term operating and longer-term strategic decisions.

Exploration, Development and Operating Risks

The exploration for and development of mineral deposits is a speculative venture involving a high degree of risk. Even a combination of careful evaluation, experience and knowledge may not eliminate such risk. While the discovery of a commercially viable ore body may result in substantial rewards, few mineral properties which are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides, and the inability of the Company to obtain suitable machinery, equipment or labour are all risks involved with the conduct of exploration programs and the operation of mines. Substantial expenditures may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site, and substantial additional financing may be required.

It is impossible to ensure that the exploration or development programs planned by Montero will result in a profitable commercial mining operation. The decision as to whether a particular property contains a commercial mineral deposit and should be brought into production will depend on the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and geologists. Several significant factors will be considered, including, but not limited to: (i) the particular attributes of the deposit, such as size, grade, metallurgical characteristics, and proximity to infrastructure; (ii) metal prices, which are highly cyclical; (iii) government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, permitting, importing and exporting

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of minerals and environmental protection; (iv) ongoing costs of production; (v) availability and cost of additional funding; and (vi) local community and landowner opposition to access mineral rights. The exact effect of these factors cannot be accurately predicted, but one or any combination of these factors may result in Montero not receiving an adequate return on invested capital.

Additional Capital

The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as the business performance of Montero. The development and exploration of the Company's properties will require substantial additional financing. Failure to obtain such financing may result in delaying or indefinite postponement of exploration, development or production on any or all of Montero's properties or a loss of a property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional financing is raised by Montero through the issuance of securities from treasury, control of Montero may change and security holders may suffer additional dilution.

Environmental Risks and Hazards

All phases of Montero's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties on which Montero holds interests which are unknown to Montero at present and which have been caused by previous or existing owners or operators of the properties or by current or previous surface rights owners. Government approvals and permits have been submitted as required and future approvals will be required in connection with Montero's operations. To the extent such approvals are required and not obtained, Montero may be curtailed or prohibited from continuing its mining operations or from proceeding with the planned exploration or development of the mineral properties in which it has an interest. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in the exploration or development of exploration properties may be required to compensate those suffering loss or damage by reason of such parties' activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on Montero and cause increases in exploration expenses or capital expenditures or require abandonment or delays in development of new exploration properties.

Permitting

Montero's current and future operations will require approvals and permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labour standards, health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. There is no assurance that delays will not occur in connection with obtaining all necessary renewals of such approvals and permits for the existing operations or additional approvals or permits for any possible

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future changes to operations. Prior to any development on any of its properties, Montero must receive permits from appropriate governmental authorities. There can be no assurance that Montero will obtain or continue to hold all permits necessary to develop or continue operating at any particular property.

Title to Mining Licences

The validity of mining licences generally can be contested, and although Montero has taken steps to acquire the necessary title to its mining licences, some risk exists that title to such licences may be defective. In order to maintain the mining licences, Montero must incur certain minimum exploration expenditures annually or risk forfeiture of the mining licences and any such expenditure made to such time.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, several risks and, in particular, unexpected or unusual geological or operating conditions, may occur. It is not always possible to fully insure against such risks, and the Company may decide not to insure such risks as a result of high premiums or other reasons. Should such liabilities arise they could reduce or eliminate any future profitability and result in an increase in costs and a decline in value of the securities of Montero. The Company is not insured against environmental risks. Insurance against environmental risks (including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from exploration and production) has not been generally available to companies within the industry. Montero periodically evaluates the cost and coverage of the insurance against certain environmental risks that is available to determine if it would be appropriate to obtain such insurance. Without such insurance, and if Montero becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds available to Montero to pay such liabilities and result in bankruptcy. Should Montero be unable to fund fully the remedial cost of an environmental problem it might be required to enter into interim compliance measures pending completion of the required remedy.

Infrastructure

Development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, and government or other interference in the maintenance or provision of such infrastructure could adversely affect Montero's operations, financial condition and results of operations.

Market Factors and Volatility of Commodity Prices

The marketability of mineralized material which may be acquired or discovered by Montero will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations in the prices of minerals sought, which are highly volatile, the proximity and capacity of natural resource markets and processing equipment, and government regulations, including regulations relating to prices, taxes, royalties, permitting, land tenure, land use, importing and exporting of minerals and environmental protection. The effect of these factors cannot be accurately predicted, but these factors may result in Montero not receiving an adequate return on invested capital. Prices of certain minerals have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the control of Montero. Future mineral prices cannot be accurately predicted. A severe decline in the price of a mineral being produced or expected to be produced by Montero would have a material adverse effect on Montero, and could result in the suspension of exploration or development of mining operations by Montero.

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Competition

The resource and mining exploration industry is intensely competitive in all of its phases. As a result of this competition, some of which is with large, established mining companies with substantial capabilities and greater financial and technical resources than Montero, the Company may be unable to acquire additional mineral properties on terms it considers acceptable, or continue to explore and develop its existing properties.

Exchange Rate Fluctuations

Exchange rate fluctuations may adversely affect Montero's financial position and results. The Company does not currently hedge or otherwise mitigate its foreign currency risks.

Foreign Operations

The Company's property interests are located in Tanzania, South Africa and Canada, and are subject to the respective jurisdiction's laws and regulations. The Company believes the present attitude of Tanzania and South Africa to foreign investment and mining to be favourable but investors should assess the political risks of investing in a foreign country. Variations from the current regulatory, economic and political climate could have an adverse effect on the affairs of the Company.

Key Executives

Montero is dependent on the services of key executives and a small number of highly skilled and experienced consultants and personnel. Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. Due to the relatively small size of Montero, the loss of these persons or the Company's inability to attract and retain additional highly skilled employees may adversely affect its business and future operations. Montero does not currently carry any key man life insurance on any of its executives.

Conflicts of Interest

Certain of the directors and officers of Montero also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving Montero will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders.

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 September 30, 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 revenue from 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 that it will be able to raise sufficient cash to finance operating and exploration activities over the next twelve months. Management has undertaken to reduce operating costs including voluntary fee reductions from management, reduced rent and administrative fees and decreased usage of administrative staff and consultants. As well, management has kept exploration costs to a minimum which include staff reductions and deferred work programs. These efforts will extend the Company's treasury. Management is actively pursuing the sale of non-strategic assets which could generate further funding for the Company's operations. In addition, project financing is being pursued for

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the Company's Wigu Hill project and discussions are still underway with Investors, one whom has signed a non-binding term sheet on November 16, 2012. The terms and conditions are indicative at this stage and the Strategic Investor is still undertaking to complete its due diligence.

Earlier in the year, the Company raised funds through a private placement and also settled debts with the issue of common shares which also extended the Company's cash. Also, subsequent to the period-end, the Company entered into loan agreements with a company that has a director in common with the Company and with an associate, for funds totalling \$165,000. Management believes that further reductions in operating expenses, funding from potential funding partners, borrowings from directors and management, and further private placements will generate the required funding to maintain operations. Although management is committed and expects to raise additional funding, the timing and the nature of the financing is uncertain and there can be no assurances that this will occur. 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 September 30, 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 \$85,082 for the three months ended September 30, 2013 (\$403,094 for the three months ended September 30, 2012).

The Company's operating costs for the three months ended September 30, 2013 decreased significantly compared to the comparative three months ended September 30, 2012 due to management's efforts to control and reduce costs. Consulting, directors, administrative and management fees were lower due to reduced consulting personnel and a voluntary decrease in fees for management personnel. General and administrative expenses and other expenses have decreased due to management efforts to reduce costs. Impairment of assets was \$Nil for the current quarter compared to a charge of \$42,228 for the prior comparative quarter. Professional fees are lower due to less exploration activities undertaken in the current quarter requiring any agreements which would require legal services.

At September 30, 2013, the Company had cash and cash equivalents on hand of \$62,502 compared to \$498,872 on hand at December 31, 2012. Subsequent to the period-end, the Company entered into loan agreements with a company that has a director in common with the Company and with an associate, for funds totalling \$165,000. 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.

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.

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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 Q3 2013 OPERATIONS

During the three months ended September 30, 2013, Montero continued exploration work on its Wigu Hill property in Tanzania albeit at a reduced pace. Total cash exploration costs incurred during the three months ended September 30, 2013 totalled \$85,082 (three months ended September 30, 2012 - \$403,094), which was spent primarily on the Wigu Hill Project.

The Company's operating expenses decreased significantly in most categories during the three months ended September 30, 2013 compared to the three months ended September 30, 2012 due to management's efforts to reduce and control costs. Significant changes in these expenses are outlined below.

Consulting, directors', administrative and management fees decreased from \$167,658 for the three months ended September 30, 2012 to \$64,693 for the three months ended September 30, 2013 due to reduced use of consulting personnel, reduced activity requiring less administrative support and a voluntary fee reduction paid to management personnel.

General and administrative expenses decreased from \$21,812 for the three months ended September 30, 2012 to \$9,055 for the three months ended September 30, 2013 due to management's efforts to control and reduce costs.

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During the three months ended September 30, 2012, the Company recorded an **impairment** charge of \$42,228 on its exploration assets in Tanzania compared to \$Nil during the three months ended September 30, 2013.

Professional fees decreased from \$22,957 for the three months ended September 30, 2012 to \$18,152 for the three months ended September 30, 2013 due to reduced legal fees required for regulatory and various exploration agreements in the current quarter compared to the prior comparative quarter.

The Company's net loss for the three months ended September 30, 2013 was \$132,759, \$0.01 per share, compared with a net loss of \$305,848, \$0.01 per share for the three months ended September 30, 2012. Cumulatively, the Company recorded a net loss of \$648,991 (\$0.01 per share) for the nine months ended September 30, 2013 compared to a net loss of \$1,856,435 (\$0.03 per share) for the nine months ended September 30, 2012.

Montero's cash and cash equivalents was \$62,502 at September 30, 2013 compared to \$498,872 at December 31, 2012. Subsequent to the period-end, the Company entered into loan agreements with a company that has a director in common with the Company and with an associate, for funds totalling \$165,000. 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 nine months ended September 30, 2013 (Notes 4 and 5).

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. 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 \$1,422,987 as at September 30, 2013 (\$1,532,077 as at December 31, 2012).

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

As at September 30, 2013

	Canada	Tanzania	Total
	\$	\$	\$
Plant and equipment	-	78,142	78,142
Exploration and evaluation assets	170,131	9,492,107	9,662,238
Total non-current assets	170,131	9,570,249	9,740,380

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
	Q3	Q2	Q1	Q4
	\$	\$	\$	\$
Consulting, directors', administrative and management fees	64,693	62,691	153,508	138,005
Impairment of exploration and evaluation and Held for Sale assets	-	-	32,014	1,282,810
Professional fees	18,152	25,361	16,171	33,730
Other expenses	49,427	71,359	88,474	68,138
Stock-based compensation	-	69,264	-	-
Interest income and other	487	(969)	(1,641)	(10,847)
Net loss	(132,759)	(227,706)	(288,526)	(1,511,836)
Loss per share				
Basic and diluted	(0.01)	(0.01)	(0.01)	(0.02)
Exploration and evaluation assets	9,662,238	9,787,116	9,278,500	8,729,396
Total assets	11,249,973	11,604,880	11,525,682	10,906,874
Total liabilities	781,683	771,340	825,191	1,576,623
Shareholders' equity	10,468,290	10,833,540	10,700,491	9,330,251

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	2012			2011
	Q3	Q2	Q1	Q4
	\$	\$	\$	\$
Consulting, directors', administrative and management fees	167,658	195,630	290,667	146,750
Impairment of exploration and evaluation assets	42,228	617,326	-	-
Professional fees	22,957	36,352	36,202	65,209
Other expenses	71,657	135,961	231,145	281,366
Stock-based compensation	-	-	-	529,451
Interest income and other	1,348	(2,775)	10,079	(5,007)
Net loss	(305,848)	(982,494)	(568,093)	(1,017,769)
Loss per share				
Basic and diluted	(0.01)	(0.02)	(0.01)	(0.03)
Exploration and evaluation assets	9,583,513	9,527,353	9,369,960	10,125,666
Total assets	11,741,549	12,343,597	13,048,082	13,668,334
Total liabilities	1,300,523	1,266,810	1,174,279	1,071,596
Shareholders' equity	10,441,026	11,076,787	11,873,803	12,596,738

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, voluntary reductions in fees paid to management, as well as non-recurring corporate strategy sessions and recruitment costs previously undertaken. 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 lower in 2013 due to management's efforts to reduce and control costs. Stock options were granted in Q2 2013 and Q4 2011 resulting in stock-based compensation expense.

Generally, the expenditures have decreased in 2013 due to management efforts to control costs (including voluntary reductions in fees paid to management) and less exploration and corporate activity undertaken.

1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES

The Company held cash and cash equivalents of \$62,502 as at September 30, 2013 compared to \$498,872 as at December 31, 2012.

The Company used cash of \$95,594 in its operations for the three months ended September 30, 2013 compared to using cash of \$231,239 in its operations for the three months ended September 30, 2012. The Company used cash of \$85,082 on its exploration and evaluation assets and expenditures on plant and equipment for the three months ended September 30, 2013 compared to using cash of \$403,094 on its investing activities for the three months ended September 30, 2012. The Company did not generate any cash from financing activities for the three months ended September 30, 2013 nor for the three months ended September 30, 2012.

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The Company used cash of \$652,426 in its operations for the nine months ended September 30, 2013 compared to using cash of \$887,226 in its operations for the nine months ended September 30, 2012. The Company used cash of \$666,219 on its exploration and evaluation assets and expenditures on plant and equipment for the nine months ended September 30, 2013 compared to using cash of \$2,010,511 on its investing activities for the nine months ended September 30, 2012. The Company generated cash of \$882,275 from financing activities for the nine months ended September 30, 2013 compared to generating cash of \$Nil in these activities for the nine months ended September 30, 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.

On November 29, 2013, the Company entered into loan agreements for funds totalling \$165,000 with a company which has a director in common with the Company and with an associate. The loan bears interest at 12% per annum and is due on May 31, 2014.

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 nine months ended September 30, 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 or joint ventures of non-strategic assets so it can raise funds and reduce the risks associated with related exploration programs.

Management has undertaken to reduce operating costs including voluntary fee reductions from management, reduced rent and administrative fees and decreased usage of administrative staff and consultants. As well, management has kept exploration costs to a minimum which include staff reductions and deferred work programs. These efforts will extend the Company's treasury. Earlier in the year, the Company raised funds through a private placement and also settled debts with the issue of common shares which also extended the Company's cash. The details of these transactions are described above.

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 one of the Investors whereby the Investor has proposed to provide equity funding at the project level for

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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. As well, management continues its efforts to sell its Phosco assets which could generate further funding for the Company's operations.

Management believes that further reductions in operating expenses, funding from potential funding partners, borrowings from directors and management, and further private placements will generate the required funding to maintain operations. Although management is committed and expects to raise additional funding, the timing and the nature of the financing is uncertain and there can be no assurances that this will occur.

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 September 30, 2013, Montero has 5,935,000 stock options outstanding, exercisable at a weighted average exercise price of \$0.28 per share and 12,262,040 warrants outstanding, exercisable at a weighted average exercise price of \$0.24 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

Key management personnel compensation

	Nine months ended Sept 30	
	2013	2012
	\$	\$
<i>Compensation of directors</i>		
Short-term benefits	24,500	59,401
Share-based payments	17,000	-
	41,500	59,401
<i>Compensation of key management personnel</i>		
Short-term benefits	211,501	672,769
Share-based payments	36,000	-
	247,501	672,769
Total remuneration of directors and key management personnel	289,001	732,170

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.

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Related party transactions

	Nine months ended Sept 30	
	2013	2012
	\$	\$
<i>Exploration and evaluation asset transactions</i>		
Geological consulting	23,918	134,616
Other	32,582	60,025
Total exploration and evaluation asset transactions	56,500	194,641
<i>Operating expense transactions</i>		
Consulting, directors', administrative and management fees	65,889	82,936
General and administrative	9,000	18,000
Project investigation costs	-	1,000
Shareholder and regulatory	6,868	33,294
	81,757	135,230
Total trading transactions with related parties	138,257	329,871

Related party balances

	Sept 30, 2013	December 31, 2012
	\$	\$
Due to related parties	391,586	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.

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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.

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.

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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 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 September 30, 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 September 30, 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.

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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 nine months ended September 30, 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 nine months ended September 30, 2013. The number of common shares outstanding as of the date of this report on November 29, 2013 is 71,031,679 shares.

Cautionary Note Regarding Forward-Looking Information

Except for statements of historical fact relating to Montero, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation.

Forward-looking information estimates and statements that Montero's future plans, objectives and goals, including words to the effect that Montero or management expects a stated condition or result to occur. Forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Since forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during permitting; the possibility that future exploration results will not be consistent with the Company's expectations; timing and availability of external financing on acceptable terms and in light of the current decline in global liquidity and credit availability; the uncertainty of conducting activities within a joint venture structure; currency exchange rates; government regulation of mining operations; failure of equipment or processes to operate as anticipated; risks inherent in mineral exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations; and uncertain political and economic environments. Although management of Montero has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.