PACIFIC WILDCAT RESOURCES CORP.

a d v a n c e d a n d s t r a t e g i c m i n e r a l s a n d m e t a l s

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED

June 30, 2011

MANAGEMENT DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations of Pacific Wildcat Resources Ltd. (the "Company") as at June 30, 2011 and for the six month period then ended in comparison to the same period in 2010.

This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements for the six months ended June 30, 2011 and related notes. These unaudited condensed consolidated interim financial statements have been prepared using accounting policies consistent with IFRS and in accordance with International Accounting Standard 34 ("IAS 34") – Interim Financial Reporting. A reconciliation of the previously disclosed comparative periods' financial statements prepared in accordance with Canadian generally accepted accounting principles to IFRS is set out in Note 17 to these condensed consolidated interim financial statements. All monetary amounts are in Canadian dollars unless otherwise specified. The effective date of this MD&A is August 29, 2011.

Throughout the report we refer to PAW, the "Company", "we", "us", "our" or "its". All these terms are used in respect of Pacific Wildcat Resources.

Cautionary Statement on Forward-Looking Information

Certain statements contained in this MD&A may contain forward-looking statements. Use of any of the words 'anticipate', 'continue', 'estimate', 'expect', 'may', 'will', 'project', 'should', 'believe' and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A reflect the current expectations, assumptions or beliefs of PAW based on information currently available to the Company. With respect to forward-looking statements contained in this MD&A, assumptions have been made regarding, among other things, the Company's ability to generate sufficient cash flow from operations and capital markets to meet its future obligations, the regulatory framework in Mozambique with respect to, among other things, permits, license's authorizations, royalties, taxes and environmental matters, the ability of management to establish a commercial mining operation on its property in Mozambique, and the Company's ability to continue to obtain qualified staff and equipment in a timely and cost-efficient manner to meet the Company's demand. PAW believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct as actual results and future events could differ materially from those anticipated in such statements and such forward-looking statements included in this MD&A and should not be relied upon. Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to: uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; the possibility that actual circumstances will differ from the estimates and assumptions used in the preliminary assessment and mine plans in respect of the Company's properties; failure to establish estimated mineral resources; fluctuations in tantalum prices and currency exchange rates; inflation; tantalum recoveries being less than those indicated by the testwork carried out to date (there can be no assurance that tantalum recoveries in small scale laboratory tests will be duplicated in large tests under on-site conditions and during production); political developments in Mozambique; changes to regulations affecting the Company's activities; uncertainties relating to the availability and costs of financing needed in the future; the uncertainties involved in interpreting drilling results and other geological date; and the other risks described in this report. Furthermore, the Company has at the date of this report only acquired its Initial Interest in the Mrima Hill Project in Kenya as described herein, there Company in order to complete this acquisition will require substantial funding of approximately AUS$15,161,528 and has not as at the date of this report secured said funding. The Company anticipates being successful in obtaining said funding through some form of equity issue and upon completion of same, the Company will be required to obtained certain permits and mining licenses. These forward-looking statements speak only as of the date of this MD&A. PAW assumes no obligation to update these forward-looking statements except as may otherwise be required pursuant to applicable laws.

OVERALL PERFORMANCE

The Company is incorporated under the Business Corporations Act (British Columbia) and is primarily engaged in mineral exploration company with a focus on becoming a producer of strategic and rare earth metals with its Muiane Tantalum Project in Mozambique and the completion of its acquisition of Mrima Hill Project a niobium rare earths in project in Kenya. To date, the Company has not earned significant revenues and is considered to be in the exploration stage and the business of exploring for and mining of minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations.

The Company is listed on the TSX Venture Exchange, having the symbol PAW.V as a Tier 2 issuer and its corporate office and principal place of business is located 110 – 2300 Carrington Road, West Kelowna, B.C. Canada, V4T 1G3.

Highlights – three month June 30, 2011 and date of this report

- **the Company completed its NI 43-101 compliant independent Niobium mineral resource estimate report for the Mrima Hill Niobium and Rare Earth Project in Kenya;**
- **extended the Acquisition Agreement on Mrima Hill to allow additional time to complete metallurgical work;**
- **completed a non brokered private placement for $5.6M;**

Exploration and Development

Mrima Hill Project - Kenya

The Company's focus for 2011 remains the completion of its acquisition of the 70% interest in the Mrima Hill Project in Kenya (the "Acquisition"). To date the Company has completed its initial acquisition of 7% interest. On May 1, 2011 the Company waived a condition to the final closing of the Acquisition that a technical report be prepared in accordance with National Instrument 43-101 (the "Resources Condition") to confirm a specified Niobium resource on the Project, by April 26, 2011. The technical report was not able to be prepared by April 26, 2011 due to delays outside the control of the Company; however, the Company has decided to proceed with the Acquisition based on the excellent results from the Company's drilling program to date and the availability of extensive historic exploration data. The Company completed the Resource Condition and filed the NI 43-101 technical report on SEDAR on August 22, 2011. As a result of the waiver of the Resource Condition to the final closing 7% of the shares of Stirling Capital Limited ("Stirling") and 7% of the shares of Cortec (Pty) Ltd. ("Cortec UK"), which companies collectively hold a 70% interest in the Project, were released to PAW. In addition an aggregate of 2,000,000 common shares of PAW have been released to the owners of Stirling and Cortec UK.

See the Company's website www.pacificwildcat.com and SEDAR for further details on drill results and the Company's technical report.

On July 7, 2011 the Company received TSX Venture Exchange ("Exchange") approval to extend the term of the Acquisition, ("EA") wherein the overall the total consideration for the purchase has not changed but the timing of the payments has been extended to allow the parties more time to obtain the next form of tenure for the property and for further exploration and metallurgical work to be conducted on the Mrima Hill property.

Key Terms of the EA are as follows:

Extension until 3rd January 2012

1) **PAW to pay to the Owners an aggregate of 750,000 Australian Dollars ("A$") in cash and issue 4,000,000 common shares on the later of July 4, 2011 or five Business Days of the date of TSXV acceptance to such issuance (paid);**

2) **PAW pay to the Owners an aggregate of A$1,250,000 in cash on or before July 29, 2011 (paid);**

3) **PAW pay to the Owners A$500,000 (paid) by the later of July 30, 2011 or five business days of the date of acceptance by the TSXV a further non-refundable Work Advance for funds to be used on the advancement of the Mrima Hill Project to: (a) complete an Environmental Impact Assessment Study on the Project; (b) undertake further drilling and assaying on the Project; and (c) submit an application for the Mining License.**

   The above cash payments and issuance of common shares will be deducted from the common shares and cash payment to be paid by PAW to the Owners under the original agreement on Closing. The initial extension is for the period until the 3rd January 2012 and at any time prior to that date PAW has the option to terminate the transaction on notice and without further payment to the Owners.

Extension until Closing

Subject to PAW electing not to terminate the Agreement on or before the 3rd January 2012, PAW will pay to the Owners an aggregate of an additional A$2,500,000 in cash and issue to the Owners an additional 5,000,000 common shares which cash payments and issuance of common shares will be deducted from the common shares and cash payment to be paid by PAW to the Owners on the final Closing.

Upon receipt of the Mining License or extension of the Special Prospecting License and meeting the other closing conditions, the parties shall complete the Acquisition through the issue of the balance of shares and the balance of cash due on the final Closing which are currently calculated at approximately 19,702,353 common shares and A$11,025,437 (based on an exchange rate of CDN $ 1.03 = AUS $ 1.00), such amounts are subject to adjustment in accordance with the Acquisition Agreement and fluctuations in the exchange rate prevailing between A $ and CDN $ at closing.

At Closing, the Company shall receive the remaining 93% interest that it does not own in each of Stirling and Cortec UK such that the Company will then hold a 100% interest in each corporation. The Owners shall be entitled, at this time, to nominate a Director to the Board of Directors of the Company.

The number of Closing Shares shall be limited such that when aggregated with the Initial Shares (5 million shares already owned by the Owners), the Owners will not collectively hold greater than 19.9% of the post-closing non-diluted number of issued and outstanding common shares of PAW. In the event that the number of Closing Shares is required to be reduced to less than 28,702,353 PAW Shares to comply with this limitation, the Owners shall be paid the difference in cash. This cash payment shall be separate and apart from the Closing Cash Payment.

Mozambique

Muiane Project – Mozambique

As reported in Q 1 2011 the Company satisfied the requirements of the Muiane Mining License and commenced production.

The plant is starting to achieve steady state operation although throughput is lower than originally planned primarily due to ore feed issues related to the need to improve material flow through the feed chute. To this end a water monitor is being manufactured to assist in improving the throughput and this is expected to be installed on site within the next three weeks. The Company now has sufficient Tantalum concentrates to undertake detailed analysis to obtain product specifications for marketing purposes. The Company also wishes to advise that as per its original operational plan additional capital equipment will be installed at Muiane to assist with secondary processing the Tantalum concentrate. A secondary processing facility has been manufactured by Nagrom processors in Perth, Western Australia, and the Company intends to ship this facility to Muiane in Mozambique with a departure from Perth, Western Australia and is expected to arrive in Mozambique prior to the end of September. Once the secondary plant is commissioned PAW's aim is to target an initial production level of between 35,000 and 75,000 lbs. of Ta_2O_5 per annum. The company is pleased to report Tantalum prices continue to remain strong with spot prices in excess of US $ 120/lb. Ta_2O_5.

Outlook

In addition to its objectives for the Company's project in Muiane, the Company remains focused on the completion of the Final Closing and completion of the required financing to complete the Kenya transaction. The Company will look to complete its the second stage drill program and based on those results the Company anticipates a third stage reverse circulation drill program to commence upon completion of the Acquisition.

Results of Operations

The Company has no operating revenues and relies on external financings to generate capital for its continued operations. As a result of its activities, the Company continues to incur annual net losses.

For the three and six months ended June 30, 2011:	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
Financial results:				
Total comprehensive loss	($299,965)	($314,859)	($689,424)	($556,609)
Basic and diluted loss per share	($0.00)	($0.00)	($0.01)	($0.01)

	Six Months Ended June 30	
Financial position:	2011	2010
Cash and cash equivalents	$2,248,802	$775,712
Property, plant and equipment	$1,935,814	$282,192
Exploration and evaluation assets	$4,596,212	$3,386,093
Intangible assets	$7,903,757	$0
Total Assets	$16,684,584	$4,443,997
Shareholders' equity	$16,121,312	$4,334,468

For the three months ended June 30, 2011, the Company reported a $299,965 net comprehensive loss or $0.00 basic and diluted earnings per share compared to a $314,859 comprehensive loss or $0.00 loss per share for the same period in 2010. The decrease in comprehensive loss was due primarily to increase in general and administrative costs details of which are described herein below offset by a lower gain on foreign exchange translation for the current period. For the three months ended June 30, 2010 the comprehensive loss included property evaluation costs of $174,620 and stock based compensation costs of $18,608.

For the six months ended June 30, 2011, the Company reported a $689,424 net comprehensive loss or $0.01 basic and diluted earnings per share compared to a $556,609 net comprehensive loss or $0.01 loss per share for the same period in 2010. The increase in comprehensive loss was due primarily to an increase in general and administrative costs. For the six months ended June 30, 2010 the comprehensive loss included property evaluation costs of $279,367 and stock based compensation costs of $18,608.

Administrative and general expenses for the three and six months ended June 30 consisted of:

	Three Months Ended June 30		Six Months Ended June 30	
	2011	2010	2011	2010
General and Administrative				
Consulting fees	$21,250	$—	$27,125	$—
Corporate relations	53,400	9,729	166,048	12,607
Filing fees	3,058	8,947	15,417	14,447
Management fees	53,373	63,467	104,807	79,631
Office	70,163	12,690	98,329	17,041
Professional fees	88,062	49,596	126,807	77,038
Transfer agent fees	3,981	2,443	10,196	6,292
Travel	27,387	21,555	111,289	31,684
	$320,673	$168,427	$660,018	$238,740

Significant variances to note are:

Increase in expenditures for travel and corporate relations for the current period related to concentrated marketing efforts and included a twelve month strategic online program with Stockhouse.

Management fees in the comparative quarter were capitalized to the Company's Muiane Project. Increase in office expenditure were the result of increased activities and administrative costs associated with same. Professional fees included accounting and tax work for the Company's Mozambique subsidiary for 2010 year end audit work.

Financings

On August 9, 2011 the Company complete as non-brokered private placement for 8,570,606 Units at a price of $0.65 for gross proceeds to the Company of CDN $5,570,894. Each Unit consists of one common share and one half of one common share warrant (each whole warrant a "Warrant"), entitling the holder to acquire one additional common share at a price of $1.00 for 18 months from Closing. The Warrants are subject to an accelerated expiry which comes into effect once the shares trade above a weighted average price of $1.25 for any twenty consecutive trading-day period, subsequent to four months and a day from Closing ("Accelerated Expiry"). In the event of an Accelerated Expiry, the expiry date will be the earlier of the regular 18 month expiry date and 30 days from the date the Company advises the placees of the Accelerated Expiry.

Finders' fees of 6% cash and 6% warrants ("Finders Warrant") were paid on a portion of the Financing, in accordance with the policies of the Exchange. Each Finders Warrant entitles the holder to purchase one common share (a "Finders Share") at a price of $0.65 per Finder Share for a period of 18 months from issuance and on the same terms as the Warrants for aggregate cash payments of CDN $312,856 and 481,317 Finders Warrants.

The net proceeds from this private placement will be used to further advance the acquisition of the Company's interest in its Mrima Hill Project in Kenya, continued development at its Muaine Tantalum Project in Mozambique and for general working capital purposes.

The Company is also received proceeds of $958,724 during June and July 2011 from the early exercise of warrants and exercise prices of $0.22 and $0.30 per share.

On August 26, 2011 pursuant to the Company's 2010 Option Plan granted 3,750,000 stock options (the "Options"), at a price of $0.65 per common share in accordance with the policies of the TSX Venture Exchange (the "Exchange") to various Directors, Officers and Consultants of the Company.

Summary of quarterly results

	June 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sept. 30, 2010
Total revenues	$0	$0	$0	$0
Comprehensive Loss for the period	$(299,965)	$(346,484)	$(737,925)	$(484,973)
Basic and diluted loss per share	$(0.00)	$(0.00)	$(0.01)	$(0.01)
	June 30, 2010	Mar. 31, 2010	Dec. 31, 2009	Sept. 30, 2009
Total revenues	$0	$0	$0	$0
Comprehensive Income (loss) for the period	$(314,859)	$(241,750)	$220,471	$(1,036,798)
Basic and diluted loss per share	$(0.00)	$(0.00)	$(0.00)	$(0.02)

Financial Condition, Liquidity and Capital Resources

At June 30, 2011 the Company had working capital of $2,075,548 (December 31, 2010 - $2,879,128) and no long-term debt. With respect to working capital, $2,248,802 was held in cash and cash equivalents.

The Company has not generated revenues from its operations to date. The Company currently does not have sufficient cash resources to meet its obligations to complete the acquisition of the Mrima Hill Project in Kenya. The Company will be required to raise additional funds through equity issuances or exercise of warrants to fund the remaining acquisition costs and provide working capital. As the Company is in the exploration stage, the recoverability of the costs incurred to date on exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company has financed its operations to date primarily through the issuance of common shares and exercise of stock options and share purchase warrants. The Company will continue to have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

The Company's policy is to invest its cash in highly liquid, short term, interest bearing investments with maturities of 90 days or less from the date of acquisition or over for period longer that may be redeemable after 30 days. The Company is not subject to externally imposed capital requirements. There has been no change in the Company's approach to capital management during the six months ended June 30, 2011.

Off balance-sheet arrangements

The Company has no off balance-sheet arrangements.

Commitments

The Company previously entered into a consulting agreement (the "Townsend Contract") with Darren Townsend and DJCA Pty Ltd. (an Australian corporation of which Mr. Townsend is a director and beneficial owner) pursuant to which the Company has engaged the services of Mr. Townsend as the Company's President, Chief Executive Officer and a director of the Company.

The Townsend Contract provides that Mr. Townsend/DJCA Pty Ltd is to be issued bonus shares wherein the Company granted Mr. Townsend a bonus of 2,000,000 common shares (the "Bonus Shares"). Although the liability for the Bonus Shares was deemed to exist as of August 7, 2009, the date of the completion of the Company's Acquisition as described in Note 3, as per the terms of the Townsend Contract, Exchange approval for the Bonus Shares was obtained on April 30, 2010. As such, the liability for the Bonus Shares has been recorded effective as of the date of Exchange approval. The liability for the Bonus Shares is recognized over the period to which they are payable, as follows:

i) 1,000,000 shares on August 7, 2010 (issued), the first anniversary of the completion of the Company's Acquisition of the TML Licenses. The shares were valued at the market price of the shares on the Exchange approval date, for an aggregate value of $190,000.

ii) 1,000,000 shares on August 7, 2011, the second anniversary of the completion of the Company's Acquisition of the TML Licenses. The shares were valued at the share price on the Exchange approval date for an aggregate value of $190,000, with $132,796 expensed during the year ended December 31, 2010. The remaining $57,204 was recorded as shares to be issued at December 31, 2010 and will be expensed during the year ended December 31, 2011.

Related Party Transactions

a) Rental Payments

Rental payments of $4,200 (six months end June 30, 2011: $4,200) were paid to Minco Corporate Management Inc. a Company controlled by the Company's Chief Financial Officer;

b) Key Management Compensation

	June 30 2011	June 30 2010
Key management personnel compensation comprised :		
Consulting fees	$ 175,720	$ 146,966

i) Consulting fees of $65,321 (six months ended June 30, 2010 - $39,369) were paid to a company controlled by Terese Gieselman, Chief Financial Officer and Secretary of the Company;
ii) Consulting fees of $104,807 (six months ended June 30, 2010 - $107,597) were paid to Darren Townsend, President and Chief Executive Officer:
iii) Consulting fees of $5,591 (six months ended June 30, 2010 - $Nil) were paid to a company controlled by David Paull director of the Company.

Financial Instruments

As at June 30, 2011, the Company's financial instruments consisted of cash, amounts receivable, trade and other payables.

The fair values of cash, amounts receivable and trade and other payables approximate their carrying values because of their current nature.

The Company classifies its fair value measurements in accordance with the three level fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities:

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market date

The following table provides an analysis of financial instruments grouped into levels 1, 2 or 3 based on the degree to which the fair value is observable at June 30, 2011:

June 30, 2011	Carrying amount	Fair Value	Discount rate
Level 1:	$	$	%
Cash and cash equivalents	2,248,802	2,248,802	N/A

The Company does not have Level 2 or Level 3 inputs as described in the Company's accounting policies.

1 Of the financial assets listed above, $85,789 (December 31, 2010 – 60,652) represents cash held in United States dollars, the remaining cash is held in Canadian dollars.

<u>Financial Instrument Management</u>

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein:

Credit Risk
The Company is primarily exposed to credit risk on its bank accounts. Credit risk exposure is limited through maintaining its cash with high-credit quality financial institutions.

Liquidity Risk
The Company ensures that there is sufficient capital in order to meet short term business requirements, after taking into account the Company's holdings of cash. The Company believes that these sources will be sufficient to cover the expected short and long term cash requirements.

Market Risk
Market risk is comprised of three components: currency risk, interest rate risk and commodity price risk:

Currency Risk
Cash held in foreign currencies other than the Canadian dollar is subject to currency risk. The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar. The Company does not use derivative instruments to reduce its currency risk.

Interest Rate Risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk on its cash and cash equivalents. The Company estimates that the fluctuation in interest rate of 1% would affect the net loss by approximately $22,000.

Commodity price risk
The value of the Company's mineral resource properties is related to the price of precious metals. Prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial and retail demand, forward sales by producers and speculators, levels of worldwide production, short-term changes in supply and demand because of speculative hedging activities, and certain other factors. The Company's carried interest rights and net smelter royalty are affected by the commodity price however, as the Company is still in the exploration stage, the Company has elected not to actively manage commodity risk at this time.

ADDITIONAL INFORMATION

Additional information about the Company is available on SEDAR at www.sedar.com or the Company's website at www.pacificwildcat.com

Outstanding Share Data

PAW's authorized capital is unlimited common shares without par value, unlimited preferred shares "Class A" with a par value of $1.00 and unlimited preferred shares "Class B" without par value. As at the date of this report, 125,844,185 common shares were issued and outstanding. The Company as at the date of this report had the following outstanding options, warrants and convertible securities as follows:

Type of Security	Number	Exercise Price	Expiry Date
Stock option	1,810,000	$0.12	August 7, 2014
Stock option	1,200,000	$0.19	July 28, 2015
Stock option	300,000	$0.19	July 28, 2012
Stock option	200,000	$0.30	October 19, 2011
Stock option	3,250,000	$0.65	August 26, 2016
Stock option	500,000	$0.65	August 26, 2013
Warrants	500,000	$1.10	July 20, 2012
Broker Options	512,192	$0.22	July 10, 2012
Broker Options	1,217,189	$0.22	August 25, 2012
Warrants	1,299,400	$0.30	July 10, 2012
Warrants	6,627,551	$0.30	August 25, 2012
Warrants	4,038,993	$1.00	February 3, 2013
Warrants	341,346	$1.00	February 3, 2013
Warrants	375,000	$1.00	February 3, 2013
Warrants	7,750	$1.00	February 3, 2013

a) As at the date of this report, 11,855,297 common shares are held in escrow for a remaining period of 18 months and pursuant to the policies of the TSX-V.

Exploration and Evaluation Expenditures

	Twigg Option	TML Licenses	Total
Balance January 1, 2011	$ 50,930	$ 3,858,079	$ 3,909,009
Effect of foreign currency translation	–	62,547	62,547
Assaying	–	–	–
Geological fees and consulting	–	97,064	97,064
Salaries	–	86,602	86,602
Holding and administrative costs	–	383,727	383,727
Camp site costs and visits	–	38,297	38,297
Maps miscellaneous	–	2,290	2,290
Legal fees	–	16,676	16,676
Balance June 30, 2011	50,930	4,545,282	4,596,212

	Kenya Acquisition
Balance January 1, 2011	$ 793,144
Acquisition	6,595,019
Drilling and exploration	215,262
Legal, professional and misc costs	300,332
Total June 30, 2011	$ 7,903,757

Transition to International Financial Reporting Standards

On January 1, 2011, the Canadian Accounting Standards Board replaced Canadian GAAP with IFRS for publicly accountable enterprises, with a transition date of January 1, 2010. IFRS represents standards and interpretations approved by the IASB and are comprised of IFRSs, IASs, and interpretations issued by IFRICs or the former SICs.

As previously discussed in the Company's MD&A for the year ended December 31, 2010, the Company implemented its conversion from Canadian GAAP to IFRS through a transition plan that involves the following four phases: scoping and planning ("phase 1"); detailed assessment ("phase 2"); operations implementation ("phase 3"); and post implementation ("phase 4"). Phases 1, 2 and 3 were carried out in 2009 and 2010 and phase 4, which involves the maintenance of sustainable IFRS compliant data and processes for fiscal year 2011 and beyond, will be carried out throughout 2011. Management does not anticipate any significant issues with completing phase 4 of its transition plan.

The IASB continues to amend and add to its current IFRS standards and interpretations with several projects underway. Accordingly, the accounting policies adopted by the Company for the Company's first IFRS consolidated financial statements for the year ended December 31, 2011 may differ from the significant accounting policies used in the preparation of the Company's interim consolidated financial statements as at and for the three and six months ended June 30, 2011. The Company has prepared its June 30, 2011 interim consolidated financial statements in accordance with IAS 34, *Interim financial reporting*.

The interim consolidated financial statements for the three and six month periods ended June 30, 2011 were prepared in accordance with IAS 34, *Interim Financial Reporting*. The same accounting policies and methods of computation were followed in the preparation of these interim consolidated financial statements for the three month period ended March 31, 2011. In addition, the interim consolidated financial statements for the three month period ended March 31, 2011 contain certain incremental annual IFRS disclosures not included in the annual financial statements for the year ended December 31, 2010 which were prepared in accordance with previous Canadian GAAP. Accordingly, these interim consolidated financial statements for the three and six month ended June 30, 2011 should be read together with the annual consolidated financial statements for the year ended December 31, 2010 prepared in accordance with previous Canadian GAAP as well as the interim consolidated financial statements for the three month period ended March 31, 2011.

The following summarizes the impact the transition to IFRS had on the Company's at June 30, 2010:

Reconciliation of the Statement of Changes in Equity for the Six Months Ended June 30, 2010:

	Amount	Contributed Surplus	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Reported under Canadian GAAP	$ 3,493,637	$ 3,344,736	$ (2,496,237)	$ (7,833)	$ 4,334,303
Foreign exchange translation	—	—	(7,833)	7,833	—
Reported under IFRS	**$ 3,493,637**	**$ 3,344,736**	**$ (2,504,070)**	**$ —**	**$ 4,334,303**

Functional currency and exchange translation – Functional and presentation currency

Accumulated other comprehensive loss consists of the change in the cumulative translation adjustment. Due to a change in the functional currency of the Company's Mozambique subsidiary (from Canadian dollars under Canadian GAAP to US dollars in accordance with IFRS), the translation of the Mozambique operations and balances that are used to calculate the cumulative translation adjustment are different for IFRS than for Canadian GAAP. As a result, the cumulative translation adjustment and other comprehensive income (loss) are different under IFRS than in accordance with Canadian GAAP.

As at June 30, 2010, the Company recognized a foreign exchange loss of $7,833 due to translating the non-current assets using the current rate method. The adjustment results in a decrease in Accumulated Other Comprehensive Loss and an increase in deficit.

Management's Report On Internal Control Over Financial Reporting

In connection with National Instrument ("NI") 52-109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted on January 1, 2011 for issuers with financial years beginning after January 1, 2011 the Chief Executive Officer and Chief Financial Officer of the Company will file Form 52-109FV2 *Certification of Interim Filings Venture Issuer Basic Certificate* with respect to the financial information contained in the unaudited condensed consolidated interim financial statements and respective accompanying Management's Discussion and Analysis.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

Other Requirements

Additional disclosure of the Company's material change reports, news release and other information can be obtained on SEDAR at www.sedar.com.