FLINDERS RESOURCES LIMITED

(formerly Tasex Capital Limited)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE NINE MONTHS ENDED JULY 31, 2012

Background

This discussion and analysis of financial position and results of operation is prepared as at September 25, 2012 and should be read in conjunction with the unaudited condensed interim financial statements and the accompanying notes for the nine months ended July 31, 2012 of Flinders Resources Limited (*formerly Tasex Capital Limited*) ("Flinders" or the "Company"). The Company has adopted International Financial Reporting Standards ("IFRS") and the following disclosure and associated financial statements are presented in accordance with IFRS. Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis ("MD&A") are quoted in Canadian dollars. Additional information relevant to the Company's activities, can be found on SEDAR at www.sedar.com .

Company Overview and Reverse Acquisition

The Company was incorporated on October 27, 2010 under the Business Corporations Act (British Columbia) as Tasex Capital Limited. On April 29, 2011 the Company filed its final prospectus and, on May 3, 2011, the Company received final receipts for the prospectus and became a reporting issuer in British Columbia and Alberta. On June 8, 2011 the Company completed its initial public offering (the "Offering") and on June 10, 2011 the Company's common shares began trading on the TSX Venture Exchange (the "TSXV") as a capital pool company. On February 22, 2012 the Company changed its name to Flinders Resources Limited in conjunction with the completion of its acquisition as described below. The Company's common shares now trade on the TSXV as a Tier 1 mining issuer under the symbol "FDR". The Company's principal office is located at #1305 - 1090 West Georgia Street, Vancouver, British Columbia, V6E 3V7.

On February 22, 2012 the Company completed the acquisition of Burke Resources Limited ("Burke") (the "Acquisition"), under which the Company issued 17,715,000 common shares to the Burke shareholders. Burke and 0923098 B.C. Ltd., a wholly-owned subsidiary of the Company, then completed an amalgamation to form Flinders Holdings Limited. The Acquisition resulted in the former shareholders of Burke holding the majority interest in the Company and as such has been accounted for in the consolidated financial statements as the continuation of the financial statements of Burke together with an issuance of common shares, equivalent to the common shares held by the former shareholders of Tasex, and a recapitalization of the equity of Burke. The Acquisition was not considered to be a business combination for accounting purposes as Tasex was not considered to be a business for accounting purposes. See also "Results of Operation".

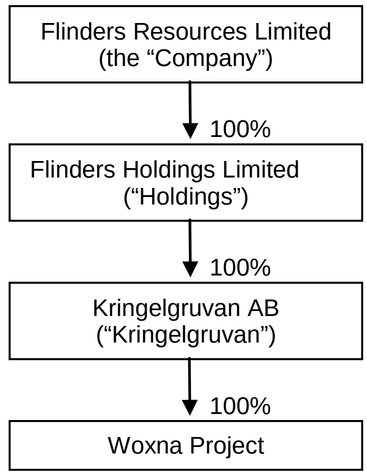
Concurrent with the completion of the Acquisition the Company completed a private placement of 10,400,000 units at a price of $0.50 per unit for gross proceeds of $5,200,000. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of $0.75 per share on or before February 22, 2014.

The Company paid finders' fees consisting of $349,775 cash and the issuance of 699,750 finders' options, with each option exercisable to purchase one common share of the Company and one warrant at a price of $0.50 per option on or before February 22, 2014. Each warrant issued on the exercise of an option will be exercisable to purchase an additional common share at a price of $0.75 per share on or before February 22, 2014.

In April 2012 the Company completed a private placement of 8,823,530 units at a price of $1.70 per unit for gross proceeds of $15,000,001. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at a price of $2.20 per share on or before April 17, 2014.

The Company paid finders' fees consisting of $871,284 cash and the issuance of 512,521 warrants. Each warrant entitles the holder to purchase one common share of the Company at a price of $1.70 per share on or before April 17, 2014.

Corporate Structure



Corporate Update

At the Company's annual general meeting of shareholders ("AGM") held June 1, 2012 Messrs. Martin McFarlane, Michael Hudson, Mark Saxon, Nick DeMare and Robert Atkinson were elected to serve as directors of the Company. At a board of directors meeting held subsequent to the AGM, Mr. McFarlane was appointed President and Chief Executive Officer; Mr. DeMare was appointed Chief Financial Officer and Ms. Mariana Bermudez was appointed as Corporate Secretary. In addition, Messrs. DeMare, Hudson and Atkinson were appointed as members of the Audit Committee.

Woxna Project

The Woxna Project produced flake graphite from 1996 to 2001, when it closed due to depressed graphite prices. Since then the Woxna Project has been held on care and maintenance. The Woxna Project was acquired in August 2011 and since then the Company has been working to bring the property back to the production stage. The Woxna Project comprises four exploitation (mining) concessions located in the vicinity of the town of Edsbyn, northwest of the city of Gavle in Central Sweden. The Woxna Project comprises a partially depleted open pit and associated processing facility on the Kringel concession which had been in production from 1996 to 2001. The other three concessions remain undeveloped. Graphite is developed in distinct zones in silicified metasedimentary and metavolcanic rocks. This type of mineralisation is particularly suited to discovery by electromagnetic geophysical methods. The project area is well placed in terms of infrastructure with supplied grid power and water. Roads give good access to surrounding regional facilities and infrastructure.

The Woxna graphite product is known to the graphite market in Europe and sales of ex-inventory product have continued to the present day. All four mining concessions were drilled by prior operators in the period 1988-1993 and by Flinders in 2012. A NI43-101 compliant resource was announced on September 18, 2012 at the Kringel deposit and significant historical resources exists at the other 3 deposits.

Graphite prices have improved significantly since the mine ceased operations. The Woxna Project is unique due to its strategic position within the European Union and a fully permitted and constructed status as well as being attractive due to its proven ability to produce high grade large flake graphite, long life high grade resource and considerable upside potential. Major assets include:

- The Kringel exploitation concession containing a National Instrument (NI)43-101 Measured and Indicated mineral resource totalling 2.6 million tonnes averaging 10.5% graphitic carbon ("Cg"), when applying a 7% Cg lower cut-off .

- Kringel also hosts a fully permitted constructed mine and beneficiation plant, currently on care on maintenance, which is rated to produce up to 13,000 t/yr graphite. Total historic investment in the plant plus infrastructure is SEK 90 million (approximately Cdn $13 million).
- A valid environmental permit exists for mining and processing of 100,000 t/yr ore at the Kringel ML.
- Three graphite exploitation concessions ("MLs") with combined historic mineral resources over 5.6 Mt @ 8.2% graphitic carbon ("C"). These MLs are namely Gropabo (2.1Mt @ 6.9% C historic mineral resource) located 16 km NW of Kringel, Mattsmyra (2.2Mt @ 8.8% C historic mineral resource) located 13 km NW of Kringel and Mansberg (1.3Mt @ 9.4% C historic mineral resource) located 29 km SE of Kringel.

The NI43-101 resource estimate was completed by qualified and independent geologist, Mr. Geoffrey Reed of Reed Leyton Consultants. A technical report will be available shortly on SEDAR and www.flindersresources.com.

The historical mineral resource estimates quoted are based on reports by independent geologist Lars-Åke Claesson in August 2002. The mineral resource was calculated using a polygonal method and is broadly similar to CIM definitions "indicated" and "inferred". Data is historical in nature and was compiled prior to the implementation of National Instrument 43-101 ("NI 43-101") reporting standards. Flinders has not completed sufficient exploration to verify the estimates. Flinders is not treating them as NI 43-101 defined mineral resources or mineral reserves verified by a Qualified Person, and the historical estimate should not be relied upon. Flinders does not have, and is not aware of, any more recent mineral resource estimates that conform to the standards set out in NI 43-101. The historic resources have been drilled to a nominal depth of 50 m below surface. Graphite mineralization remains open along strike and at depth.

Coffey Mining completed a NI 43-101 compliant technical report on the Woxna Project and the report was filed on SEDAR in January 2012.

Exploitation Concessions

The project consists of four granted exploitation concessions, of which one, at Kringel, has a partially depleted pit and a processing plant under care-and-maintenance. Details as follows:

Property	**Type of Mineral Tenure**	**Area (Ha)**	**Issue Date**
Kringel	Exploitation Concession *(Utmålsprotokol)*	30.7610	September 11, 1991
Gropabo	Exploitation Concession *(Bearbetsningskoncession)*	18.1992	February 21, 2000
Mattsmyra	Exploitation Concession *(Bearbetsningskoncession)*	72.9714	February 20, 2000
Månsberg	Exploitation Concession *(Bearbetsningskoncession)*	24.7700	December 16, 1999
Total		**146.7**	

Geology and Mineralization

Graphite is an accessory mineral that occurs as laminated aggregates dispersed through schistose and siliceous metamorphic rocks. Graphite is an opaque mineral with six-sided form and crystallises in the hexagonal system with a rhombohedral symmetry. It has a perfect basal cleavage and thus presents as flat flakes. These have a metallic lustre. Graphite is found as both flakes (>70µm) and a finer-grained, amorphous, microcrystalline type. Graphite has a dark streak and is visually obvious in core. At the Woxna Project, graphite is developed in Paleoproterozoic age high-grade metasedimentary and metavolcanic lithologies that have been subjected to high intensive ductile deformation and later brittle faulting. These subcrop beneath a blanket of Quaternary age moraine deposits. The graphite and minor associated pyrrhotite are excellent conductors and thus allow for prospecting using geophysical methods.

Exploration Status

All four concessions have had detailed geophysical exploration completed and all have diamond drilling to some degree. The Kringel deposit has been drilled to 150m depth with most drilling less than 100m depth. The remaining 3 concessions have been drilled to approximately 50m below surface. Drilling was completed in the period 1988-1993 and more recently in 2012. The NI43-101 resource utilises data from both periods while the historical resource estimates date back to the earlier period. Flinders intention is to progressively upgrade the historical resources to NI43-101 compliance and extend known mineralisation along strike and down dip. Gropabo and Mattsmyra require limited infill drilling and some down-dip drilling to extend the known extents of the graphite mineralisation. At Månsberg, infill, down-dip and extensional drilling is required to extend the known extent of mineralisation. Månsberg has only been drilled over a very limited strike length.

Seven exploration permits totalling 679 hectares were issued in late April and early May 2012 covering areas along strike from the Company's four mining leases. Additional exploration permits for 2759 hectares covering areas prospective for the Woxna graphite trend have been applied for but not granted. Flinders has been confirmed by the Mining Inspectorate of Sweden to hold priority for these application areas.

Historical Resources

The project has historical resource on 3 concessions. Further drilling would be required to upgrade or verify the historical resource estimates as current mineral resources or reserves. A qualified person has not done sufficient work to classify the historical estimates as current mineral resources or reserves. The issuer is not treating the historical estimates as current mineral resources or reserves.

Tenement	**Classification****	**Tonnes (Mt)**	**Grade C (%)**	**Cutoff (%)**	**Date**
Gropabo	Indicated	2.08	6.89	7	1991
Mattsmyra	Indicated	2.17	8.77	7	1992
Månsberg	Inferred	1.35	9.44	7	1993
Total		**5.60**	**8.23**		**2002**

* Disclosed as historical resources as provided for in Part 2 of the Companion Policy to NI 43-101

** Foreign resource as provided for in Part 2 of the Companion Policy to NI 43-101

Metallurgy and Processing

The plant equipment is made up of conventional processing units (i.e., crushing, screening, milling, froth flotation, thickening, and filtration), mainly of 1990s vintage. The plant has operated well mechanically but at lower than design availability and utilisation levels. Subsequent to the 2001 shutdown, the plant was started up for limited periods and was, and is, operating to fulfil ex-inventory orders. The crushing component of the plant, which belonged to the mining contractor, will need to be re-established. Work is ongoing on an assessment of the existing processing units and on the required upgrades.

Environmental and Tailing Disposal

There are a number of environmental matters at the Woxna Project that will need to be dealt with prior to resumption of operations. The items to be dealt with include surface and groundwater contamination associated with the mine and associated infrastructure and the need for the creation of additional tailings storage capacity. Additional storage has however already been permitted up an adjacent valley.

Recommendations and Conclusions

To return the project into production and develop the adjacent properties to add to future potential production, an exploration and development program has been recommended that encompasses:

- re-statement and rework of the historical resource to NI 43-101 standard;
- survey of the Kringelgruvan pit and tailings facility, preferably by airborne laser methods, to provide a current surface for all future planning purposes;
- cut-back on the Kringelgruvan pit to access mineralisation for any new mining operation;
- a diamond drilling program at Kringelgruvan to delineate further mineralisation to the west of the current pit and offices;
- an engineering design on the existing tailings facility that encompasses a raise of the walls or extension to the current facility, combined with water quality and management controls;

- limited exploration programs at Gropabo and Mattsmyra to develop the mineralisation and a bulk sample programme at Gropabo to test product specification and development through the Kringelgruvan processing plant; exploration should also focus in testing mineralisation to depths greater than the current -50m below surface;
- extensive exploration programmes at Månsberg, to develop the mineralisation to its full extent, should also focus on testing mineralisation to depths greater than the current -50m below surface;
- refurbishment of the Kringelgruvan processing plant, in particular the "front end", which requires new crushing capability; and
- further development work on the beneficiation of graphite product to a >95% C specification; where Scoping studies had been completed but an issued Environmental Permit has now expired.

Current Work

The Company continues to advance its plans to restart production at the Woxna Project. The major focus of work has been:

- to reclassify the Kringel historic graphite resource estimate of 1.3 million tonnes grading 11.3% C to current NI 43-101 standards and test for extensions of the deposit below 50 metres and along strike. As of September 18, 2012, the drilling had been completed, all assay results received and a measured and inferred resource estimate of 2.6 million tonnes at 10.5% graphite calculated and announced. Drilling has verified that graphite mineralization shows continuity of width and grade along strike and down dip and is consistent with historical data. Additionally, drilling has extended known mineralization to 150 metres depth and new graphite zones have been identified parallel to and down dip from known mineralization.

  The NI43-101 resource estimate was completed by qualified and independent geologist, Mr. Geoffrey Reed of Reed Leyton Consultants. A technical report will be available shortly on SEDAR and www.flindersresources.com.

  The mineral resource estimate was calculated using Maptek's Vulcan software based on the following geological and resource modelling parameters:

  - Ninety of 92 diamond drill holes for 6,581m drilled at Kringel from 1988, 1989 and 2012 were included in the current mineral resource estimation.
  - Hole spacing was completed on a 50 metre by 50 metre drill pattern.
  - The analytical method used to assay Cg in drill core was Leco-direct combustion and infrared absorption. Samples were prepared by ALS Chemex in Pitea Sweden and assayed in Vancouver Canada by method code C-IR06. Drill holes were sampled over 1 metre intervals. Duplicates, repeats and blanks were inserted according to standard industry practice.
  - A specific gravity of 2.7 was calculated by traditional methods by Flinders staff in consultation with Mr. Geoffrey Reed.
  - Grade interpolation was undertaken using inverse distance defined by the domain wireframes.
  - The allocations of composites were calculated using a hard boundary at the domain wireframes. Composites of the drill hole assays are generated using Maptek Vulcan software with run lengths of 1 metre.
  - Parent block size was 5m x 25m x 5m with sub blocks at 1m x 5m x 1m, with the mineralization limited to 5m X 25m x 5m.
  - Grade interpolation was undertaken using inverse distance defined by the domain wireframes. The allocations of composites were calculated using a hard boundary at the domain wireframes.
  - No minimum width was applied.
  - No assumptions were made as to future mining methods, dimensions or dilution.
  - No assumptions were made as to the metallurgical behaviour of mineralization.

- geotechnical, hydrology, geophysical, geochemical, flora and fauna studies have all been initiated or completed at the Kringel site. Information from these studies will provide baseline data to assess the impact of future operations, enable the proper design of waste rock dumps, ensure suitable environmental controls are established and allow evaluation of options to upgrade the water management and tailings storage facilities. Preliminary designs to increase the height of the lower tailings dam wall have been prepared and material quantities estimated. Communication with the regulator of these designs is in progress as is sourcing of contractor quotes;

- pumping out water that has accumulated in the pit from precipitation since mining was halted in 2001 has commenced after the water was treated to ensure it exceeds the permit conditions for discharge

- marketing engagement with potential customers. Initial feedback is that the European graphite market mainly operates on a spot sale basis rather than long term off take contracts. The Woxna graphite brand which was sold until production ceased in 2001 invokes positive recognition with customers. This was verified via recent sales of graphite that was stockpiled at Kringel when production ceased in 2001. Reprocessing of the remaining inventory of stored graphite is underway;

- assessment of the Kringel processing plant to establish requirements and costs to refurbish and upgrade the facility for restarting production. Two 500kg mineralised samples typical of the Kringel deposit were mined and sent to Metso for crushing and grinding testwork to optimise operating parameters for the plant. Results are yet to be received;

- recruit employees and consultants to maintain and advance the project including the key appointment of the general manager, Craig Griffiths, who commences on October 17, 2012; and

- undertaken a substantial stakeholder engagement program with the community and regulators.

Inventory of Graphite

The Woxna assets acquired also included inventory of graphite. This graphite had been produced prior to the shutdown of the mine, however being lower grade product was considered unsaleable in the depressed graphite markets at that time. Since acquiring Woxna in August 2011, the Company initiated a program to upgrade the graphite stockpile and market this production to European consumers. A portion of the processing plant was started up to clean, sort and pack the graphite. The Company has identified customers for this graphite. Benefits of upgrading and selling this graphite include cleaning up the Kringel site, confirmation that the sections of the processing plant can be successfully restarted with minimal effort and confirmation that graphite markets are considerably improved when compared to a decade ago. A small quantity, estimated at 500 tonnes, remains to be reprocessed and sold. Reprocessing resumed in July and will be completed this year.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to: (i) the historical mineral resources; (ii) the registration of the concessions comprising the Woxna Project; (iii) the market and future price of graphite; (iv) the timing, cost and success of future exploration activities, including, but not limited to, the Company's proposed work program; (v) currency fluctuations; (vi) requirements for additional capital; and (vii) changes in mineral resource estimates. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. The Company disclaims any obligation or intention to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Selected Financial Data

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements of the Company prepared in accordance with IFRS.

	Fiscal 2012			Fiscal 2011		
	Three Months Ended July 31, 2012 $	Three Months Ended April 30, 2012 $	Three Months Ended January 31, 2012 $	Three Months Ended October 31, 2011 $	Three Months Ended July 31, 2011 $	Period From February 17, 2011 to April 30, 2011 $
Operations						
Expenses	(499,204)	(1,090,055)	(276,492)	(785,995)	(61,145)	(14,063)
Other items	46,739	(3,417,102)	(9,895)	(658)	Nil	Nil
Net loss	(452,465)	(4,507,157)	(286,387)	(786,653)	(61,145)	(14,063)
Basic and diluted loss per share	(0.01)	(0.14)	(0.05)	(0.10)	(0.04)	(7,031.50)
Dividends per share	Nil	Nil	Nil	Nil	Nil	Nil
Balance Sheet						
Working capital	17,768,914	18,640,291	547,116	950,032	374,792	7,063
Total assets	26,620,560	26,422,853	7,751,537	7,750,181	449,792	307,937
Total non-current liabilities	(5,459,285)	(5,418,841)	(5,392,294)	(5,157,819)	Nil	Nil

Results of Operations

The Acquisition resulted in the former shareholders of Burke holding the majority interest in the Company. The Acquisition is not considered to be a business combination for accounting purposes as Tasex is not considered to be a business for accounting purposes. The Acquisition has been accounted for in the consolidated financial statements as the continuation of the financial statements of Burke together with an issuance of common shares, equivalent to the common shares held by the former shareholders of Tasex, and a recapitalization of the equity of Burke. Fair value was based on the latest trading price of Tasex's shares before the control was transferred. In accounting for this transaction:

(i) Burke was deemed to be the parent company for accounting purposes. Accordingly, its net assets were included in the consolidated balance sheets at their historical book value; and

(ii) control of the net assets of Tasex was acquired on the Effective Date. The consideration of $3,475,000 was allocated to the identifiable assets and liabilities as follows: $118,088 to cash, $18,527 to amounts receivable, $62,970 to prepaid expenses, $139,436 to accounts payable and accrued liabilities and $3,414,851 was expensed as a public company listing expense.

The net assets and liabilities of Tasex were recorded at their fair values, as follows:

	$
Cash	118,088
Amounts receivable	18,527
Prepaid expenses	62,970
Accounts payable and accrued liabilities	(139,436)
Net assets acquired	60,149

During the nine months ended July 31, 2012 (the "2012 period") the Company reported a net loss of $5,246,009 compared to a net loss of $75,209 during the period February 17, 2011 (date of incorporation) to July 31, 2011 (the "2011 period"). The increase in loss reflects the Company's ongoing costs in the 2012 period as a publicly listed company and for costs attributed to the Acquisition, whereas, in the 2011 period the Company was still a private stage company which was in the process of acquiring Kringelgruvan AB.

Specific general and administrative expenses of note during the 2012 period are as follows:

- incurred $29,300 (2011 - $800) for accounting and administration services charged by Chase Management Ltd. (‘Chase”), a private corporation controlled by a director of the Company;
- incurred $40,279 (2011 - $2,663) for legal fees relating to the Acquisition;
- recorded $685,525 share-based compensation expense relating to the granting and vesting of share options;
- recorded $26,391 for accretion expense associated with the discounting of the Company’s provision for site restoration;
- recorded $34,443 for interest expense associated with the discounting of the Company’s property acquisition obligation;
- incurred consulting fees of $190,993 of which $104,500 was paid to Mr. Martin McFarlane, the Company’s President and CEO and $24,698 was paid to consultants in Sweden;
- incurred corporate development expenses of $68,409 for attendance at investment conferences and creation of market awareness programs;
- incurred $52,333 for investor relations activities provided by Albis Capital Corp (“Albis”). Under the contract, Albis is paid a monthly fee of $10,000;
- incurred $82,539 for repairs and maintenance and $119,300 for utilities for the ongoing care and maintenance of the Kringelgruvan Mine;
- incurred salaries and benefits expense of $153,206 for staff in the mining office in Sweden; and
- incurred travel expense of $187,382 for ongoing travel by Company management, personnel and geologists to oversee the Company’s exploration programs and for general corporate activities.

In addition, the Company recorded a public company listing expense of $3,414,851 on completion of the Acquisition. This non-cash amount was recorded based on the IFRS requirement to ascribe a fair value of $3,475,000 to shares for the Acquisition.

During the 2012 period the Company completed financings of 19,223,530 common shares for gross proceeds of $20,200,001. See “Company Overview and Reverse Acquisition” for more details of the financing. In addition the Company received proceeds of $694,000 on the exercise of 1,050,000 share options, 500,000 warrants and 100,000 agent’s warrants.

As the Company is in the exploration stage of investigating and evaluating its unproven mineral interests, it has no revenue. Interest income is generated from cash on deposit with the Bank of Montreal and short-term money market instruments issued by major financial institutions. During the 2012 period the Company reported interest and other income of $74,493.

During the 2012 period the Company recorded a total of $910,635 on acquisition costs and exploration activities on its unproven mineral interests, of which $655,533 was for exploration, $5,622 for tenement costs and $249,480 as a result of revisions to the estimate of the Company’s asset retirement obligations on the Woxna Project. Details of the exploration activities conducted during the 2012 period are described in “Woxna Project” in this MD&A.

Financial Condition / Capital Resources

As at July 31, 2012 the Company had working capital of $17,768,914, non-current liabilities of $5,459,285 and an accumulated deficit of $6,107,870. Based on current information the Company estimates that it has adequate funding in place to complete the development of the Woxna Graphite Mine. However, if development cost estimates were to change the Company may require additional financing. The Company’s ability to continue as a going concern may be dependent upon the ability of the Company to obtain necessary financing to develop its properties and to establish future profitable production. The Company’s operations are funded from equity financings which are dependent upon many external factors and may be difficult to impossible to secure or raise when required. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

There are no proposed transactions.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Examples of significant estimates made by management include estimating the fair values of financial instruments, valuation allowances for deferred income tax assets and assumptions used for share-based compensation. Actual results may differ from those estimates.

A detailed summary of all the Company's significant accounting policies is included in Note 3 to the April 30, 2012 condensed interim consolidated financial statements.

Changes in Accounting Policies

There are no changes in accounting policies.

Related Party Transactions and Balances

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Certain of these entities transacted with the Company during the reporting period.

(a) *Transactions with Key Management Personnel*

During the nine months ended July 31, 2012 the Company incurred $104,500 (2011 - $nil) for consulting services and recorded $36,000 (2011 - $nil) share-based compensation to the President of the Company.

The Company also recorded $18,000 (2011 - $nil) of share-based compensation to the Chief Financial Officer ("CFO") of the Company and incurred $29,300 (2011 - $800) to Chase Management Ltd. ("Chase"), a corporation owned by the CFO, for accounting and administrative services provided by Chase personnel exclusive of the CFO.

As at July 31, 2012, $24,000 (2011 - $nil) remained unpaid and has been included in accounts payable and accrued liabilities.

(b) *Transactions with other Related Parties*

During the nine months ended July 31, 2012 and 2011 the following amounts were incurred with respect to the other officer and directors of the Company:

	2012 **$**	**2011** **$**
Health benefits	659	-
Share-based compensation	61,200	-
	63,416	-

(c) During the nine months ended July 31, 2012 the Company incurred $29,540 for shared office personnel and other costs to two public companies with certain directors in common

As at July 31, 2012, $27,223 remained unpaid and has been included in accounts payable and accrued liabilities.

(d) During the nine months ended July 31, 2012 a director of the Company acquired 41,600 common shares of a private placement. During the period ended July 11, 2011 certain directors, officers and family members acquired 2,146,000 common shares of a private placement.

Investor Relations Activities

Effective February 23, 2012 the Company engaged Albis Capital Corp. ("Albis") to act as investor relations consultants to the Company. The principal of Albis is Mr. James Powell. Albis works with the Company to, among other things, develop a strategy to enhance and expand the Company's exposure in North America and Europe, provide market awareness, promotion and arrange road shows. Under the contract, Albis is paid a monthly fee of $10,000 and received share options to purchase up to 150,000 common shares of the Company at a price of $0.50 per common share for a period of three years subject to achieving certain performance targets. During the nine months ended July 31, 2012 the Company paid Albis $52,333.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares without par value. As at September 25, 2012, there were 45,873,530 issued and outstanding common shares, 2,415,000 share options outstanding at an exercise prices ranging from $0.10 to $1.91 per share, 699,750 finder's options outstanding at an exercise price of $0.50 per share and 14,841,487 warrants at exercise prices ranging from $0.30 to $2.20 per share.