CANTERRA MINERALS CORPORATION

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - FORM 51-102F

For the three months ended March 31, 2012

This Management's Discussion and Analysis ("MD&A") reviews the activities of Canterra Minerals Corporation ("Canterra", or the "Company") and compares the financial results for the three-month period ended March 31, 2012 (the "first quarter 2012") with the comparable period in 2011 (the "first quarter 2011"). This MD&A should be read in conjunction with the unaudited condensed consolidated financial statements for the first quarter 2012 and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2011 and the MD&As for all relevant periods, copies of which are filed under the Company's profile on the SEDAR website, www.sedar.com.

The Company's head office and principal address is 1410 - 650 West Georgia Street, Vancouver, British Columbia, Canada, V6B 4N8. The Company's registered and records office is 2300 - 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 2B5.

The Company's functional currency is the Canadian dollar.

The information in this MD&A is provided as of the date of this MD&A, May 17, 2012 (the "Report Date").

DESCRIPTION AND OVERVIEW OF BUSINESS

The Company is a resource exploration company focused on the exploration of precious metal properties in Canada, the United States and Mexico. The Company was incorporated as 580312 B.C. Ltd. in British Columbia on February 18, 1999 and adopted the name "Diamondex Resources Ltd." on March 23, 1999. The Company adopted its present name on December 9, 2009, in connection with the business combination of Diamondex and Triex Minerals Corporation ("Triex") on December 11, 2009.

Historically, the Company explored for diamonds on properties located in Nunavut and the Northwest Territories, and more recently, in northern Ontario and Alberta. However, declining investor interest in the junior diamond exploration sector became apparent in the latter half of 2007, prompting the Company to broaden its exploration activities in late 2007 and early 2008. At that time the Company assembled a large number of mining claims protecting over 400,000 acres in the James Bay Lowlands of northern Ontario, a region that is believed to be highly prospective for base metals, including nickel deposits (the "Nickel Bay property"). In December 2009, as the result of the acquisition of Triex, the Company acquired a number of uranium exploration properties located primarily in Saskatchewan and Nunavut.

As investor interest in the junior diamond and uranium sectors remained subdued throughout 2011, the Company has kept the focus of its exploration efforts on evaluating opportunities to acquire mineral properties with potential to host precious metal deposits. Five properties acquired in the Superior Structural Province in northwestern Ontario by staking in the first quarter 2011 were added to the three properties acquired there in 2010. Starting late in the third quarter 2011, the Company broadened its evaluation activities to include examining property submittals for precious metals deposits elsewhere n Canada, the United States and Mexico.

The Company's diamond and uranium exploration properties, other than for the Buffalo Hills joint venture ("BHJV") diamond exploration project in central Alberta, will continue to be carried on a "care and maintenance" basis until there is evidence of renewed investor interest in funding exploration of diamond and uranium prospects.

Since its formation in 1999, the Company has incurred losses of approximately $69.5 million. As noted in Note 1 to the consolidated financial statements for the first quarter 2012, the continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future and repay its liabilities arising from normal business operations as they become due.

In December 2011, Canterra closed a private placement of units for gross proceeds of approximately $1,973,000. It had approximately $1.32 million in working capital at March 31, 2012.

PRIMARY ASSETS OF THE COMPANY

The Company's core assets are the exploration rights to its mineral properties. These rights are held by means of claims located by staking and prospecting permits or leases issued by government departments for prospecting and exploration purposes. In several instances, the mineral rights are held under Purchase Option Agreements. Such agreements typically require the Company to make cash payments, share issuances and incur exploration expenditures on multi-year schedules as set forth in each agreement.

In the aggregate, the Company's property holdings at the Report Date encompass approximately 408,512 hectares. The geographic distribution of the Company's property holdings are set forth in the following table:

Jurisdiction	Hectares
Alberta	314,199
Nunavut & Northwest Territories	12,947
Ontario	21,392
Saskatchewan	60,423
	408,512

During the winter of 2007/2008, the Company carried out a major staking campaign and acquired mineral rights to more than 414,000 acres in the emerging "Ring of Fire" region in the James Bay Lowlands area. Several airborne geophysical surveys were carried out to identify anomalies, which allowed the Company to reduce its claim holdings to approximately 21,000 hectares covering the more promising anomalies identified during the surveys.

The Company's acquisition of Triex in December 2009 resulted in the Company acquiring additional mineral properties in Nunavut and Saskatchewan. This acquisition also broadened the Company's commodity portfolio, as Triex was exploring for uranium.

Property Acquisition and Deferred Exploration Expenditures

The Company's accounting policies are to defer (i.e., capitalize) the expenditures incurred in exploring its mineral properties. Exploration expenditures in the first quarter 2012 were $36,456, a modest amount owing to the fact there was no field work in progress during the winter field season.

Project Generation

Late in the third quarter 2011, the Company began actively investigating other mineral property acquisition opportunities in various locations in North America, emphasizing high-grade gold-silver, disseminated gold-copper and high grade silver-lead-zinc deposits. Properties that have been reviewed are situated in the greenstone belts of Ontario and Quebec, the Tintina Gold Belt of Alaska and the prolific Sierra Madre Occidental region of Mexico. The precious metal properties that have been examined are epithermal and mesothermal vein type occurrences.

Recent new multi-million ounce gold discoveries in Ontario such as Rainy River, and Hammond Reef are of particular interest and a number of property submittals from the "new discovery" areas have been reviewed.

The Company has also reviewed a number of epithermal gold-silver submittals from central Mexico. The Sierra Madre Occidental ("SMO") region is host to a multitude of large gold-silver deposits including: Metates - 17 million ounces of gold ("m oz Au"), 460 million ounces of silver ("m oz Ag"); Camino Rojo - 4 m oz Au, 68 m oz Ag; Cerro San Pedro -4 m oz Au, 130 m oz Ag; La Cienega - 2 m oz Au, 50 m oz Ag; El Sauzal - 2 m oz Au and Tayoltita - 11 m oz Au, 500 m oz Ag, among others. Epithermal prospects are prolific throughout the SMO region, many of which have not been tested using modern exploration techniques.

High-grade silver-lead-zinc ("Ag-Pb-Zn") prospects are characteristic of specific regions in Mexico. The Durango-Zacatecas Silver Trend is host to several world class silver deposits including San Martin, Fresnillo, La Pitarrilla, and Zacatecas. These are multi-million ounce silver deposits carrying significant values in lead and zinc and occasionally gold. GoldCorp's Penasquito Mine (18 m oz Au, 882 m oz Ag) is located adjacent to the Silver Trend and demonstrates the possibility of discovering world class gold–silver deposits in the area as well. The Ag-Pb-Zn deposits are generally complex bodies and are characterized by veins, breccias, breccia chimneys, mantos, and skarns.

Management is prioritizing the property submittals with a view to negotiating options to acquire an interest in one or more of the properties that have been evaluated.

Buffalo Hills Property, Alberta

- Located in north central Alberta, centered approximately 120 kilometres northeast of Peace River and 400 kilometres northwest of Edmonton
- In early 2010, 13 drill holes for an aggregate of 1,510 metres were completed on the K5, K6 and K91 kimberlites
- Cumulative net deferred exploration expenditures incurred by the Company through March 31, 2012 total $3,525,584.

The Company and Shore Gold acquired their respective BHJV interests by purchasing the joint venture interests of Ashton Diamonds and Burnstone Ventures. The combination of the interests purchased from Ashton and Burnstone brought the interest of the Company and Shore Gold in the BHJV to approximately 33% each. EnCana Corporation holds a 34% interest. Canterra is the Operator of the BHJV.

Between 1997 and 2003 the BHJV discovered 38 kimberlites within the project area and in addition, collected bulk samples of 20 tonnes or more from five pipes. The largest of these samples, totaling 479 tonnes, was collected from the K14 pipe and yielded a grade of 0.12 carats per tonne. The current evaluation efforts are focused on the identification of kimberlite pipes suitable for development into advanced projects and on the identification of priority geophysical targets which could lead to new discoveries.

The primary objective of Canterra and Shore Gold since acquiring control of the BHJV has been to drill the K5, K6, K14, K91 and K252 pipes with sufficient density to allow for the identification of the different kimberlite phases present, as this knowledge will facilitate construction of accurate geologic models. Ultimately, this work will aid in the identification of those kimberlites that warrant bulk sampling in subsequent field programs.

At March 31, 2012, a total of [314,199] hectares were protected by Permits and Leases. The BHJV land package includes 21 Mineral Leases which now protect 31 kimberlites totalling 4,987 hectares. Annual rent for Mineral Leases is $3.50 per hectare.

Nickel Bay Property, Ontario

The Company owns a 100% interest in the Nickel Bay property, subject to a 1.5% NSR. Canterra has the right to purchase up to a cumulative two-thirds of the NSR by making three payments totaling $2,500,000. Cumulative expenditures on the Nickel Bay property, net of option payments, have totaled approximately $2,609,000.

Uranium Markets

The destruction of the Fukushima nuclear power plant and release of radioactive particles into the atmosphere and marine environments following the large earthquake and tsunami off northern Japan on March 11, 2011 rekindled public concern about the safety of nuclear reactors. The impact on uranium markets was felt immediately, with the market capitalization of many of the junior companies in the uranium exploration sector dropping by 25% to 50% over the following days. By contrast, the decline in the price of U_3O_8 was less severe, dropping from about US$70.00 per pound before the earthquake to a low of just under US$50.00 per pound in late August 2011. Since that time, uranium prices have traded in a narrow range of about $2.00 – 3.00 per pound either side of US$52.50 per pound of U_3O_8. At the Report Date, the price was $51.75 per pound of U_3O_8.

Several European governments have announced plans to phase out their nuclear power plants. Noticeably absent from the list is France, where over 70% of the country's electricity in generated by such plants. Moreover, most developing countries, which represent the real growth potential for nuclear power, continue to expand their nuclear generating capacity. As a result, the outlook is for demand for U_3O_8 to continue to outstrip new mine production. With above ground inventories having been largely run-down over the past several years, concern about the availability of U_3O_8 supplies will continue to support higher prices. As this situation becomes more widely known, it is thought that investors will once again be seeking investment opportunities in the uranium exploration sector. Moreover, with a cash offer of US$642 million, Rio Tinto PLC successfully outbid Cameco Corp. and acquired Hathor Exploration Ltd. and its flagship Roughrider uranium property in the Athabasca Basin, Saskatchewan in January 2012. The bidding war between Cameco and Rio Tinto is evidence that the major producers are confident that demand for U_3O_8 will remain robust.

The uranium exploration properties the Company acquired in the transaction with Triex are, with the exception of the Mountain Lake deposit in Nunavut, at an early stage of exploration. Information on the individual properties is presented in the MD&A for the year ended December 31, 2009, a copy of which is filed under the Company's profile on the SEDAR website. Due to the relatively complex geology of the target areas for the properties in the Athabasca Basin, Saskatchewan, exploring these properties will require a significant investment of technical and financial resources. Management has concluded that the Company's uranium exploration projects would be better suited for evaluation by more senior companies. Accordingly, the Company will endeavour to negotiate option agreements whereby other parties take on the obligation and expense of further exploration on these properties.

RESULTS OF OPERATIONS

The Company is in the business of exploring for, and where warranted, developing mineral deposits. During the first ten years following its formation, the emphasis was on diamond exploration. Several years ago, the Company broadened its exploration to include base metal properties in the James Bay Lowlands, seeking principally nickel mineralization. The Company added uranium to its portfolio of exploration properties upon acquiring Triex in December 2009 and subsequently acquired several exploration properties in northwestern Ontario prospective for gold deposits. More recently, Canterra has begun evaluating epithermal and mesothermal vein type gold/silver properties.

The Company has no producing properties, and consequently no sales or revenues.

For the three months ended March 31, 2012

In the period, the Company recorded a loss of $135,305 (2011 - $298,626).

Expenses in the current three month period amounted to $138,069 (2011 - $243,208). All categories of expense other than travel were lower in the current period, as the Company's activities were concentrated on reviewing property submittals and there was no field work carried out during the quarter.

Summary of Quarterly Results

The following table summarizes information derived from the Company's financial statements for each of the eight most recently completed quarters.

Year:	2012	2011	2011	2011	2011	2010	2010	2010
Quarter Ended:	Mar. 31	Dec. 31	Sep. 30	June 30	Mar. 31	Dec. 31	Sep. 30	June 30
Net sales or total revenue	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil
Income (loss) from continuing operations:								
(i) in total (000s)	$(135)	$(602)	$(147)	$(136)	$(299)	$(40,726)	$(247)	$(414)
(ii) per share[(1)]	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$(1.16)	$(0.01)	$(0.01)
Net income (loss):								
(i) in total (000s)	$(135)	$(602)	$(147)	$(136)	$(299)	$(40,726)	$(247)	$(414)
(ii) per share[(1)]	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$(0.01)	$($1.16)	$(0.01)	$(0.01)

(1) Fully diluted loss per share amounts are not shown as they would be anti-dilutive.

While the information set out in the foregoing table is mandated by *National Instrument 51-102,* it is management's view that the variations in financial results that occur from quarter to quarter are not particularly helpful in analyzing the Company's performance. It is in the nature of the business of junior exploration companies that unless they sell a mineral interest for a sum greater than the costs incurred in acquiring such interest, they have no significant net sales or total revenue. Because the majority of their expenditures consist of exploration costs that are capitalized, exploration companies' quarterly losses usually result from expenses that are of a general and administrative nature.

Significant variances in the Company's reported loss from quarter to quarter most commonly arise from several factors that are difficult to anticipate in advance or to predict from past results. These factors include: (i) decisions to write off deferred exploration costs when management concludes there has been an impairment in the carrying value of a mineral property, or the property is abandoned, and (ii) the vesting of incentive stock options, which results in the recording of amounts for share-based compensation expense that can be quite large in relation to other general and administrative expenses incurred in any given quarter.

The increase in the fourth quarter 2011 loss to $602,000 was largely due to a write-off of approximately $472,000 of mineral property costs on properties that were dropped during the quarter.

The increase in the fourth quarter 2010 loss to $40,726,000 was due to write-offs of approximately $6,950,000 and $31,716,000 of mineral property acquisition costs and deferred exploration costs, respectively.

The increase in the second quarter 2010 loss to $414,000 arose from the recording of share-based compensation expense incurred due to the vesting of 947,500 stock options granted in that quarter.

Financing Activities

The Company did not complete any equity financings during the first quarter 2012.

During the fourth quarter 2011, the Company completed a private placement of 13,153,266 units at a price of $0.15 per unit for total proceeds of $1,972,990. Each unit consisted of one common share and one share purchase warrant to purchase one additional common share at a price of $0.25 until June 21, 2013. The expiry date may be accelerated in the event that the Company's common shares trade at a closing price of greater than $0.50 per share during any twenty consecutive trading-day period at any time after the expiry of four months from December 13, 2011. In connection with the financing, the Company paid finders' fees at a rate of 6% in cash and 6% in warrants on those subscriptions made by investors introduced to the Company. A total of $67,529.39 in cash and an aggregate of 450,196 warrants were paid pursuant to this arrangement. The warrants issued to the finders had terms identical to those applicable to the warrants issued to subscribers.

During the twelve months ended December 31, 2011, the Company borrowed and repaid a $125,000 unsecured non-interest bearing loan from a related party.

Investing Activities

During the first quarter 2012, the Company's cash flow used in investing activities amounted to $Nil (2011 - $159,833) for property acquisition costs and $134,151 (2011 - $Nil) for exploration on its mineral properties.

Refunds of exploration deposits received in the first quarter 2012 amounted to $Nil (2011 - $137,919). Refunds of exploration deposits arise when expenditures on specific properties exceed the amounts stipulated in the exploration permits for such properties.

Transactions with Related Parties

Key Management Personnel

Key management personnel includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of executive and non-executive members of the Company's Board of Directors and corporate officers, including the Company's Chief Executive Officer and Chief Financial Officer.

The Company entered into the following transactions with related parties and key management personnel during the period ended March 31, 2012:

a) Paid or accrued $15,000 (2011 - $Nil) to Independence Gold Corp., a company with common directors.

b) Paid or accrued wages included in wages and benefits of $7,500 (2011 - $Nil) to Independence Gold Corp., a company with common directors.

b) Paid or accrued management fees of $Nil (2011 - $21,250) to Rand Explorations Ltd., a company controlled by Randy C. Turner, an officer of the Company.

c) Paid or accrued geological consulting fees included in mineral properties of $Nil (2011 - $3,750) to Rand Explorations Ltd.

d) Paid or accrued consulting fees included in management fees of $2,352 (2011 - $1,369) to Adera Company Management Inc., a management company controlled by J. Christopher Mitchell, an officer of the Company.

e) Paid or accrued wages included in wages and benefits of $Nil (2011 - $25,000) to David Clarke, the former President of the Company.

f) Paid or accrued wages included in mineral properties of $Nil (2011 - $25,000) to David Clarke, the former President of the Company.

Included in receivables at March 31, 2012 is $7,743 (2011 - $51,823) due from companies with common directors.

Included in accounts payable and accrued liabilities at March 31, 2012 is $29,474 (2011 - $39,926) due to companies controlled by directors and officers.

LIQUIDITY AND CAPITAL RESOURCES

The Company has no operations that generate cash flow. The Company's future financial success will depend on the discovery of one or more economic mineral deposits. This process can take many years, can consume significant resources and is largely based on factors that are beyond the control of the Company and its management.

To date, the Company has financed its activities by the private placement of equity securities, consisting of a combination of flow-through and non-flow-through securities, as well as option payments received on properties it has optioned to third parties. In order to continue funding their exploration activities and corporate costs, exploration companies are usually reliant on their ongoing ability to raise financing through the sale of equity. This is dependent on positive investor sentiment, which in turn is influenced by a positive climate for the commodities that are being explored for, a company's track record, and the experience and caliber of a company's management. There is no assurance that equity funding will be accessible to the Company at the times and in the amounts required to fund the Company's activities.

Cash and Financial Condition

The Company had $1,320,102 in working capital at March 31, 2012 (December 31, 2011 - $1,482,689). The Company continues to monitor its operating costs closely, to ensure that no non-essential expenditures are incurred.

While the private placement financing completed in December 2011 addressed the Company's immediate working capital requirements, going forward, additional funds will be needed to finance any significant exploration of the Company's properties and to provide working capital to cover administrative expenses. The form of such funding could be an equity financing or the sale of an interest in one or more of its properties.

The Company has no debt, does not have any unused lines of credit or other arrangements in place to borrow funds, and has no off-balance sheet arrangements. The Company has no current plans to use debt financing and does not use hedges or other financial derivatives.

The Company manages its liquidity risk (i.e., the risk that it will not be able to meet its obligations as they become due) by forecasting cash flows from operations together with its investing and financing activities. Expenditures are adjusted to ensure liabilities can be funded as they become due. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

Financial Instruments

The Company classifies its financial assets into four categories: (i) fair value through profit or loss, (ii) loans and receivables; (iii) held-to-maturity investments, and (iv) available-for-sale. All financial assets other than those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and such event(s) has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

The Company classifies its financial liabilities into one of two categories: (i) fair value through profit or loss, and (ii) other financial liabilities.

Further information regarding the Company's financial instruments is set forth in Note 3 to the consolidated audited financial statements for the year ended December 31, 2011.

NEW IFRS STANDARDS NOT YET ADOPTED

The Company has not yet adopted the following revised or new IFRS that have been issued but are not yet effective at March 31, 2012:

- IFRS 9, Financial Instruments (effective January 1, 2015) introduces new requirements for the classification and measurement of financial assets and liabilities.
- IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosure of Interests in Other Entities (all effective January 1, 2013) provide guidance on the accounting treatment and associated disclosure requirements for joint arrangements and associates, and a revised definition of "control" for identifying entities which are to be consolidated.
- IFRS 13, Fair Value Measurement (effective January 1, 2013) provides new guidance on fair value measurement and disclosure requirements.
- IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after July 1, 2012) requires that elements of other comprehensive income that may subsequently be recycled through profit and loss be differentiated from those items that will not be recycled.
- IAS 19, Employee Benefits (effective January 1, 2013) introduces changes to the accounting for defined benefit plans and other employee benefits that include modification of the accounting for termination benefits and classification of other employee benefits.
- IAS 27, Separate Financial Statements and IAS 28, Investments in Associates and Joint Ventures (both effective for annual periods beginning on or after January 1, 2013) were revised and reissued to align with the new consolidation guidance.

The Company is currently assessing the impact that these new accounting standards may have in the consolidated financial statements.

OUTSTANDING SECURITIES AT THE REPORT DATE

On the Report Date, the Company had 49,411,009 shares outstanding, or 64,764,221 shares on a fully diluted basis. The Company has 1,749,750 options outstanding with expiry dates ranging from July 27, 2012 through April 14, 2015, with exercise prices ranging from $0.25 to $0.33 per share. There are also 13,603,462 warrants outstanding that will expire (subject to an acceleration provision) on June 21, 2013 at an exercise price of $0.25 per share

OUTLOOK

While the prices for several commodities, gold and copper in particular, remain at historically high levels, the continuing uncertain economic outlook, especially in Europe, has made many investors extremely risk-adverse. As a consequence, the share prices of many junior exploration companies are severely depressed and many companies are finding it difficult to arrange financing for their upcoming field seasons. Having closed a financing in December 2011, the Company has the ability to fund modest exploration budgets during 2012.

The Company is broadening its exposure to gold by acquiring interests in properties with significant exploration potential for hosting gold deposits, with an emphasis placed on properties located in Canada, the United States and Mexico. A number of submittals have been received, some of which have been followed up with site visits, but no agreements have been negotiated as of the Report Date.

The Company regularly evaluates and discusses with other parties potential transactions and corporate opportunities for entering into joint ventures, strategic alliances, partnerships or other arrangements to defray exploration costs on its properties. The Company will relinquish or abandon properties that are not deemed to have sufficient potential to host economic deposits. Consequently, the Company's property portfolio, and hence its ongoing property maintenance and exploration costs, can be expected to change over time.

RISK FACTORS RELATING TO THE COMPANY'S BUSINESS

Risk Factors Relating to the Company's Business

As a company active in the mineral resource exploration and development industry, the Company is exposed to a number of risks, including the financial risks associated with the fact that it has no operating cash flow and must access the capital markets to finance its activities.

Exploration is a capital intensive business activity, typically with long lead times between the dates exploration expenses are incurred and the time the exploration company can derive a profit from such investments. As a consequence, junior exploration companies such as Canterra are very reliant upon accessing the equity markets, as they are not generally in a position to generate cash flow internally. Share prices of companies in the junior exploration sector can be quite volatile and at times there can be a lack of liquidity, if trading volumes decrease to very low levels.

Negotiations with First Nations' groups can add an additional layer of risk and uncertainty to efforts to explore and develop mineral deposits in many areas of Canada. In northern Ontario, First Nations groups, protesting the lack of consultation by the provincial government in setting policies respecting land use and mineral development, blocked access to airstrips in the Ring of Fire area at the beginning of the 2010 exploration field season. This action severely disrupted the work plans and schedules for a number of companies planning to undertake seasonal exploration activities in the area in early 2010 and the unrest spread to northwestern Ontario at the beginning of the 2010/2011 winter season. While the Company endeavoured to engage First Nations' representatives in discussions concerning Canterra's specific projects, meetings could not be scheduled at a time that would have allowed the Company to complete its proposed winter exploration program prior to spring break-up. Winter is the optimum season for exploring in northern Ontario, as the swamps and muskeg are frozen, allowing relatively unhindered access by heavy equipment to drill pad locations. Management concluded that it would be unlikely that the proposed winter exploration program could be completed in a timely and cost-effective manner and elected to cancel the proposed exploration program.

There can be no assurances the Company will continue to be able to access the capital markets for the funding necessary to acquire and maintain exploration properties and to carry out its desired exploration programs. The Company may need to further reduce activities if funding is unavailable when required. In addition to this having an impact on its wholly-owned projects, the Company could find itself in a position at a future time where it is unable to fund its share of costs incurred under joint venture agreements to which it is a party and its interest in such joint ventures could be reduced or eliminated as a result.

The Company is very reliant upon its existing management and if the services of such personnel were withdrawn for any reason, this could have a material adverse impact on the Company's operating activities.

There is intense competition within the minerals industry to acquire properties of merit and the Company competes with other companies possessing greater technical and financial resources than itself. Even if desirable properties are secured, there can be no assurances that the Company will be able to execute its exploration programs on its proposed schedules and within its cost estimates, whether due to weather conditions in the areas where it operates, increasingly stringent environmental regulations and other permitting restrictions, or other factors related to exploring in areas that lack infrastructure and where essential supplies and services may not be readily available.

With the exception of the Mountain Lake uranium deposit in Nunavut, none of the properties in which the Company has an interest contain identified mineral resources at the present time. Ultimately, even if the Company is successful in identifying mineral resources on its properties, the economics of potential projects may be affected by many factors beyond the capacity of the Company to anticipate and control, such as the marketability of the mineral products under profitable conditions, government regulations relating to health, safety and the environment, the scale and scope of royalties and taxes on production and demands for "value added" processing within Canada of the minerals produced here. One or more of these risk elements could have a material adverse impact on costs of an operation, which, if significant enough, could reduce or eliminate the profitability of a particular project.

The effects of global warming on Canada are expected to be dramatic, especially so for the High Arctic. Many northern exploration projects, including those on several of the Company's properties, are supplied by moving fuel and other goods along winter ice roads from Yellowknife, NWT. Mild winter conditions can delay the opening of the winter road and that may disrupt the transportation by road of the materials needed to support the operating mines and various exploration projects. To the extent some portion of the materials must be moved using air transport, costs will be significantly higher.

The Company's exploration activities require permits from various governmental agencies charged with administering laws and regulations governing exploration, labour standards, occupational health and safety, control of toxic substances, waste disposal, land use, environmental protection and other matters. Failure to comply with laws, regulations and permit conditions could result in fines and/or stop work orders, costs for conducting remedial actions and other expenses. In addition, legislated changes to existing laws and regulations could result in significant additional costs to comply with the revised terms and could also result in delays in executing planned programs pending compliance with those terms.

Uranium is possibly unique as a commodity, in the sense that a single industrial accident involving a nuclear power plant can have a powerful adverse psychological impact on the general public and the equities markets. Moreover, the uranium sector in all its aspects, including exploration, is vulnerable to governments adopting policies detrimental to the industry, whether it be deciding to phase out nuclear power plants, restricting the processing and transportation of U_3O_8 or placing moratoriums on exploration for uranium.

FOREWARD LOOKING INFORMATION

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the British Columbia Securities Act, the Alberta Securities Act and the Ontario Securities Act. This includes statements concerning the Company's plans at its mineral properties, which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Forward-looking information is subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking information, including, without limitation, the ability of the Company to continue to be able to access the capital markets for the funding necessary to acquire and maintain exploration properties and to carry out its desired exploration programs; inability to fund the Company's share of costs incurred under joint venture agreements to which it is a party, and reduction or elimination of its joint venture interest as a result; competition within the minerals industry to acquire properties of merit, and competition from other companies possessing greater technical and financial resources; difficulties in executing exploration programs on the Company's proposed schedules and within its cost estimates, whether due to weather conditions in the areas where it operates, increasingly stringent environmental regulations and other permitting restrictions, or other factors related to exploring in the north, such as the availability of essential supplies and services; factors beyond the capacity of the Company to anticipate and control, such as the marketability of diamonds, government regulations relating to health, safety and the environment, the scale and scope of royalties and taxes on production, and demands for "value added" processing of rough diamonds in northern Canada; unusually mild winter conditions affecting or delaying the opening of the winter roads and resulting difficulties in transporting materials needed to support various exploration projects and resulting increased costs of transport by air; the availability of experienced contractors and professional staff to perform work in a competitive environment and the resulting adverse impact on costs and performance and other risks and uncertainties, including those described in each management's discussion and analysis of financial condition and results of operations. In addition, forward-looking information is based on various assumptions including, without limitation, assumptions associated with exploration results and costs and the availability of materials and skilled labour. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking information. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking information, whether as a result of new information, future events or otherwise.