MONTERO MINING AND EXPLORATION LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the nine months ended September 30, 2012

1.1 DATE

This Management's Discussion and Analysis ("MD&A") of Montero Mining and Exploration Ltd. ("Montero" or the "Company") has been prepared by management as of November 29, 2012 and should be read in conjunction with the condensed consolidated interim financial statements as at September 30, 2012 and the audited financial statements and related notes thereto of the Company, as at and for the years ended December 31, 2011 and 2010. The Company's Audit Committee have reviewed and approved this MD&A.

All amounts in the MD&A, financial statements and related notes are expressed in Canadian dollars unless otherwise noted.

1.2 OVERALL PERFORMANCE

Current Quarter Highlights

- The Company has continued its exploration program on the Wigu Hill Rare Earth Element ("REE") project in Tanzania. Montero has been active in discussions with other parties to secure project financing to further development of the Wigu Hill Project. Subsequent to September 30, 2012, the Company signed a non-binding term sheet with a Strategic Investor ("Investor") whereby the Investor has proposed to provide equity funding at the asset level for the further development of the Wigu Hill Project. The terms and conditions are indicative at this stage, and the Investor still has to complete due diligence, the results of which are subject to approval by the Investor's Executive Management and Board of Directors.
- In the current quarter the work at Wigu Hill consisted primarily towards completing the Environmental and Social Impact Assessment.
- The Company continues to work with its Advisor to sell or enter into joint exploration agreements in regards to the Phosco assets with discussions being undertaken with several interested parties. Several site visits and discussions with interested parties have taken place during the period.
- Exploration cash expenditures of $391,300 were made during the three months ended September 30, 2012, with the majority being spent on the Wigu Hill project in Tanzania.
- Montero's operating expenses decreased during the current quarter to $262,272 compared to $632,242 for the prior comparative quarter, primarily due to efforts by management to reduce costs and extend its cash runway.
- The Company has decided not to renew certain licences in the Liwale area and recorded an impairment charge of $42,228 during the current quarter.
- The Company recorded a net loss of $305,848 ($0.01 per share) for the three months ended September 30, 2012 compared to a net loss of $608,333 ($0.01 per share) for the three months ended September 30, 2011. Cumulatively for the nine months ended September 30, 2012, Montero recorded a net loss of $1,856,435 ($0.03 per share) compared to a net loss of $2,186,423 ($0.05 per share) for the nine months ended September 30, 2011.

Company Overview

The Company was incorporated on October 5, 2006 under the laws of British Columbia, Canada. The Company is primarily engaged in the acquisition and exploration of mineral properties in Tanzania, South Africa and Quebec, Canada. Montero has subsidiaries in the British Virgin Islands, Tanzanian and South Africa with the latter 2 are operational subsidiaries. Montero is a public company listed on the TSX Venture Exchange, and is trading under the symbol *MON.V*. The Company's registered address is 1040 West Georgia Street, Suite 1900, Vancouver, BC, V6E 4H3 and its head office is located at 20 Adelaide Street East, Suite 400, Toronto, Ontario, M5C 2T6; Phone: 416-840-9197; Fax: 866-688-4671; and Web: www.monteromining.com.

The Company is engaged in the identification, acquisition, evaluation, exploration and development of mineral properties primarily focused on rare earth elements (REE), phosphates and uranium in Tanzania, South Africa and Quebec, Canada, respectively. The Company has not yet determined whether its exploration and evaluation assets contain sufficient mineral reserves, such that their recovery would be economically viable.

The key performance driver for Montero is to find and develop mineral deposits to create wealth for shareholders. This is being achieved through acquiring and exploring properties which host the highest potential for future discoveries or development of existing mineral resources into mineable reserves. Management works to rationalize all of its significant core holdings to maintain percentage ownership, while working with others to share the risk of exploration of these properties. Management acquires its exploration and evaluation assets through the issuance of common shares where possible to preserve the Company's cash reserves.

Management is experienced with the necessary skills required to achieve success, both in the technical and financial area with experienced exploration and consulting geologists and those with entrepreneurial and financial experience. Shareholders are represented by a strong Board of Directors, experienced in the exploration mining industry where the Board and management has collectively more than 200 years of mining, geological and exploration experience and have been part of more than 4 discoveries that have found mineral resources and gone into production.

The Company has access to consulting geologists with technical and geological expertise in the countries where the exploration properties are held. Consultants are retained through consulting contracts.

Our Exploration Process

Montero uses its management's expertise to evaluate and acquire exploration assets that can be tested, further explored with a view to defining resources and ultimately into production, although there are no assurances that this will occur. These can be acquired through assessment of projects offered to the Company, literature research or conceptual models. The appropriate exploration/development strategies for each style of deposit and mineral occurrences with time frame and key decision points throughout the year are applied. During periods where the Company's cash resources are limited and the markets are not receptive to financing, the Company continues with minimum exploration requirements on the exploration and evaluation assets to maintain the licences in good standing.

Our Exploration Results for the Year to Date

Michael J Evans, Montero's consulting geologist is a qualified person as defined by National Instrument 43-101, and has reviewed the technical information presented herein.

Tanzania

<u>Wigu Hill Project</u>

The Wigu Hill project is located 170 kms south-west of Dar es Salaam and 68 kms south of Morogoro the nearest major regional center (straight line distances). The area of interest is covered by 2 Prospecting Licences which have been reduced in size and currently cover an area of 55.65 km^2 (Wigu PL3379: 15.14 km^2 and Nyarutanga PL4834: 40.51 km^2) straddling Wigu Hill itself and a contiguous area to the south.

Documents for the areas which were relinquished covering an area of 86.07 km^2 in extent are in process with the Tanzanian Ministry of Energy and Minerals.

On May 26, 2008 (amended September 30, 2009 and April 27, 2010) the Company and RSR (Tanzania) Limited ("RSR") entered into an agreement whereby RSR granted the Company an exclusive option to earn an initial 60% interest in the Wigu Hill Project (the "First Option"), and an additional 10% interest in the Wigu Hill Project (the "Second Option"). On April 27, 2010 Montero and RSR signed an amendment agreement whereby, in order to exercise the First Option, the Company must pay United States Dollars ("USD") $150,000 on or before April 30, 2010 (paid). After the exercise of the First Option, RSR will transfer the prospecting licences comprising the Wigu Hill Project (the "Wigu Hill Licences") to a newly-formed company (established and called - Wigu Hill Mining Company Limited "WHMC") and the Company will concurrently pay RSR a further USD $50,000 (paid). The Company is further obligated to incur exploration expenditures of USD $3.5 million (incurred) (or alternatively complete a prefeasibility study) on or before November 28, 2012. Once completed, the Company may at its sole discretion, within 60 days after November 28, 2012, elect to acquire a further 10% interest in the Wigu Hill Licences by paying RSR a further USD $2,000,000 to complete the requirements to execute the Second Option.

On September 22, 2011, the Company and RSR executed a Shareholders' Agreement, which outlined the following:

- Amended the payment of USD $2,000,000 to an initial Second Option payment of $800,000 (paid) and a final Second Option payment of USD $700,000, which is to be paid subject to receipt of mining and retention licences granted by the Government of Tanzania, as well as a development agreement executed by the Government of Tanzania and the Company. By mutual agreement between the Company and RSR, the USD $700,000 may be satisfied by the issuance of common shares of Montero at the prevailing market price of such shares at the date of payment.
- Agreement that the Company has duly and validly exercised the First Option and the Second Option, and owns a 70% interest in the Wigu Hill Licences.
- RSR has transferred the Wigu Hill Licences to WHMC which was originally owned 70% by the Company and 30% by RSR. Further funding of exploration on the Wigu Hill Licences shall be provided by the Company and RSR in proportion to their ownership of WHMC.
- Dilution provisions were provided subject to a deemed expenditure formula and, and where a party's interest is diluted to less than 10%, conversion of such interest to a 2.5% net smelter returns royalty ("NSR") will be done. The Company has the right to purchase all or part of the NSR for USD $1 million per each 0.5%.

After the establishment of WHMC, further exploration costs were incurred by the Company and RSR has not yet paid their share of these costs, which at September 30, 2012 were determined to be $933,227 (USD $948,691) and have been included in exploration and evaluation assets. Management has not recorded RSR's share as a receivable due to the uncertainty of payment. RSR was put on notice for its contribution required and advised that dilution will occur if payment is not received. As of September 30, 2012, the notice period for receipt of payment has expired and Montero increased its ownership of the Wigu Hill Licences to 80.81%.

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

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

In the fourth quarter of 2011 an exploration team focussed on mapping and additional grab sampling over the full extent of Wigu Hill. The sample results have been received and processed and combined with the original reconnaissance assay data. The assay results are very positive and complement and expand upon the original reconnaissance sampling results which emphasized the extent of the mineralization.

The main Wigu Hill Prospecting licence PL3379 was due to expire on the 30th June 2012 ending the seven-year tenure of the licence. Upon advice from the Mining Commissioner, the application for an extension to the licence was submitted for a fourth term of two years supported by a comprehensive property renewal report. The extension for a fourth term of two years effective from July 1, 2012 to June 30, 2014 was granted and this extension will enable the Mining Licence application to be submitted.

A comprehensive report on all aspects of exploration and development of the Wigu Hill project has been developed with attendant supporting reports and documentation.

Tembo and Twiga Targets

The exploration of the Twiga and Tembo Targets is at an advanced stage with a preliminary resource estimated for these targets based on trenching and initial drilling data. This initial work has been followed by a programme of infill drilling and development of a geological model for the Twiga Target with compilation of a resource for Twiga commenced.

Arrangements to take a >5 tonne bulk sample of mineralised dike material for X-Ray separation and further larger scale physical metallurgical test work has been planned for the shipment of this material for testing at Mintek in South Africa.

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

In 2011, the bastnaesite-rich carbonatite dykes on both Tembo and Twiga Targets were assessed in detail by infill trenching and core drilling of 14 core boreholes ("BH") (1,610m) on Twiga and 5 boreholes (540m) on Tembo for a total of 19 boreholes and 2,150m of core drilling (refer news releases April 11, 2011 - Twiga trenching; May 16, 2011 - Twiga drilling and June 22, 2011 - Tembo trenching and drilling). All of the data collected during the exploration campaign was entered into an Access database.

AMEC Earth & Environmental UK Ltd. ("AMEC") developed a geological model of the Tembo and Twiga Targets on which to base a resource assessment. The preliminary resource was defined in the NI43-101 resource report finalised by October 24, 2011 (refer to news releases dated September 12, 2011 and October 24, 2011).

Infill drilling commenced at the Twiga Target on the mineralised "EW" Dike and a total of 17 boreholes (895.3m) were drilled at approximately 25m spacings to determine geological and grade continuity of the "EW" dike, with a view to establishing a small, near surface, high grade reserve of bastnaesite mineralisation. The cores were sampled and the assays received, processed and assessed (refer to news releases dated November 15, 2011 and January 26, 2012).

Turgis Consulting of South Africa (Turgis) conducted an independent geotechnical review of the Twiga Target to assess the requirements to commence a small mining operation and are preparing a Scoping Study for this potential operation.

The Twiga Target infill drilling sample data and assay results were used to develop a geological model for the carbonatite dikes mineralization in December 2011 and further work is required to define a preliminary tonnage and grade for the small high grade zone to be considered for a preliminary mining operation. A Scoping Study was initiated by Turgis to investigate the potential for a small mining operation at Wigu Hill. This is planned to be finalized after the revised resource estimation of the Twiga Target.

Extensive metallurgical test work was undertaken by Mintek in Johannesburg during 2011. Initial orientation tests were followed by a successful bench scale leach test. A second phase of leach tests returned positive results, and based on this, a third phase of detailed leach test work was approved and undertaken by year end. The hydro-metallurgical test work program with monitoring and modification of procedures resulted in an optimised leaching process which produced a final mixed rare earth solution from which a mixed rare earth and cerium salt can be prepared (refer to news release dated March 5, 2012). A final draft on the optimisation test work has been made available with the final optimisation parameters not tested in a continuous process. This requires a final continuous bulk leach campaign which is being planned. Additional test work is being investigated, both in-house and with Mintek to determine the best options to produce an upgraded bastnasite concentrate.

Tumbili Target
Exploration work on the Tumbili Target included detailed mapping, trenching and drilling. By July 2011, 1,525m of core drilling had been completed from 6 deep boreholes (165m to 325m). An assessment of the drilling and trenching at Tumbili has led to the conclusion that the nature of the geology and the lower tenor of the assay results in the range of 0.5 – 3.0% TREO has downgraded this target's immediate potential to focus of exploration upslope of Tumbili to the Nyati Target.

Exploration at Tumbili was revisited during the last quarter with the development of a single 157m long trench within the carbonatite breccia. Results are awaited to determine the distribution of rare earth mineralization in the breccia.

Nyati Target
Geological mapping and sampling upslope from the Tumbili Target was successful in defining outcrops of well mineralised dolomitic carbonatite dike swarms over a significant area. Rock chip sampling of the available outcrops over a wide area returned high TREO (total rare earth oxide) values from the well mineralised bastnaesite-rich carbonatites from a total of 100 samples (refer news release October 11, 2011). Follow up sampling substantiated these positive results with 26 samples at Lower Nyati averaging 12.15% TREO and 104 panel samples at Upper Nyati averaging 7.08% TREO (refer to news release dated April 2, 2012). These latter results demonstrate that the positive results being defined at Lower Nyati host the extension upslope.

The grab and panel sample assay results established that the Nyati Target is a significant and extensive zone of mineralisation that warranted more detailed exploration. A program of trenching and core drilling was initiated at the end of the first quarter of 2012, results from 3 trenches (refer to news release April 2, 2012) and 5 core boreholes (1,030m) had been reported from Lower Nyati (refer to news release dated April 12, 2012).

Drill pads were prepared and road access was extended onto the Nyati Target during the period. In addition, other sections of road were repaired and improved. A number of drilling contractors were approached to quote on further planned drilling at Nyati. Further evaluation work will be advanced using the currently available data, with site preparations completed.

Work in the second quarter of 2012 focused on more detailed assessment work on the Lower Nyati Target. The results of trenches WTRN004 – WTRN007 substantiate the continuity of mineralization indicated by the grab sampling, earlier trenching and the positive drilling data (refer to news release dated June 13, 2012).

A total of 19 drill pads were prepared at Lower Nyati during the first quarter. The surface trace of these drill holes were cleared and all available outcrop was sampled and mapped in detail in preparation for the proposed drilling program.

Re-logging of the 5 Lower Nyati boreholes has been undertaken and this information used on the compilation plots from the geological mapping of the surface zone described above. This data is assisting in understanding the distribution of the rare earth mineralization.

During the Q2 and Q3 period, a geological plan of the entire Wigu Hill Project area was compiled including the assay data from the mapping and sampling program completed in December 2011 and a preliminary assessment made of the distribution of the higher grade TREO assays. The overview assessment on the distribution of the grab sample values combined with historic data from sampling in 2009 confirms that the Lower and Upper Nyati Target areas are priority targets, but that significant additional potential exists within the other target areas nearby. This data will be useful in guiding future exploration efforts.

Work on the environmental impact assessment program at Wigu Hill is ongoing with the Tanzanian Environmental consultants, MTL Consulting Company Ltd ("MTL"). The Fauna study is included with the set of the baseline environmental reports compiled by Montero and submitted to MTL to assist in the Environmental Impact Assessment ("EIA") work currently in process.

The exploration camp was closed in May due to the seasonal rains and consolidation and processing of data and results is ongoing.

Metallurgical test work at Mintek has continued, and although the leach test work report did not meet all the required objectives, the report was successful in quantifying all of the optimization requirements for the leach process. Bulk leach tests which would confirm the final objectives are ongoing and the results thereof are expect before year end from Mintek.

Various physical separation methods being assessed by Mintek and some selective tests on particle size analysis and related mineralogical tests are currently in progress to improve the mineral separation techniques. A detailed in-depth review of all the prior physical separation, metallurgical, pyro-metallurgical and hydrometallurgical test work undertaken to date was undertaken to assist and define future work requirements with a focus on the positive results achieved to date.

During Q2 and Q3 of 2012, exploration on the Wigu Hill Rare Earth Element ("REE") project in Tanzania continued. Geological and planning assessment work continued with a view to defining the next stage of drill targets and planning of re-commencement of active operations on the Wigu Hill Project site. These activities were focused on the eastern and east central extent of the Wigu Hill carbonatite complex. Specifically the Lower Nyati Target with additional work focused on the Upper Nyati target where positive grab sample assay values have confirmed the potential for high grade concentrations of TREO mineralisation (refer to news release dated April 3, 2012).

The exploration database was updated during this quarter to include all additional information gathered to date including data for all the latest boreholes drilled and trenches completed to date. Some assays are still awaited, but the database has all the geological and statistical data up to date.

All reject sample materials stored to date at ALS Chemex laboratories in Mwanza were moved to Dar es Salaam. The material was stored in preparation of use as sample feed for further metallurgical testwork.

A 1,500kg bulk sample was taken from Wigu Hill with an estimated grade of >10%TREO which is to be used in the preparation of TREO solutions for solvent extraction and refining testwork purposes at Mintek.

This sample is to be transported to Dar es Salaam and then to Mintek in Johannesburg, South Africa to be used in a pilot plant facility currently being constructed.

The Social Impact Assessment (SIA) which commenced in the Q2, was finalized by the environmental consulting company, MTL, and a final report on the results obtained is being completed.

All of the environmental data compiled to date was assembled by MTL into a scoping report. This scoping report plus the required Terms of Reference (ToR) for a full Environmental Impact Assessment (EIA) were submitted to NEMC (National Environmental Management Council), the governmental environmental agency for review and acceptance. Confirmation of the ToR was received and Montero can now proceed with compilation of the EIA for the Wigu Hill Project. The baseline data for this report has been compiled and compilation of the final report together with the relevant statements on the potential environmental impacts is in progress.

A detailed review has been undertaken of all of the metallurgical testwork initiatives currently being considered. These have been discussed in detail with Mintek with a view to proceeding with the high priority initiatives. In addition, new initiatives with discussions with other metallurgical laboratories are also being assessed. Metallurgical testwork options that were given high priority were sample preparation and sizing analysis to prepare the ideal material for further DMS and flotation testwork.

As at September 30, 2012, the Company had incurred cumulative acquisition costs of $1,186,466 on the Wigu Hill Project. Cumulative exploration expenditures of $6,974,783 were incurred as of September 30, 2012 and included, geological mapping, trenching, drilling, geochemical and metallurgical costs for the operational field camp and exploration programs. Total expenditures on the Wigu Hill project amounted to $8,161,249 as at September 30, 2012.

Iringa and Liwale Licence Areas

In 2007 the Company acquired certain claims from a Tanzanian company as follows: three licences in the Iringa area by the payment of USD $18,750 and the issuance of 600,000 common shares valued at $120,000; and four licences in the Liwale area by the payment of USD $25,000 and the issuance of 800,000 common shares valued at $160,000.

The Iringa licence area is 350 kms west-south-west of Dar es Salaam located in the Kilombera Basin with indications of uranium mineralization occurrences in a granite-pegmatite host.

Exploration activity has included reconnaissance exploration field evaluations that confirmed a number of source rock pegmatites (alaskitic - thick potash rich granite sheets marked by high background radiometric anomalies), highlights the potential for finding uranium mineralisation warrants further reconnaissance exploration in this extensive area.

During the period all work was focused on consolidation of data and reports and an assessment of the expenditure committed to the project area. A visit was undertaken to PL4095 (Kimhandu) immediately to the north of Wigu Hill to assess the uranium potential of this area.

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

During Q2 and Q3 all work was focused on consolidation of data and reports and an assessment of the expenditure committed to the project area. During the three months ended September 30, 2012, management has decided not to renew certain licences in the Liwale area and recorded an impairment of exploration and evaluation assets of $42,228.

As at September 30, 2012, the Company has incurred total acquisition costs of $394,389 on the Iringa and Liwale projects. Minimal exploration programs were undertaken in 2012 as the Company focused on the Wigu Hill project. As at September 30, 2012, Montero had spent an accumulated total of $233,561 on Iringa and Liwale on exploration costs.

South Africa

Phosco Project

On October 18, 2010, the Company's subsidiary, Montero Projects Limited ("Montero Projects") entered into a binding term sheet agreement with Celtic Trust Company Limited ("Celtic"), whereby Montero Projects had the exclusive right to acquire the shares in Celtic's subsidiary (Eurozone Investments Limited, hereafter "Eurozone") which hold interests in 4 phosphate exploration projects in South Africa ("Phosco"). Montero Projects paid an advance of $101,700 (USD $100,000) to be granted an exclusivity period, which expired on July 18, 2011, to complete due diligence on the Phosco assets. This payment was used to settle the liabilities of Eurozone. Effective July 18, 2011, an amendment to the binding term sheet agreement was executed, whereby Montero Projects agreed to acquire the shares in Eurozone by issuing 2,500,000 common shares of Montero. The due diligence was completed, approval was received from the TSX Venture Exchange and on November 10, 2011, the Company issued the 2,500,000 common shares to complete the acquisition of Eurozone.

An additional 1,000,000 common shares of Montero may be issued as consideration if a mining industry compliant report ('the "Report") is obtained, indicating a phosphate inferred resource on certain prospecting rights of one of the Phosco assets (the "Bierkraal Project"). The Company has 18 months to conduct an exploration program on the Bierkraal Project and, if at the end of this period, the Company has not obtained the Report or given notice to Celtic that they intend to obtain the Report, the Company shall offer to transfer back the shares of the subsidiary that holds the Bierkraal Project to Celtic for no consideration.

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

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

The Company has now determined that it would be appropriate to sell its Phosco assets. On March 22, 2012 the Company engaged AltaCorp Capital Inc. ("Advisor") to assist them in completing a sale. The agreement with the Advisor provides for a payment of a success fee to the Advisor of 4% of the transaction value subject to a minimum success fee of $250,000 if the Phosco assets are sold within six months of the expiry of the agreement to a buyer specifically introduced to the Company by the Advisor. The original agreement with the Advisor was in effect until the earlier of i) the date which is three months from the date of the agreement and ii) the date the Phosco assets are sold. Both parties have agreed that the expiry of the agreement be extended such that the agreement with the Advisor is in effect until the earlier of i) the date which is nine months from the date of the agreement (i.e., December 22, 2012) and ii) the date the Phosco assets are sold. Accordingly, the above-noted success fee is payable upon a sale of the Phosco assets to a buyer specifically introduced to the Company by the Advisor completed on or before June 22, 2013. It is not presently known when or in what specific manner the Phosco assets may be sold. Although management is committed and expects to sell the Phosco assets within a year, there can be no assurances that a sale will take place and the timing of such a sale is uncertain.

Discussions and negotiations are in progress with several parties and field visit have been undertaken to the project areas during the quarter.

Duyker Eiland Project
In late 2011 an independent NI43-101 compliant Mineral Resource Estimate of the sedimentary phosphate deposit at the Duyker Eiland project was completed. A total Inferred Mineral Resource of 32.8 M tonnes at a grade of 7.15% P_2O_5has been outlined. Preliminary metallurgical test work has indicated that an acid-grade phosphate concentrate of 33% P_2O_5 to 35% P_2O_5 (72.1% BPL to 76.5% BPL) can be produced by flotation. The NI43-101 resource evaluation compliant resource report was prepared by AMEC Earth & Environmental UK Ltd. (AMEC) and posted on SEDAR in December 2011.

The NI43-101 Preliminary Economic Assessment (PEA) of the Duyker Eiland Project was completed by Turgis Consulting (Pty) Ltd. (refer news releases February 28, 2012 and April 13, 2012). The PEA is preliminary in nature and it includes the Inferred Mineral Resources which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves.

Selected environmental baseline studies (a low cost botanical survey has been initiated in the 3rd Quarter) and additional analyses commenced in April 2012 on the existing test concentrates will focus on elements detailed in legislation relating to concentrations in fertilizer products.

In the second quarter of 2012, a comprehensive set of reports were compiled for submission the Department of Mineral Resources (Western Cape) in order to fulfill requirements for renewal of the Duyker Eiland Prospecting Right. This process is ongoing, including a successful site visit by personnel from the Mine Economics section of the Department of Mineral Resources of South Africa.

As of September 30, 2012, Montero has spent a total of $1,608,240 on acquisition and exploration costs, and reclamation bonds related to the Phosco assets, which are now disclosed as *Held for Sale* assets in accordance with International Financial Reporting Standards ("IFRS").

Canada

<u>Girard Claim Area, Quebec</u>

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

On April 25, 2007, the Company entered into an agreement to acquire a 100% interest in the Girard claims located in Quebec for consideration of 2,000,000 common shares (issued) valued at $625,000 and by incurring exploration expenditures totalling $640,000 over five years. Anniversary payments were also required which totalled $235,000, $100,000 which was paid in cash and the remaining $135,000 was settled by the issuance of 1,000,000 common shares valued at $135,000. The claims are subject to a 2.0% NSR. The Company has the right to purchase, at any time, either one-half or all of the royalty for a purchase price of $1,000,000 or $2,000,000 respectively.

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

During the second quarter of 2012, the Company decided to reduce its land position in this area and will not renew certain licences at their renewal date and resulted in an impairment charge of $617,326. The ongoing exploration work focused in the northern area of the Girard claim block includes reporting the results of the exploration work undertaken in the third quarter of 2012.

As of September 30, 2012, the Company has accumulated exploration and evaluation assets of $701,673 in the Girard claim area.

<u>Lac Yvonne Claim Area, Quebec</u>

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

On March 14, 2008, the Company entered into a purchase and sale agreement to acquire a 100% interest in 12 of the Lac Yvonne claims for consideration of 100,000 shares at a deemed price of $0.35 per share, which were issued on April 10, 2008. A further 6 claims were transferred subsequent to the initial acquisition. The claims are subject to a 2.0% NSR. The Company has the right to purchase, at any time, either one-half or all of the royalty for a purchase price of $1,000,000 or $2,000,000 respectively.

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

During the nine months ended September 30, 2012, the Company spent minimal amounts on the property to maintain the licences in good standing. As of September 30, 2012, the Company has incurred cumulative acquisition and exploration costs totaling $92,641 on this claim area.

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

Risk Factors

Through its operations, the Company is exposed to various business risks outlined below. Additional risks and uncertainties, including those that we are not aware of now or that we currently deem immaterial, may also adversely affect our business.

- The Company has not been profitable since inception and it may continue to incur substantial losses.
- The Company operates in the highly speculative business of mining exploration and development and is currently in the exploration stage. The Company has not yet determined whether their properties contain enough mineral reserves, such that their recovery would be economically viable.
- The Company is exploring for mineral resources and these commodities are subject to pricing and other risks.
- The Company may not be able to secure adequate financing to support the expenditures required to sustain the Company until profitable operations are achieved.
- The Company operates in foreign jurisdictions and although professional advice is obtained to ensure the Company meets all the local requirements, there may be deficiencies in some areas.
- The Company faces currency risks in its operations.
- The Company has limited personnel with various degrees of knowledge concerning their area of expertise and there may be instances where segregation of duties does not exist and reliance must be placed on outside advisors to assist with complex areas.

The Company undertakes its best efforts to mitigate the above risks using the resources at its disposal, but believes that uncertainties and risks do exist in its business operations.

The condensed consolidated interim financial statements have been prepared using IFRS applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at September 30, 2012 the Company had not advanced its mineral licences to commercial production and is not able to finance day to day activities through operations. The Company's continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations.

Management is of the opinion that sufficient working capital will be obtainable from external financing sources (primarily through private placements of common shares), joint development agreements or proceeds from the sale of non-strategic assets, to meet the Company's liabilities and commitments as they become due, although there is risk that additional funds will not be available on a timely basis or on terms acceptable to the Company. Further details on financing alternatives available to the Company are more fully discussed in 1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES.

Financial Performance

During the three months ended September 30, 2012, the Company conducted exploration work on its exploration and evaluation assets. The majority of the work was conducted on the Wigu Hill prospect in Tanzania. The total cash expenditures on exploration and evaluation assets were $391,300 for the three months ended September 30, 2012; cumulatively for the nine months ended September 30, 2012 - $1,938,857 (three months ended September 30, 2011 - $2,284,989; nine months ended September 30, 2011 - $4,270,721).

The Company's operating costs decreased for the three months ended September 30, 2012 to $262,272 compared to $632,242 for the three months ended September 30, 2011. Consulting, directors, administrative and management fees are lower due to strategic planning costs undertaken in the prior year, with no amounts in the current quarter. Other expenses are lower in the current quarter ended September 30, 2012 as less travel undertaken than in the prior comparative quarter. Professional fees are also lower in the current quarter as the Company required less of these services. Shareholder and regulatory costs are higher for the nine months ended September 30, 2012 to $242,429 compared to $215,165 due to investor programs undertaken and marketing consulting fees earlier in 2012.

At September 30, 2012, the Company had cash and cash equivalents on hand of $352,025 compared to $3,249,762 on hand at December 31, 2011. No financing activities were undertaken during the current quarter and year to date to September 30, 2012. The Company will require further funds in the future for general working capital and to fund its exploration programs since it currently has no revenue sources. Further details on financing alternatives available to the Company are more fully discussed in 1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES.

Company Objectives and the Year Ahead

The Company's corporate objectives are to create value by a focus on exploring, discovery and development of grass-roots rare earth element, phosphate and uranium deposits in geologically prospective under-explored regions in Tanzania, South Africa and Quebec, Canada.

The Company believes that it has a portfolio of rare earth element, phosphate and uranium projects that can add value to the company and will seek methods of adding value by de-risking its portfolio of assets by drilling the resources and conducting metallurgy in a timely fashion, by raising exploration funding and using such funds in a prudent manner or joint venture or by disposal of non-strategic assets.

1.3 SELECTED ANNUAL INFORMATION

	Year ended December 31		
	2011	**2010**	**2009**
		(restated to IFRS)	
Consulting, directors', administrative and management fees	$ 820,564	$ 315,607	$ 140,994
Depreciation	17,676	12,236	5,569
Professional fees	280,715	248,579	118,327
Project investigation costs	136,029	60,117	10,400
Shareholder and regulatory	368,539	54,363	-
Stock-based compensation	1,243,162	167,109	-
Other operating costs	361,257	193,727	49,959
Impairment of exploration and evaluation assets	-	24,583	65,518
Interest income and other	(23,750)	(12,038)	(357)
Deferred income taxes	-	(62,863)	62,863
Net (loss)	(3,204,192)	(1,001,420)	(453,273)
Basic and diluted (loss) per share	$ (0.07)	$ (0.03)	$ (0.03)
Exploration and evaluation assets	$ 10,125,666	$ 3,361,916	$1,745,998
Total assets	13,048,082	4,996,548	2,693,628
Total liabilities	1,174,279	382,824	199,722
Shareholders' equity	$ 11,873,803	$ 4,613,724	$2,493,906

The above financial information has been restated from amounts previously reported under Canadian GAAP to those amounts reported in compliance with IFRS.

1.4 RESULTS OF Q3 2012 OPERATIONS

During the current quarter ended September 30, 2012, Montero continued exploration work on its Wigu Hill property in Tanzania, continued its efforts to sell its Phosco assets, rationalized its land position in Quebec, Canada and maintained its other properties. Total cash exploration costs incurred during the three months ended September 30, 2012 totaled $391,300; cumulatively for the nine months ended September 30, 2012 - $1,938,857 (three months ended September 30, 2011 - $2,284,989; six months ended September 30, 2011 - $4,270,721), which was spent primarily on the Wigu Hill Project. The Company continued its efforts to sell or joint venture its Phosco assets and is in various discussions with several interested parties. Management has decided not to renew certain licences in the Liwale area, resulting in an impairment charge of $42,228 for the three months ended September 30, 2012.

The Company's operating expenses decreased during the three months ended September 30, 2012 compared to the prior three months ended September 30, 2011. Significant changes in these expenses are outlined below.

Consulting, directors', administrative and management fees decreased from $303,895 for the three months ended September 30, 2011 to $167,658 for the three months ended September 30, 2012. The main reason for this decrease is reduced consulting fees, as corporate strategic planning sessions were undertaken in the prior quarter, as well as non-recurring recruitment fees for personnel, neither of which occurred in the current quarter.

Other expenses decreased from $59,107 for the three months ended September 30, 2011 to $14,741 for the three months ended September 30, 2012 primarily because of reduced travel undertaken in the current quarter, compared to the prior quarter when activities were ramping up.

Professional fees decreased from $65,896 for the three months ended September 30, 2011 to $22,957 for the three months ended September 30, 2012 due to reduced legal fees as costs in the prior quarter included fees for various exploration agreements which were not required in the current quarter.

Project investigation costs were not undertaken in the current quarter compared to $46,735 in the prior comparative quarter.

Shareholder and regulatory expenses decreased from $110,486 for the three months ended September 30, 2011 to $25,048 for the three months ended September 30, 2012 due to less investor relations activities undertaken in the current quarter including fewer consulting fees for marketing personnel and fewer investor relations conferences and marketing materials being required.

Impairment of exploration and evaluation assets was $42,228 for the three months ended September 30, 2012 compared to $Nil in the comparative quarter due to the Company recording an impairment on its licences in Liwale, Tanzania.

The Company's net loss for the three months ended September 30, 2012 was $305,848, $0.01 per share, compared with a net loss of $608,333, $0.01 per share for the three months ended September 30, 2011. Cumulatively, the Company reported a net loss of $1,856,435 ($0.03 per share) for the nine months ended September 30, 2012 compared to a net loss of $2,186,423 ($0.05 per share) for the nine months ended September 30, 2011.

Montero's cash and cash equivalents amounted to $352,025 at September 30, 2012 compared to $3,249,762 at December 31, 2011. Working capital was $749,492 at September 30, 2012 that includes the Phosco Held for Sale assets, compared to $2,316,631 at December 31, 2011. The Company will require further funds in the future to fund its operations and exploration programs since it currently has no revenue sources. Further details on financing alternatives available to the Company are more fully discussed in 1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES.

Commitments and Contingencies

The Company has no operating lease commitments. The Company has capital commitments relating to its exploration and evaluation assets as outlined in 1.2 OVERALL PERFORMANCE, *Our Exploration Results for the Year to Date* and the condensed consolidated financial statements for the nine months ended September 30, 2012 (Note 5).

The Company has no contingent liabilities.

Segmented Information

The Company has one business segment being the exploration and evaluation of mineral resources. The Company is organized by geographic area and as such, its reportable operating segments are located in Canada, Tanzania and South Africa.

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

As at September 30, 2012	**Canada**	**Tanzania**	**South Africa**	**Total**
	$	**$**	**$**	**$**
Property, plant and equipment	-	108,021	-	108,021
Exploration and evaluation assets	794,314	8,361,357	427,842	9,583,513
Total non-current assets	**794,314**	**8,469,378**	**427,842**	**9,691,534**

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

1.5 SUMMARY OF QUARTERLY RESULTS

	Sep-30 2012	Jun-30 2012	Mar-31 2012	Dec-31 2011
Consulting, directors', admin and management fees	167,658	195,630	290,667	146,750
Professional fees	22,957	36,352	36,202	65,209
Other expenses	71,657	135,961	231,145	281,366
Stock based compensation	-	-	-	529,451
Impairment of exlporation assets	42,228	617,326	-	-
Interest income/ other	1,348	(2,775)	10,079	(5,007)
Net loss	$ (305,848)	$ (982,494)	$ (568,093)	$ (1,017,769)
Loss per share				
Basic & diluted	$ (0.01)	$ (0.02)	$ (0.01)	$ (0.03)
Exploration and evaluation assets	$ 9,583,513	$ 9,527,353	$ 9,369,960	$ 10,125,666
Total assets	11,741,549	12,343,597	13,048,082	13,668,334
Total liabilities	1,300,523	1,266,810	1,174,279	1,071,596
Shareholders' equity	$ 10,441,026	$ 11,076,787	$ 11,873,803	$ 12,596,738

	Sep-30 2011	Jun-30 2011	Mar-31 2011	2010 Q4 IFRS
Consulting, directors', admin and management fees	303,895	221,600	148,319	86,827
Professional fees	65,896	54,809	94,801	102,550
Other expenses	262,451	144,117	195,567	82,689
Stock based compensation	-	-	713,711	-
Impairment of exlporation assets	-	-	-	24,583
Interest income/ other	(23,909)	4,156	1,010	321
Net loss	$ (608,333)	$ (424,682)	$ (1,153,408)	$ (296,970)
Loss per share				
Basic & diluted	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.01)
Exploration and evaluation assets	$ 7,863,032	$ 5,298,287	$ 4,423,501	$ 3,361,916
Total assets	13,356,564	8,140,212	8,237,400	4,996,548
Total liabilities	925,949	823,927	503,512	382,824
Shareholders' equity	$ 12,430,615	$ 7,316,285	$ 7,733,888	$ 4,613,724

Note: Loss per share amounts disclosed above on a quarterly basis may not necessarily equal the cumulative amounts disclosed in the Company's annual financial statements, due to the timing of changes in the weighted average number of shares throughout the year versus the weighted average number of shares throughout the quarter.

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

Consulting, directors', administrative and management fees increased in 2011 due to increased use of consultants for recruitment, strategic planning sessions, business development opportunities, increased financial reporting costs including IFRS conversions, increased administrative support costs for new companies established and increased management fees due to increased rates. The increase in these costs for Q1 2012 is due to recruitment fees, financial reporting personnel and business development consulting fees. Professional fees were higher in Q4 2010 and Q1 2011 due to IPO costs, tax fees and IFRS conversion costs. These fees were lower in 2012 due to reduced legal fees. Other expenses are higher in 2011 and Q1 2012 due to costs incurred to attend conferences, investor relation costs incurred to promote the company, regulatory fees required for a public company, increased travel costs and project investigation costs. Other expenses decreased in Q3 and Q2 2012 due to less travel costs, no project investigation fees and lower general and administrative fees. Stock-based compensation is higher in Q1 and Q4 of 2011 due to the increase in number of stock options granted and increase in Montero's stock price, which is used to calculate the fair value of stock options granted. An impairment charge was recorded in Q3 and Q2 2012 related to the Company's Liwale claim area in Tanzania and the Quebec, Canada Girard claim area, respectively.

Generally, the expenditures have increased in 2011 over the 2010 amounts due to increased exploration and administrative activity in the Company due to increased scope of operations in Canada in regards to public reporting and investor programs to market the Company, and in Tanzania and South Africa, in regards to increased support costs required for increased exploration activity. Costs are decreasing in 2012 over 2011 amounts due to management's efforts to conserve cash in operations, so that expenditures can continue to be made on the Company's exploration programs.

1.6/1.7 LIQUIDITY AND CAPITAL RESOURCES

The Company held cash and cash equivalents of $352,025 as at September 30, 2012 compared to $3,249,762 as at December 31, 2011.

The Company used cash of $243,033 in its operations for the three months ended September 30, 2012 compared to using cash of $479,184 for the three months ended September 30, 2011. Montero spent $391,300 on exploration and evaluation assets for the three months ended September 30, 2012 compared to spending cash of $2,314,597 on its investing activities related to expenditures on exploration and evaluation assets for the three months ended September 30, 2011. The Company did not undertake any financing activities to generate cash during the three months ended September 30, 2012 compared to generating cash of $5,439,528 for the three months ended September 30, 2011.

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

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

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

On November 10, 2011, the Company issued 2,500,000 common shares to acquire all of the shares of Phosco. The Company has now determined that it would be appropriate to sell the Phosco assets and has hired an Advisor to assist them as outlined above in 1.2 OVERALL PERFORMANCE, *Our Exploration Results for the Year to Date.*

The Company has no operating lease commitments. The Company has capital commitments relating to its exploration and evaluation assets as outlined in 1.2 OVERALL PERFORMANCE, *Our Exploration Results for the Year to Date* and the condensed consolidated financial statements for the six months ended September 30, 2012 (Note 5).

The Company is dependent upon its ability to raise additional funds to support its operations and it does require additional financing since it is an exploration stage company with no current sources of revenue. Funding options available to the Company are outlined below.

Montero is a publicly traded corporation listed on the TSX Venture Exchange and plans to utilize the public market to raise the additional funds it requires, either through brokered or non-brokered private placements. The Company issues shares where possible for mineral property acquisitions as well as for debt settlements when practicable. In addition, the Company negotiates favourable funding terms for its mineral property payments where possible and amends the agreements, if required, to coincide with the Company's cash funds available. Montero works with its other exploration partners in exploring for its mineral properties to share the costs and risks in exploring them. The Company also considers divestiture of non-strategic assets so it can raise funds and focus its exploration efforts on its core holdings.

Management continues to work with its Advisor on its efforts in regards to the Phosco assets, seeking a potential sale or entering into joint exploration agreements with an interested party. Discussions and due diligence discussions are underway with interested parties and management is providing additional information upon their requests to bring the discussions to conclusion.

All other available options are being pursued in raising additional financings and exploring alternatives with the issuance of shares to settlement liabilities to preserve cash. Management is also pursuing alternative options to obtain investments for the Wigu Hill Project to maintain its fast-track strategy to advance the deposit to the mining and production stage in the short term while further defining a larger deposit. Subsequent to September 30, 2012, the Company signed a non-binding term sheet with a Strategic Investor ("Investor") whereby the Investor has proposed to provide equity funding at asset level for the further development of Montero's Wigu Hill Project. The terms and conditions are indicative at this stage, and the Investor still has to complete a detailed due diligence, the results of which are subject to approval by the Investor's Executive Management and Board of Directors.

The Company grants stock options to promote the profitability and growth of the Company by facilitating the efforts to attract and retain its directors, officers and consultants.

As of September 30, 2012, Montero has 4,655,000 stock options outstanding, exercisable at a weighted average exercise price of $0.32 per share and 12,328,159 warrants outstanding, exercisable at a weighted average exercise price of $0.73 per share. These securities may be a future source of funding depending upon the Company's trading stock price, although there are no assurances that this will occur.

1.8 OFF-BALANCE SHEET ARRANGEMENTS

Montero does not utilize off-balance sheet arrangements.

1.9 TRANSACTIONS WITH RELATED PARTIES

The Company incurred the following transactions with management, directors, officers or companies which have directors in common, or in which the directors have significant influence and interests.

Key management personnel compensation

	Nine months ended September 30	
	2012	**2011**
	$	**$**
Compensation of directors		
Short-term benefits	59,401	38,470
Share-based payments	-	184,800
	59,401	223,270
Compensation of key management personnel		
Short-term benefits	672,769	434,645
Share-based payments	-	408,000
	672,769	842,645
Total remuneration of directors and key management personnel	**732,170**	**1,065,915**

Related party transactions

	Nine months ended September 30	
	2012	**2011**
	$	**$**
Exploration and evaluation asset transactions		
Geological consulting	134,616	225,073
Other	60,025	99
Total exploration and evaluation asset transactions	194,641	225,172
Operating expense transactions		
Consulting, directors', administrative & management fees	82,936	77,185
General and administrative	18,000	20,777
Project investigation costs	1,000	36,592
Shareholder and regulatory	33,294	30,478
	135,230	165,032
Total trading transactions with related parties	**329,871**	**390,204**

Related party balances

	September 30, 2012	December 31, 2011
	$	$
Due to related parties	**828,006**	**221,426**

The amounts due to related parties represent amounts due to directors and officers or companies which have directors in common, or in which the directors have significant influence and interests. These amounts are unsecured, non-interest bearing and are due within twelve months.

1.10 FOURTH QUARTER

Please see 1.4 SUMMARY OF QUARTERLY RESULTS for information on the fourth quarter of 2011.

1.11 PROPOSED TRANSACTIONS

None

1.12 CRITICAL ACCOUNTING ESTIMATES

Not applicable as the Company is a venture issuer.

1.13 CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Changes in accounting policies
None.

Initial adoption of accounting policies and accounting standards
None.

1.14 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT, INCLUDING MANAGEMENT OF CAPITAL

Capital Management
The Company manages its capital to ensure that it will be able to continue as a going concern, while supporting the Company's business and maximizing the return to its stakeholders. The Company's capital structure is adjusted based on management's decisions to issue debt or equity instruments to fund expenditures. In order to maximize ongoing exploration efforts, the Company does not pay dividends. The Company's Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business. The capital of the Company consists of equity attributable to owners of the parent comprised of share capital, stock options and warrants.

The Company's principle assets are in the exploration and evaluation stage and, as a result, the Company currently has no source of operating cash flow. In order to facilitate the management of capital and exploration of its mineral properties, the Company needs to raise capital as and when required to complete its projects and for working capital. The sources of future funds presently available to the Company are through the issuance of new share capital, through the exercise of stock options and/or warrants or through divestiture of certain assets. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions, as well as the business performance of the Company. There can be no assurances that the Company will be successful in its efforts to arrange additional financing, when required, on terms satisfactory to the Company.

Management prepares operating budgets to forecast its financing requirements in advance and they review their capital management approach on an ongoing basis and believes that this approach is reasonable, given the relative size of the Company. The Company's investment policy is to hold cash in interest-bearing accounts at high credit quality financial institutions to minimize risk and maximize liquidity.

The Company's overall strategy remains unchanged from the prior period. The Company is not subject to any externally imposed capital requirements.

Financial Instruments

The Company operates in the mining industry and faces a number of risks that could adversely affect the Company's operations. These risks include industry risk, credit risk, liquidity risk, interest rate risk, foreign currency risk, commodity price risk. Management reviews and develops policies for managing each of these risks which are summarized below.

Industry Risk

The Company is engaged primarily in the mineral exploration field, which is subject to inherent risks of success as well as compliance with environmental, political and regulatory requirements. The Company is potentially at risk for environmental reclamation obligations associated with resource property interests. As well, the Company operates in foreign countries and is subject to local political risks, as well as local regulatory requirements regarding ownership and maintenance of mineral licences. Management is of the opinion that they have the expertise to address these risks and makes all efforts to conduct their business in compliance with local industry standards, however environmental and local industry laws and practices are complex, and there is no certainty that all exposure to liability or costs have been mitigated.

Credit Risk

Credit risk is the risk of loss associated with a counter-party's ability to fulfil its payment obligations. The Company's primary exposure to credit risk is attributable to its cash and cash equivalents, as well as trade and other receivables. This risk relating to cash and cash equivalents is considered low since the Company only invests its cash in major banks which are high credit quality financial institutions. The trade and other receivables primarily comprise Harmonized Sales Tax and other amounts due from governmental agencies and, as such, management considers the risk with their collection minimal. The cash and cash equivalents is invested in short-term investment certificates for periods less than 90 days. The trade and other receivables are due in less than 90 days.

Liquidity Risk

Liquidity risk arises through the excess of financial obligations due over available financial assets at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available cash in order to meet its liquidity requirements and to develop budgets to forecast cash requirements in advance of their requirements. As discussed previously, the Company currently does not have a source of operating cash flow and must raise funds for its exploration and evaluation programs and for general working capital. There are risks associated with raising the funds required, and there can be no assurances that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. The Company's trade and other payables are generally due within 90 days, with all amounts due within twelve months.

Interest Rate Risk
Interest rate risk refers to the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk on its cash equivalents which represent excess cash invested in short-term investments and these accrue interest at variable market rates. The Company monitors these investments with its need for cash flow and is satisfied with the return on these investments, given the timing of the need for cash in the Company. The Company has no interest-bearing liabilities.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates in Canada, South Africa and Tanzania and portions of its expenditures are incurred in US dollars, South African Rand and Tanzanian Shillings. The Company's presentation currency is the Canadian dollar ("CAD"), the Tanzanian subsidiaries' functional currency is the United States dollar ("USD") and the South African subsidiaries' (owned by Eurozone) functional currency is South African Rand ("ZAR"). The Company manages this risk by matching receipts and payments in the same currency where possible, but not all of its expenditures can be matched as the Company has no current source of operating cash flow and so must fund the currency as required to pay the expenditures. Consequently, the Company is exposed to changes in CAD compared to the USD and ZAR and a significant fluctuation in the exchange rates could have an effect on the Company's results of operations, financial position or cash flows. The Company does not engage in any hedging activities to reduce its foreign currency risk, but does manage the currency of its cash resources to complement the denomination of the expenditures required.

Based on the above net exposures at September 30, 2012, a 10% depreciation or appreciation in the USD dollar against the CAD dollar would result in a $105,717 (December 31, 2011 – $74,629) increase or decrease in the Company's comprehensive loss and foreign currency translation reserve.

Commodity Price Risk
The Company is exposed to price risk with respect to commodity prices. Commodity price risk is the potential adverse impact on earnings and economic value of its exploration and evaluation assets, due to commodity price movements and volatilities. The Company monitors commodity prices (primarily rare earth elements, phosphates and uranium) to determine the appropriate course of action to be taken by the Company.

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

1.15 OTHER MD&A REQUIREMENTS

DISCLOSURES FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

The information required on the Company's exploration and evaluation assets are readily available from the Company's condensed consolidated interim financial statements for the nine months ended September 30, 2012 therefore are not required to be repeated here.

DISCLOSURE OF OUTSTANDING SHARE DATA

The information on the Company's share capital including numbers of shares outstanding, details of any conversion features, number of shares issuable on conversion of stock options and warrants, etc. are detailed in the Company's condensed consolidated interim financial statements for the nine months ended September 30, 2012. The number of common shares outstanding as of the date of this report on November 29, 2012 is 54,687,063 shares.