

Notice to Readers

The attached management discussion and analysis for the year ended June 30, 2011 has been re-filed to correct the date referenced in the last paragraph of page 3. The error was a result of a typographical error.

RX Exploration Inc.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the years ended June 30, 2011 and 2010
All figures in Canadian dollars, unless otherwise indicated

Date

Management's Discussion and Analysis of the results of operations and liquidity and capital resources of **RX Exploration Inc.** ("RXE or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended June 30, 2011 and the Company's financial condition and future prospects. Except as otherwise noted, this discussion is dated October 20, 2011 and should be read in conjunction with the Company's consolidated financial statements for the years ended June 30, 2011 and 2010. The Company prepares its financial statements in Canadian dollars and all amounts in this MD&A are expressed in Canadian dollars in accordance with Canadian generally accepted accounting principles ("GAAP"). These documents along with additional information relating to the Company are available on SEDAR at www.sedar.com.

Forward-Looking Statements

This MD&A contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information includes, but is not limited to, the Company's expectations, intentions, plans and beliefs with respect to, among other things, its mining properties and exploration and development activities. Often, but not always, forward-looking information can be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information is based on the opinions and estimates of the Company as of the date such information is provided and is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including the ability to develop and operate the Drumlummon property and the Company's other mining properties, risks associated with the mining industry such as economic factors (including future commodity prices, currency fluctuations and energy prices), failure of plant, equipment, processes and transportation services to operate as anticipated, environmental risks, government regulation, actual results of current exploration activities, possible variations in ore grade or recovery rates, permitting timelines, capital expenditures, reclamation activities, social and political developments and other risks of the mining industry. Although RXE has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

1.1 Overall Performance

Company Overview

RXE is an exploration and development company engaged in the acquisition, exploration and development of precious metals mineral properties. The Company's strategic objective is to become a gold and silver producer through development of its own projects and consolidation of complementary projects. The Company's management and Board of Directors (the "Board") are comprised of senior mining executives who have extensive experience identifying, developing, financing and operating

precious metals deposits globally. The Company is formed under the *Business Corporations Act* (Ontario) with its head office in Toronto, Ontario.

The Company's flagship property is the 100%-owned Drumlummon mine in Lewis and Clark County, Montana, USA. The Company owns approximately 2,320 acres including 28 contiguous patented mining claims covering Drumlummon mine and adjacent unpatented mining claims. The Company's interest in the property includes surface water and mineral rights and a net smelter royalty of 2% on the Drumlummon claims. The Drumlummon mine is currently in test mining as is expected to transition to commercial production in fiscal 2012.

The Company reviews its exploration portfolio annually to determine if the projects continue to meet the Company's objectives.

The Company was listed on the TSX Venture Exchange effective August 4, 2010 and is no longer listed on the Canadian National Stock Exchange. The Company is a reporting issuer in Ontario, British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol "RXE". The Company was listed on the OTCQX International effective October 27, 2010 and trades under the symbol "RXEXF".

Objective and Strategy

The objectives for fiscal 2012 are to:

- hire an experienced and highly effective management team by the fiscal 2nd quarter 2012
- enhance the safety culture and environmental awareness at the Drumlummon mine
- complete an updated 43-101 report on the Drumlummon mine in the fiscal 3rd quarter 2012
- transition from test mining to commercial production in the fiscal 4th quarter 2012
- evaluate and execute land consolidation and corporate development opportunities
- file for a full operating permit for the Drumlummon mine in fiscal 2nd quarter 2012
- engage the local community to identify areas of concern before the Drumlummon mine goes into commercial production

New Management Team

On July 6, 2011, a new Board was elected to lead the Company after former management was unsuccessful in its attempt to seize control of the Company through a proxy contest. On July 6th, the new Board appointed Darren Blasutti as President and CEO of the Company and former management was terminated. Mr. Blasutti was given the mandate to hire an effective and experienced mining executive team capable of bringing the Drumlummon mine into commercial production and to accretively grow the Company's gold production and resources on a per share basis beyond the Drumlummon asset.

As of October 11, 2011, the Company's new executive team was significantly enhanced by the hiring of the COO, CFO, VP Exploration and Legal Counsel of the Company. The Company has moved into a new corporate office in Toronto, ON.

Jim Atkinson was appointed the Company's Vice President, Exploration on July 6, 2011. On August 17, 2011, RXE announced the appointments of Robert M. Taylor as Chief Operating Officer and Warren Varga as Chief Financial Officer. Mr. Varga replaced John Ryan, who served as interim Chief Financial Officer during the proxy contest and is currently a director of the Company. Effective October 11, 2011, Peter McRae was appointed Vice President, Corporate Counsel and Secretary.

Enhance Safety Culture and Environmental Awareness

In fiscal 2010, with an outside contractor running the Drumlummon mine activities, the Company had over 100 citations from the U.S. Labor Department's Mine Safety and Health Administration (MSHA). Although fiscal 2011 showed significant improvement in safety statistics in all areas after the transition to owner mining, the Company's corporate and mine management believes improvements can and must be made as the operation strives for a zero incident work place. It is the philosophy of the new Board and

management that every employee goes home safe to their families every day. Further, management plans to strengthen controls, procedures, monitoring, and disclosure around all environmental issues that affect the Drumlummon mine and surrounding local communities.

Update September 2009 43-101 Report

One of the first priorities of the new Board was to approve a new drill budget of over \$2 million to evaluate underground targets along strike and at depth on the Charly vein, the Empire vein and D Block in order to increase the gold and silver ounces and issue a new 43-101 report. The exploration program started in late August and will be completed in late November or early December 2011. These drilling results combined with drilling completed between October 2009 and June 2011 will comprise the data that will be compiled in the new 43-101 report and resource statement that is expected to be filed with regulatory authorities in fiscal Q3 2012. Once the underground drill program is complete along with any significant surface soil sampling results, a press release will be issued containing information on all holes drilled in the underground and surface program.

In mid-August 2011, the Company retained the services of AMEC, one of the world's leading engineering, project management and consultancy companies to do a high level gap analysis on the Drumlummon resource information. The assignment included defining the required future drill spacing, auditing and reviewing the prior drill information to identify issues and information gaps, and reviewing QA/QC standards in order to identify any necessary improvements. This process will allow management to reduce the time it will take the consultants to prepare their report and give management a high degree of confidence in the new resource estimate.

Transition to Commercial Production

Over the course of fiscal 2012, the Company expects to transition from test mining to commercial production. The new resource statement within the updated 43-101 report would enable management to complete the requisite technical studies, based on the actual productivity, costs and recovery data from the Drumlummon mine and the Philipsburg mill during the test mining period. Management expects these studies to be worked on concurrently with the new resource statement and be filed in late Q3 fiscal 2012 or Q4 fiscal 2012. This will allow management to communicate production targets and operating costs to investors. Management cannot currently communicate production targets or costs today given the lack of an updated 43-101 report and the requisite technical studies.

From July 7 through to October 11, 2011, the Drumlummon mine produced an averaged approximately 170 tons per day of ore that was shipped to the Philipsburg mill. The majority of the ore produced over this time period has come from the Empire vein and Pixley areas, D Block and some mining at Charly earlier in the aforementioned period. The Company's management has been focused on waste development in order to provide multiple access points to the key veins like Charly that will be mined when the Company announces production targets as it transitions to commercial production. Over the same period, waste development has averaged 250 tons per day.

Land Consolidation and Corporate Development

A key ongoing priority is to increase the Company's gold resources and gold production on a per share basis. To achieve this priority beyond ongoing drilling at the Drumlummon mine, management will focus on consolidating exploration and mining opportunities in proximity to the Drumlummon operation. By the end of fiscal 2012, management expects to significantly increase the Company's footprint around the mine area. Further, investigation by management of attractive corporate development opportunities in the mid-west United States is ongoing.

File Full Operating Permit

The Company expects to submit its application for a full operating permit in Q4 2011. This application will contemplate a minimum 500 ton/day mining rate at the Drumlummon mine and the construction of a 100% owned milling complex on the Company's existing land near the Drumlummon mine. The Company has hired CDM out of Helena, Montana to prepare the application for the operating permit. CDM is a US

headquartered, global consulting, engineering, construction, and operations firm which provides services across the project life cycle in water, environment, transportation, energy, and facilities.

Engage Local Communities

The historic town of Marysville, Montana was originally built to house and service the Drumlummon mine in the 1800's and as a result is in close proximity to the Drumlummon mine. Issues such as noise, domestic well water levels and road safety among others need to be discussed and solutions and mitigation plans put in effect for the Drumlummon mine to be successful. The Company's new management has begun consultations with Marysville residents in order to understand the issues facing them and will soon be in a position to work co-operatively with community leaders on solutions prior to submitting a full operation permit application. Further, after submitting the application for a full operating permit, there will be a period for extensive consultation with the local communities affected.

Significant Events

Selected Drill Results and Operational Highlights

- September 21, 2010 – the Company announced that a 26 hole, 3,779 metre (12,398 foot) underground diamond drill program has extended the Charly Vein 30 metres (100 feet) to the southwest and 36 metres (120 feet) down dip. Highlights from this drill program included:
 - DDH 10-173 intersected the Charly Vein at the 660 foot level and returned 6.10 metres (20 feet) averaging 57.87 grams per ton (“g/t”) gold (1.68 troy ounces per ton (“opt”)) and 597.33 g/t silver (16.9 opt). The true width of this intercept is estimated to be about 3.05 metres (10 feet); and
 - DDH 10-200 intersected the Charly Vein at the 640 foot level, 40 feet to the northeast of DDH 10-173, and returned 7.32 metres (24 feet) averaging 14.74 g/t gold (0.43 opt) and 432.00 g/t silver (12.60 opt). The true width of this intercept is estimated to be 5.4 metres (17.8 feet).
- December 14, 2010 – the Company announced the initial results from the surface diamond drilling program on the Empire Vein at the Drumlummon mine, Montana. Highlights included:
 - Hole SDDH-10-27 intersected 1.8 metres (6 feet) averaging 20.34 g/t gold (0.594 opt) and 21.58 g/t silver (0.630 opt), including 0.6metres (2 feet) of 54.35 g/t gold (1.587 opt) and 41.78 g/t silver (1.22 opt).
 - Hole SDDH-10-39 intersected 1.2 metres (4 feet) averaging 21.40 g/t gold (0.625 opt) and 592.47 g/t silver (17.3 opt).
 - Hole SDDH-10-42 intersected 1.2 metres (4 feet) averaging 23.60 g/t gold (0.689 opt) and 283.05 g/t silver (8.27 opt).
 - Hole SDDH-10-43 intersected 3.05 metres (10 feet) averaging 13.12 g/t gold (0.383 opt) and 55.82 g/t silver (1.63 opt).
 - Hole SDDH-10-44 intersected 0.61 metres (2 feet) averaging 78.77 g/t gold (2.30 opt) and 2042.12 g/t silver (59.63 opt).
- February 9, 2011 – the Company announced the initial results from the 21,336 metres (70,000 feet) underground diamond drilling program on the Charly Vein and the Xmas Vein at the Drumlummon mine, Montana. Underground drill results from Stations #7, #9 and #11 intersected both the Charly and Xmas veins over a total strike length of 298 metres (980 feet). The northern end of the Charly vein was traced for a total down-dip extent of about 92 metres. (304 feet). The Xmas vein, further south, had a down-dip extent of 108 metres (355 feet). Both veins remained open at depth and along strike.

Highlights From #11 Drill Station at the North End of Charly Included:

Hole #	From		To		Interval		Gold		Silver		Mine Level & Vein
	metres	feet	metres	feet	metres	feet	g/t	opt	g/t	opt	
DDH-11-235	72.54	238	73.76	242	1.2	4	24.69	0.720	1.943	56.6	740-Charly
And	86.56	284	87.78	288	1.2	4	84.07	2.412	2,522	73.55	770-Charly
DDH-11-238	89.61	294	90.83	298	1.2	4	19.95	0.582	18.89	0.55	750-Charly

Highlights From #9 Drill Station at the South End of Charly, North End of Xmas Included:

Hole #	From		To		Interval		Gold		Silver		Mine Level & Vein
	metres	feet	metres	feet	metres	feet	g/t	opt	g/t	opt	
DDH-11-223	61.6	202	67.7	222	6.1	20	11.48	0.335	21.3	0.62	600-Charly
DDH-11-225	75.6	248	77.4	254	1.8	6	19.10	0.557	24.7	0.72	700-Charly
DDH-11-228	71.0	233	72.2	237	1.2	4	28.11	0.820	37.7	1.10	725-Unknown
DDH-11-229	81.7	268	82.9	272	1.2	4	18.90	0.551	28.1	0.82	740-Unknown
And	112.8	370	114.0	374	1.2	4	5.42	0.158	22.6	0.66	830-Xmas
DDH-11-250	109.7	360	118.9	390	9.1	30	11.76	0.343	19.9	0.57	740-Xmas
including	113.4	372	115.2	378	1.8	6	37.58	1.096	30.3	0.88	805-Xmas
DDH-11-251	113.4	372	119.5	392	6.1	20	13.03	0.380	36.0	1.05	775-Xmas
including	114.0	374	115.8	380	1.8	6	31.85	0.929	80.57	2.35	775-Xmas

The core-length intervals listed in the preceding tables do not represent true widths of mineralized vein material.

- April 12, 2011 – the Company announced that it has connected the new decline/tunnel, referred to as the “Gunsinger Decline,” to the internal ramp system and the historical workings of the Drumlummon mine. This decline established a second, larger route into the mine that can be utilized for emergency assistance or evacuation should it be required. In addition, it will allow the entry of larger mechanized equipment, provide a second haul route for removal of ore and waste from the mine, and create increased airflow for mine ventilation.
- May 10, 2011 – the Company announced that test mining operations had recommenced on both the Empire and the Charly Veins. In addition, as part of its ongoing program to streamline mining efficiencies and costs, the Company’s wholly-owned Montana subsidiary, Drumlummon Gold

Corp, took over all underground operations at the Drumlummon mine from mining contractor, New Millennium Mining & Contracting LLC effective April 16, 2011.

Proxy Contest

Set forth below is a chronology of the events leading up to, during and following the Company's recent proxy contest:

- On May 13, 2011 the Company mailed its management information circular (the "Original Circular") in connection with the annual and special meeting of RXE shareholders scheduled to be held on June 7, 2011 (the "Meeting"). On May 17, 2011 a dissident group of shareholders, including two of the Company's current directors at that time, filed a proxy circular in an attempt to seize control of the Company.
- In order to provide the special committee of the Board (the "Special Committee") with time to replace the dissident nominees on the RXE slate and to provide a detailed response to the dissidents' proxy circular, on May 27, 2011, the Company postponed the Meeting. On June 2, 2011 the dissidents announced they would commence an application in the Ontario Superior Court of Justice stating in their news release that they were seeking an order requiring the Company to hold the Meeting as originally scheduled.
- On June 6, 2011 RXE's Special Committee announced that it proposed to add mining and corporate executives to the Board and management team as part of an alternative slate of nominees.
- On June 7, 2011 the Ontario Superior Court of Justice ruled that the Meeting be adjourned until July 6, 2011 in order to allow shareholders to make an informed decision about the future management of the Company.
- On June 12, 2011 RXE filed an amendment to the Original Circular (the "Amended Circular"). The Amended Circular responded to the dissidents' proxy circular, proposed a new slate of directors (the "New RXE Nominees") and provided shareholders with the New RXE Nominees' business plan for the Company. The New RXE Nominees consisted of Hugh Agro, Darren Blasutti, Alex Davidson, Louis Dionne, Paul Parisotto and Lorie Waisberg, as well as incumbent directors John O'Donnell and John Ryan. It was also proposed that, following the election of the New RXE Nominees, Darren Blasutti would be appointed as President and Chief Executive Officer and Lorie Waisberg would be appointed as Chairman.
- At the Meeting on July 6th, a total of 80,100,790 or 55.8% of all voted shares were cast for the election of the New RXE Nominees and the independent chairman declared the New RXE Nominees elected as the Company's directors.
- Following the Meeting, the new Board met and made the following appointments: Lorie Waisberg was appointed as Chairman, Darren Blasutti was appointed as President and Chief Executive Officer, John Ryan was appointed as acting Chief Financial Officer and Jim Atkinson was appointed as Vice President Exploration. In addition, Louis Dionne was appointed as Chairman of the Health, Safety and Environment Committee, Alex Davidson was appointed as Chairman of the Compensation and Governance Committee and Paul Parisotto was appointed as Chairman of the Audit Committee. The new Board also approved the termination of former management.

The Company incurred incremental professional fees totaling \$1.2 million related to the proxy contest for legal, accounting, communication and proxy solicitation services.

Private Placement

On July 20, 2011, RXE announced that it completed its previously announced non-brokered private placement of 5,000,000 units at a price of \$0.456 per unit for gross proceeds of \$2,280,000. Each unit is comprised of one common share and one common share purchase warrant, and each such warrant entitles the holder thereof to purchase one additional common share at a price of \$0.60 for a two year period beginning on the date that the units were issued. All of the units are subject to a four month hold

period expiring November 21, 2011. The new Board subscribed for 3,400,000 of the units issued pursuant to the private placement.

Options Granted

On July 6, 2011, the New RXE Nominees (other than Messrs. O'Donnell and Ryan) and Jim Atkinson were granted an aggregate of 6,800,000 stock options at a strike price of \$0.49 per common share pursuant to the Company's stock option plan. One-third of the options are for a term of two years, with the balance for a term of five years, and all options vested at the time of the grant.

On September 13, 2011, RXE announced the grant of stock options to certain officers, employees and consultants of the Company. A total of 1,100,000 stock options were granted pursuant to the Company's stock option plan: 600,000 were granted to senior officers (other than the Chief Executive Officer); 200,000 were granted to employees; and 300,000 were granted to a consultant. All options vested immediately and have a strike price of \$0.55. One-third of the options have a term of two years, and the balance have a term of five years.

1.3 Selected Annual Information

For the year ending June 30	(\$)		
	2011	2010	2009
Total revenue	244,877	1,767	6,917
Net loss	(2,668,368)	(4,738,892)	(721,711)
Net loss per share, basic & diluted	(0.019)	(0.055)	(0.014)
Total assets	38,531,925	20,852,812	11,365,771
Total liabilities	3,006,900	1,198,704	734,504

Twelve months ended June 30, 2011 compared to twelve months ended June 30, 2010

The Company incurred a loss of approximately \$2.7 million (\$0.019 loss per share) for the twelve months ended June 30, 2011 compared to a loss of \$4.7 million (\$0.055 loss per share) for the twelve months ended June 30, 2010. The decrease in net loss of \$2.2 million is primarily due to the recovery of exploration costs related to the Van Koughnet Township joint venture properties previously written off in fiscal 2010, partially offset by other items.

In fiscal 2010, deferred exploration and development expenditures of \$2.1 million were written off due to a dispute between the Company and Van Koughnet Township claims optionor regarding funding of exploration work on the underlying properties. Though it was RXE's position that all option conditions were satisfied, the Company entered into a settlement agreement dated November 29, 2010 (the "Agreement") with its former private arms' length joint venture partners to settle and restructure their unpatented mining claim holdings. The claims consisted of two properties, the Sill Lake silver-lead prospect and the Goulet River copper prospect. Pursuant to the Agreement, the Sill Lake claims were transferred to Argentium Resources Inc., a private arms' length Canadian company, and the Goulet River claims were transferred to the Company.

The Company was paid the sum of \$100,000, received 1,000,000 common shares of Argentium Resources Inc. with a fair value of \$0.4 million and was given a promissory note receivable representing a promise to pay the further sum of \$1.9 million on November 29, 2013, secured by the Sill Lake claims and other assets.

The Company estimated the fair value of the promissory note receivable using a discounted cash flows analysis. The Company assumed a discount rate of 25% based on the prevailing market rates of interest for similar instruments. The difference between the face value of \$1.9 million and the estimated fair value of \$1.0 million at the date of the Agreement will be accreted using the effective interest rate method at a rate of 25%. As at June 30, 2011, the amortized cost of the promissory note receivable is \$1.1 million.

As a result of the Agreement, the Company recorded a recovery of deferred exploration costs of \$1.4 million in the Statements of Operations and Deficit.

The property-related decrease was partially offset by increased office and general expenses of \$1.2 million and increased professional and consulting expenses of \$0.7 million. During fiscal 2011, the company listed on the TSX Venture Exchange and the OTCQX and, as a result, incurred increased regulatory, legal, accounting and other consulting fees, and required additional personnel to administer the Company. Management also incurred higher expenses in their efforts to market the Company to international investors. Stock-based compensation expense decreased by \$1.2 million from fiscal 2010 to fiscal 2011 however this expense was offset by one time-proxy related expenses of \$1.2 million.

The Company also earned investment revenue of \$0.2 million for the year ended June 30, 2011 compared to \$2 thousand in fiscal 2010 from the accretion of the Argentium note and interest earned on short-term investments.

Mining claims and deferred exploration costs

As at June 30, 2011, the Company has capitalized \$26.6 million in mining claims and deferred exploration costs compared with \$14.5 million as at June 30, 2010. The Company capitalized approximately \$12.1 million of expenditures during fiscal 2011 related to mining claims and deferred exploration costs, net of settlements of \$7.9 million, compared to \$6.4 million capitalized during fiscal 2010, net of settlements of \$0.4 million.

The variance in annual expenditures was due to a significant increase in activity as the Company developed an exploration decline into the Drumlummon ore body in order to develop further exploration drill stations, in addition to developing an external ramp. The decline allowed the Company to opportunistically access, extract, transport to and process ore at the Company's leased Philipsburg Mill under a small miners permit and produce a saleable concentrate.

For the year ended June 30, 2011, total settlements from the sale of this concentrate were \$7.9 million (June 30, 2010 - \$0.4 million), net of taxes and royalties, from processing 5,160 oz. of gold and 93,990 oz. of silver. For the three months ended June 30, 2011, settlements received totaled \$0.1 million compared to \$0.4 million for the three months ended June 30, 2010.

Approximately \$0.5 million in precious metal inventory is included in mining claims and deferred expenditures compared to \$0.2 million in fiscal 2010.

1.4 Summary of Quarterly Results to June 30, 2011

Quarter ended	Jun 30/11	Mar 31/11	Dec 31/10	Sep 30/10	Jun 30/10	Mar 31/10	Dec 31/09	Sep 30/09
Sales/Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Loss (\$)	(815,488)	(572,894)	(604,866)	(675,120)	(3,349,344)	(485,324)	(211,303)	(692,919)
Loss per share								
Basic & Diluted (\$/share)	(0.005)	(0.004)	(0.004)	(0.006)	(0.032)	(0.006)	(0.003)	(0.010)

The Company incurred a loss of \$0.8 million (\$0.005 loss per share) for the three months ended June 30, 2011 as compared to a loss of \$3.3 million (\$0.032 loss per share) for the three months ended June 30, 2010, a decrease of approximately \$2.5 million. The decrease was largely due to the \$3.5 million variance arising from the write-off and subsequent recovery of expenditures related to the Van Koughnet Township properties dispute with joint venture partner Argentium, partially offset by \$1.2 million of proxy-related costs.

As noted previously, deferred exploration and development expenditures of \$2.1 million were written off in fiscal 2010 due to a dispute between the Company and Van Koughnet Township claims optionor regarding funding of exploration work at the joint venture properties. A settlement was reached in fiscal

2011 whereby property, cash, shares and a promissory note were exchanged with a value of approximately \$1.4 million for a total year-to-year variance of \$3.5 million. As previously noted, the Company received the sum of \$0.1 million cash, the Goulet River claims, 1,000,000 common shares of Argentium and a non-interest bearing, promissory note for \$1.9 million to be paid on November 29, 2013, secured by the Sill Lake claims, in settlement of the dispute.

The Company also earned investment revenue in the amount of \$0.1 million for the three months ended June 30, 2011 compared to \$2 thousand in the final quarter of fiscal 2010 from the accretion of the Argentium note and interest earned on short-term investments.

1.5 Liquidity

As at June 30, 2011, the Company had a working capital surplus (current assets less current liabilities) of \$5.5 million compared to \$4.5 million at June 30, 2010 consisting of cash, short-term investments, prepaid expenses and current receivables of \$8.4 million (\$5.6 million, June 30, 2010) and current liabilities of \$2.9 million (\$1.2 million, June 30, 2010).

During the year ended June 30, 2011, approximately 48,600,000 warrants were exercised for net proceeds of approximately \$18.6 million. The Company invested those proceeds in the acquisition of mining claims and deferred exploration costs (\$19.6 million), plant and equipment (\$1.5 million) and short-term investments (\$4.1 million, net), partially offset by settlements from test mining (\$7.9 million), with the remainder of the warrant proceeds used to fund the cash component of the net loss and movements in the balance sheet (\$1.3 million).

1.6 Capital Resources

Resources available to the Company to raise exploration and development funds are the debt and equity markets, proceeds from the settlements of gold and silver concentrate obtained from test mining and joint venture arrangements with other mineral resource companies. The Company's primary capital assets are interests in mineral projects. The Company has entered into several agreements, which provide for further expenditures, option payments and exploration expenses to be incurred. Some of these commitments relate to option agreements and the Company is not committed to completing these expenditures.

On October 12, 2011, the Company had US\$2.6 million and CDN\$1.6 million in cash. On October 12, 2011, the Company had accounts payable in the amount of US\$0.9 million and CDN\$0.2 million.

At the end of fiscal Q1 2012, the Company experienced increased difficulty selling its concentrate due to a maintenance shutdown at the Company's primary refiner. Management is actively searching for other refiners to process the concentrate; however the situation has decreased the Company's working capital surplus. RXE anticipates that it will require additional capital over the next 12 months in order to meet its short-term goal of continuing to explore the Drumlummon property, releasing a 43-101 compliant resource statement, permitting, developing and commencing full-scale operations at Drumlummon. The Company anticipates the refiner's shutdown to be completed by the end of fiscal Q2 2012.

The Company in the past has relied upon private placement subscriptions to satisfy its funding requirements and may continue to do so in the future as well as consider alternative funding sources including debt arrangements. There can be no assurance that capital requirements will be met by this means in the future and the Company is mindful of the current challenges in the capital markets and the economy in general.

1.7 Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

1.8 Financial instruments and other instruments

The Company's financial instruments primarily consist of cash (classified as held for trading), short-term investments (classified as held for trading), accounts receivable (classified as loans and receivables), due from agents (classified as loans and receivables), investment in Argentium Resources Inc. (available-for-sale), promissory note receivable (classified as loans and receivables), reclamation bonds (classified as loans and receivables) and accounts payable and accrued liabilities (classified as other financial liabilities). Cash and short-term investments are recorded at fair value. The fair values of these remaining financial instruments are identical to their carrying values. The Company has not used any hedging or any other financial derivatives.

Short-term investments consist of cashable Guaranteed Investment Certificates ("GIC") with a Canadian Chartered Bank. As at June 30, 2011, the two GIC's consist of \$7.0 million bearing interest at 1.20% per annum, redeemable by November 21, 2011 and \$0.1 million bearing interest at 0.75% per annum, redeemable by December 6, 2011.

1.9 Transactions with Related Parties

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount, which is the consideration established and agreed to by the respective parties.

Related party transactions not disclosed elsewhere are summarized below:

- Included in mining claims and deferred exploration and development expenditures for 3 months ending June 30, 2011 \$nil (3 months ending June 30, 2010 \$4,959) and \$3,120 for fiscal 2011 (2010 - \$4,959) of fees paid to the Company's former legal counsel who is a current director of the Company.
- Included in accounts payable and accrued liabilities is \$51,272 as at June 30, 2011 (\$108,800-2010) due to the Company's former legal counsel who is a current director of the Company.
- Included in capital stock is \$45,173 as at June 30, 2011 (\$111,585 - 2010) of share issuance costs for fees paid to the Company's former legal counsel who is a current director of the Company.
- Included in professional and consulting fees are \$128,503 as at June 30, 2011 (\$110,893 - 2010) of fees paid to the Company's former legal counsel who is a current director of the Company, \$300,000 (\$240,000 - 2010) in management fees to a company controlled by former directors of the Company and \$17,500 (\$7,500 - 2010) of consulting fees paid to a company controlled by a director of the Company.
- Included in office and general is \$10,386 (\$63,475 - 2010) of fees paid to a company controlled by former directors of the Company, related to rent and office expenses.

1.10 Commitments and Contingencies

As at June 30, 2011 the Company had no contractual commitments or lease agreements other than as disclosed herein or in relation to its ongoing obligations to consultants and contractors employed in its ongoing operations at the Drumlummon mine in Montana and in its ongoing corporate operations.

Pursuant to the flow through share issuance in a prior year, the Company renounced to its investors certain expenditures in accordance with the look-back rules under the Income Tax Act. As a result, the Company was committed to incurring approximately \$1.9 million of Canadian Exploration Expenditures prior to June 30, 2010. The Company did not incur the required amount of Canadian Exploration Expenditures by June 30, 2010 and, as a result, has incurred a Part XII.6 tax in the approximate amount of \$87,000. In addition, the qualification of the eligibility of the Canadian Exploration Expenditures,

including amounts funded to and then expended by the optionors of the Van Koughnet Townships claims, which were renounced in relation to the flow through share issuance, are in the normal course of business subject to review by the Canada Revenue Agency ("CRA"). If these expenditures were denied by the CRA under review, the Company would incur penalties and would be required to amend certain of its tax filings with its flow through share investors.

1.11 Proposed transactions

There are no proposed transactions other than described herein.

1.12 Critical Accounting Estimates

Deferred Mining Property Acquisition and Exploration Expenditures

The Company capitalizes mining property acquisition costs and related exploration expenditures which are to be amortized when production is attained or the balance thereof written off should the property be disproven through exploration or abandoned. On an ongoing basis, the Company evaluates deferred expenditures relating to each property to assess whether there has been impairment in value. The Company recognizes write-downs for impairment where the carrying value of the mining property exceeds its estimated long term net recoverable value. Recoverable value is estimated based upon current exploration results and upon the Company's assessment of the future probability of positive cash flows from the property or from the sale of the property.

Future Site Restoration Costs

The Company has an obligation for future site restoration costs. The Company records the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. If the obligation is settled for other than the carrying amount of the liability, the Company will recognize a gain or loss on settlement.

Stock Options and Warrants

The Black-Scholes option valuation model used by the Company to determine fair values for stock-based compensation was developed for use in estimating the fair value of freely traded options. This model requires input of highly subjective assumptions including future stock volatility and expected time until exercise. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing model does not necessarily provide a reliable single measure of the fair value of the Company's stock options granted during the year.

1.13 Risks and Uncertainties

The Company's business of exploring mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and the Company's common shares should be considered speculative.

Mineral Exploration

The business of exploration for minerals and mining involves a high degree of risk. A relatively small proportion of properties that are explored are ultimately developed into producing mines. At present, there are no known bodies of commercial ore on any of the mineral properties in which the Company holds interest or intends to acquire an interest and the proposed exploration program is an exploratory search for ore. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. The Company has limited experience in the development and operation of mines and has relied on and may continue to rely upon consultants and others for exploration and operating expertise. The economics of developing gold, base metal and other mineral properties is affected by many factors including the cost of operations, variation of the grade of ore mined, and fluctuations in the price of any minerals produced.

Additional Funding Requirements and Potential Dilution

The Company has no current or foreseeable prospect of generating significant revenues. Accordingly, the success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to explore and develop its properties. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible loss of such properties.

The Company will require new capital to continue to operate its business and to continue with exploration on its mineral properties, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

The issuance of common shares of the Company upon the exercise of options and/or warrants will dilute the ownership of the Company's current shareholders. The Company may also issue additional securities convertible into common shares of the Company in the future, the conversion of which would result in further dilution to the shareholders of the Company.

Continuation of Operating Losses

The Company does not have a long historical track record of operating upon which investors may rely. Consequently, investors will have to rely on the expertise of the Company's management. Further, the Company's properties are in the exploration stage and may not be commercially viable at this time. The Company does not have a history of earnings or the provision of return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

Title to Mineral Properties (Ownership Rights)

Although title to the Company's properties (the "Properties") has been reviewed by or on behalf of the Company, no assurances can be given that there are no title defects affecting the Properties. Title insurance generally is not available for mining claims and the Company's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be limited. The Company has not conducted surveys of the claims in which it holds direct or indirect interests; therefore, the precise area and location of such claims may be in doubt. It is possible that the Properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate the Properties as permitted or to enforce its rights with respect to its Properties.

Resource Estimates

The resources presented in this document are estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the expected level of recovery will be realized. Such figures have been determined based upon assumed metal prices. Future production could differ

dramatically from estimates due to mineralization or formations different from those predicted by drilling, sampling and similar examinations or declines in the market price of the metals may render the mining some or all of the resources as uneconomic.

Economic

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. The prices of mineral products have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

Commodity Price Risk

The ability of the Company to develop its mining properties and the future profitability of the Company is directly related to the market price of gold and silver.

Competition

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for the recruitment and retention of qualified employees, contractors and consultants.

Environmental

The Company's operations are subject to environmental regulations promulgated by local, state, and federal government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner, which means stricter standards and enforcement, and fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Joint Ventures and Option Agreements

The Company enters into option agreements and joint ventures as a means of gaining property interests and raising funds. Any failure of any partner to meet its obligations to the Company or other third parties, or any disputes with respect to third parties' respective rights and obligations could have a material adverse effect on such agreements. In addition, the Company may be unable to exert direct influence over strategic decisions made in respect to properties that are subject to the terms of these agreements.

Legal

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the

Company's resources and cause increases in expenditures or exploration costs or reduction in levels of activities on exploration projects, or require abandonment or delays in the development of new exploration properties.

Regulations and Permitting

The operations of the Company may require licenses and permits from various local, state and federal governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, or mining operations, at its projects.

Uninsurable Risks

The mining industry is subject to significant risks that could result in damage to, or destruction of, mineral properties, personal injury or death, environmental damage, delays in exploration, and monetary losses and possible legal liability. Where the Company considers it practical to do so, it maintains insurance in amounts believed to be reasonable, including coverage for directors' and officers' liability and fiduciary liability and others.

Such insurance, however, contains exclusions and limitations on coverage. Accordingly, the Company's insurance policies may not provide coverage for all losses related to the Company's activities (and specifically do not cover environmental liabilities and losses). The occurrence of losses, liabilities or damage not covered by such insurance policies could have a material and adverse effect on the Company's results of operations and financial condition. The Company cannot be certain that insurance will be available to the Company, or that appropriate insurance will be available on terms and conditions acceptable to the Company. In some cases, coverage is not available or considered too expensive relative to the perceived risk.

Dependence on Key Employees, Contractors and Management

The Company currently has a small executive management group, which is sufficient for the Company's present stage of activity. Given that future success will depend, in large part on the efforts of the current executive management group, the loss of a significant number of the members of this group could have a material adverse effect on the Company, its business and its ability to develop its projects. The Company does not maintain key person life insurance. Accordingly, the loss of the services of one or more of such key management personnel could have a material adverse effect on the Company.

The mining industry has been impacted by increased worldwide demand for critical resources including industry consultants, engineering firms and technical experts. These shortages have caused increased costs and delays in planned activities. The Company is also dependent upon a number of key personnel, including the services of certain key employees and contractors. The Company's ability to manage its activities, and hence its success, will depend in large part on the efforts of these individuals. The Company faces intense competition for qualified personnel, and there can be no assurance that the Company will be able to attract and retain such personnel.

Conflict Of Interest

Certain directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

1.14 Adoption of New Accounting Standards

International financial reporting standards (“IFRS”)

In January 2006, the Canadian Accounting Standards Board (“AcSB”) announced its decision to replace Canadian GAAP with IFRS. On February 13, 2008 the AcSB confirmed January 1, 2011 as the mandatory changeover date to IFRS for all Canadian publicly accountable enterprises. As a result, RXE will be required to prepare IFRS financial statements for the interim periods and fiscal years beginning July 1, 2011.

Progress towards Completion of the Company’s IFRS Changeover Plan

As stated in the Proxy Contest section, the former RXE Board was reconstituted following the proxy vote on July 6, 2011 and the former management team was terminated. The new RXE management conducted an IFRS preparedness review shortly after their appointment through discussions with the Company’s auditors, advisors and the surviving Board members and has found little evidence of significant preparations by the former management. However, current management expects to be able meet the filing deadlines for fiscal Q1, 2011 due to the Company’s size and status of operations.

IFRS Changeover Approach

The following information is provided to allow investors and others to obtain a better understanding of the Company’s IFRS changeover approach and the resulting possible effect on the financial statements. Readers are cautioned, however that it may not be appropriate to use such information for any other purposes. This information also reflects the Company’s most recent assumptions and expectations, and circumstances may arise, such as changes in IFRS regulation, business activities or economic conditions, which could change these assumptions or expectations.

Management is in the process of developing a plan for the IFRS changeover comprised of three phases:

Phase 1: Review and Assessment Phase

The objective of this phase is to identify the required changes to the accounting policies and practices resulting from the changeover to IFRS to determine the scope of the work effort required for the Design and Implementation phases.

Phase 1 activities include:

- A detailed review of all relevant IFRS standards to identify differences with the current accounting policies and practices.
- The separate consideration of one-time accounting policy alternatives that must be addressed at the changeover date and those accounting policy choices that will be applied on an ongoing basis in periods subsequent to the changeover to IFRS.
- The prioritization of those differences that could have a significant impact on the financial statements, business processes or IT systems.

Phase 2: Design Phase

Phase 2 will result in the design and development of detailed solutions to address the differences identified in the first phase of the changeover plan. These solutions will result in certain necessary changes to the internal business processes and financial systems to comply with IFRS accounting and disclosure requirements.

Phase 2 activities include:

- The evaluation of accounting policy alternatives.
- The investigation, development and documentation of solutions to resolve differences identified in Phase 1, reflecting changes to existing accounting policies and practices, business processes, IT systems and internal controls.

- The implementation of a change management strategy to address the information of internal and external stakeholders.

Phase 3: Implementation Phase

In the third and final phase of the changeover plan, Management will implement the changes that affect accounting policies and practices, business processes, systems and internal controls. These changes will be tested prior to the formal reporting requirements under IFRS to ensure all significant differences are appropriately addressed in time for the changeover.

Key Differences

The Company's assessment of differences between Canadian GAAP and IFRS are based on its historical, current and expected business activities. Changes in business activities could also lead to unexpected differences to the Company's consolidated financial statements, notes and other disclosures as reported under Canadian GAAP and IFRS. Changes to business activities or transactions and/or IFRS could have material effects on the Company's preliminary assessment below. RXE will continue to track the difference between Canadian GAAP and IFRS on individual transactions throughout 2012.

The Company has identified key areas where changes in accounting policy may be expected on its transition from Canadian GAAP to IFRS. This list is intended to highlight the areas that the Company may determine to be significant and should not be regarded as a complete list of changes that will result from the transition to IFRS.

Standards under IFRS are based on a conceptual framework similar to Canadian GAAP, however significant differences exist in certain matters of recognition, measurement and disclosure. While the Company believes that the adoption of IFRS will not have a material impact on the Company's reported cash flows, it will likely have a larger impact on the consolidated balance sheets and statements of loss.

Exploration expenditures

IFRS 6 applies to exploration and evaluation expenditures incurred by an entity in connection with the exploration and evaluation of mineral resources. An entity may choose to defer on the balance sheet nearly all exploration and evaluation expenditures, or recognize all such expenditures in the statement of income and comprehensive income as incurred.

The Company is reviewing whether to elect to change its current policy of deferring all exploration and evaluation expenditures or to expense post-acquisition exploration costs as incurred.

Pre-commercial production operating losses

As IFRS does not recognize the concept of commercial production, but rather refers to an "available for use" test, all operating expenditure and revenue earned during the pre-production stage and previously capitalized by the Company under Canadian GAAP may have to be expensed under IFRS. This may be expected to result in an adjustment to reduce the carrying value of mining interests.

Warrants

Under Canadian GAAP, the Company accounts for its Canadian dollar warrants as equity instruments. IFRS requires that warrants denominated in a currency other than the functional currency of the issuer be classified as liabilities and fair valued each period unless they are issued pro rata to all existing shareholders, in which case they would be classified as equity. Management expects to review the current treatment of warrants in conjunction with its functional currency and will assess if a reclassification is required.

Fair value as deemed cost

The Company expects not to elect under IFRS 1 to initially measure an item of property, plant and equipment upon transition to IFRS at fair value on the transition date, or at an event-driven fair value (i.e. a fair value determined through a business combination or initial public offering).

Share-based payments

In certain circumstances, IFRS requires a different measurement of stock-based compensation than current Canadian GAAP. The Company will evaluate any impact hereof.

Impact of ongoing or future differences between IFRS and Canadian GAAP

Impairment of assets

IAS 36, Impairment of Assets, uses a one-step approach for both the testing and measurement of impairment, with the asset carrying values compared directly with the higher of fair value less costs to sell and value in use, which is based on discounted future cash flows. Canadian GAAP, on the other hand, generally uses a two-step approach to impairment testing of long-lived assets and finite-life intangible assets by first comparing asset carrying values with undiscounted future cash flows to determine whether an impairment exists. If it is determined that there is impairment under this basis, the impairment is then calculated by comparing the asset carrying values with fair values (on a discounted basis) in much the same manner as computed under IFRS. Additionally under IFRS, testing for impairment occurs at the level of cash generating units, which is the lowest level of assets that generate largely independent cash inflows. This lower level of grouping compared to Canadian GAAP along with the one-step approach to testing for impairment may or may not increase the likelihood that the Company will realize an impairment of assets under IFRS. It should also be noted that under IAS 36, previous impairment losses can be reversed when there are indications that the circumstances that gave rise to the impairment have changed, whereas Canadian GAAP prohibits reversal of non-financial asset impairment losses.

As at July 1, 2010, impairment of asset carrying values will be assessed in accordance with the provisions of IAS 36.

Foreign currency

IFRS requires that the functional currency of RXE and its subsidiaries be determined independently for each entity, and under IFRS the factors considered to determine the entity's functional currency are somewhat different than the factors considered in current Canadian GAAP, including primary currency of revenues and expenses and funding currency.

The Company will determine its current accounting treatment related to foreign currency and its determination of its entity-specific functional currency.

Decommissioning Liabilities

Under IFRS, a liability must be recognized at the time when the entity becomes legally or constructively obliged to rehabilitate a disturbance resulting from mining activities, while under Canadian GAAP, a liability is only recognized when the entity is legally bound. Discount rates used should reflect the risks specific to the decommissioning provision. Unlike IFRS, under Canadian GAAP discount rates for asset retirement obligations are based on the entity's credit-adjusted risk-free rate. IFRS requires re-measurement of the liability at each reporting date, whereas Canadian GAAP requires re-measurement of the liability in the event of changes in the amount or timing of cash flows required to settle the obligation. Over and above this, IAS 37, Provisions, Contingent Liabilities and Contingent Assets, requires the re-measurement of the provision for reclamation and rehabilitation if there is a change in the current market-based discount rate, while under Canadian GAAP, the provision for reclamation and rehabilitation is not adjusted for changes in the discount rate.

The Company intends to review the application of IFRS to the expected reclamation liabilities and quantify the impact to the consolidated financial statements.

IFRS Impact on Internal Control over Financial Reporting and Disclosure Controls and Procedures

During the conversion project, management will make modifications to certain of its internal reports, its data analysis, information systems and reporting processes to incorporate the collection of information necessary under IFRS. Since these changes represented only a component part of the reporting process, no material changes to the Company's processes or controls are expected to be required as a result of this conversion.

As a result of the convergence of Canadian GAAP with IFRS standards, the Company is not expecting to make material changes to its internal controls over financial reporting and disclosure controls during the course of its conversion project.

IFRS Impact on Information Systems

In order to facilitate the compilation of information required for IFRS reporting and disclosures, management will review and may make appropriate modifications to its consolidation system and processes. Those changes may be minor changes to reports or data analysis to ensure that additional information required for disclosures under IFRS, which was not currently collected under Canadian GAAP, were appropriately tracked for IFRS reporting purposes.

1.15 Controls and Procedures

Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. Based on a review of its internal control procedures at the end of the period covered by this MD&A, management believes its internal controls and procedures, for the nature and size of the entity, are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Company, is made known to the Company's certifying officers. Management has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded that these controls and procedures are effective, for the nature and size of the entity, in providing reasonable assurance that material information relating to the Company is made known to them by others within the Company.

1.16 Outstanding Share Data

As at October 18, 2011, there were 166,844,456 common shares issued and outstanding and 23,657,036 common shares that were issuable upon the conversion or exercise of the 11,602,036 warrants and 12,055,000 options that were outstanding.