

MANAGEMENT DISCUSSION & ANALYSIS

For the quarter ended October 31, 2011

Date of Report: December 22, 2011

Directors and Officers as at December 22, 2011:

Directors:

Martin Auyeung
David Baker
Edward T. Gardner
Brian Grant
William R. LeClair
Earl Terris

Officers:

David Baker, Chairman
Edward T. Gardner, CEO
Brian Grant, President & COO
Alan Gorman, Executive Vice-President of
Operations
Vivian Gu, CFO

Contact Name:

David Baker

Website:

www.goldbrookventures.com

TSX Venture Exchange Symbol:

GBK

GOLDBROOK VENTURES INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the Quarter Ended October 31, 2011

1.1 Date of This Report

December 22, 2011

1.2 Overall Performance

Description of Business

The Company was incorporated as Goldbrook Explorations Inc. under the Ontario *Business Corporations Act* on May 20, 1983. On July 22, 2002, the Company changed its name to Goldbrook Ventures Inc. In addition, the Company consolidated its capital on a 3 old for 1 new basis. On April 14, 2003, the Company was granted a Certificate of Continuation under the Company Act of British Columbia.

The Company's registered and records office in British Columbia is Suite 1550, 200 Burrard Street, Vancouver, British Columbia, V6C 3L6. The Company's telephone number is (604) 683-8083. The Company's Shares are currently listed for trading on the TSX Venture Exchange under the symbol "GBK".

On February 6, 2004, the Company announced that shares of Goldbrook Ventures Inc. would commence trading on the Frankfurt Stock Exchange under the trading symbol "GVE".

The Company is a publicly traded junior resource company. In the past fiscal years until 2001, the Company was involved, to a limited extent, in the exploration of various mineral properties. As of 2001, the Company had written down all of its investments in its mineral properties; and was deemed inactive by the Exchange on September 7, 2001. On August 1, 2002, the Company completed its reactivation plan and the Exchange removed the inactive status.

On September 6, 2005, the Company announced that in accordance with TSX Venture Exchange policy 2.5, the Company had met the requirements for a Tier 1 company. Effective September 2, 2005, the Company's tier classification changed from Tier 2 to Tier 1 – mineral exploration and development company.

As a development stage enterprise, the Company is in the process of exploring properties and will continue to conduct exploration activities on its properties to determine the ore reserves and ore recoverability on its properties.

The Company's exploration and evaluation assets consist of the following:

- Onaman River, Onaman Lake Township, Ontario;
- Raglan Area, District of Northern Quebec through Joint Venture.

1.3 Selected Annual Information

The highlights of financial data for the Company for the three most recently completed financial years are as follows:

| | <u>April 30, 2011</u> | <u>April 30, 2010</u> | <u>April 30, 2009</u> |
|--|-----------------------|-----------------------|-----------------------|
| (a) Net sales | - | - | - |
| (b) Loss before extraordinary items | | | |
| (i) Total loss before comprehensive loss | \$2,720,219 | \$3,173,574 | \$2,493,378 |
| (ii) Loss per share – basic | \$0.02 | \$0.02 | \$0.02 |
| (iii) Loss per share – diluted | \$0.02 | \$0.02 | \$0.02 |
| (c) Net loss | | | |
| (i) Total loss before comprehensive loss | \$2,720,219 | \$3,173,574 | \$2,493,378 |
| (ii) Loss per share – basic | \$0.02 | \$0.02 | \$0.02 |
| (iii) Loss per share – diluted | \$0.02 | \$0.02 | \$0.02 |
| (d) Total assets | \$39,217,692 | \$58,240,499 | \$53,470,399 |
| (e) Total long-term liabilities | - | - | - |
| (f) Cash dividends declared per-share | N/A | N/A | N/A |

1.4 Results of Operations

Discussion of Acquisitions, Operations and Financial Condition

The following should be read in conjunction with the financial statements of the Company and notes attached hereto.

Mineral Properties

Onaman River Property

For the year ended April 30, 2002, these mining leases and patents claims were carried at a nominal value of \$1.00 and represented a 80% interest in the Onaman River Property, Onaman Lake Township, Ontario, subject to 30% net profits royalties on one group and a 10% net profits royalties on the balance of leased claims. The Company wrote-off the nominal value of \$1.00 in the year ended April 30, 2003. As at October 31, 2011, there are seven patents and 33 lease claims which are in good standing.

Raglan Area Properties – District of Northern Quebec

Since January 31, 2011, the Company has a 50% investment in a Joint Venture that is holding mineral properties in Raglan area, Quebec with total 6,459 claims (647,654 acres).

As at January 31, 2011, Jilin Jien Nickel Industry Co. Ltd. (“Jilin Jien”), the option and joint venture partner, has provided funding of \$45 million to the Company, \$12.5 million of which was for the expenditures of the first year, \$15 million of which was for the second year, and \$17.5 million is part of the funding for the third year. In the year ended April 30, 2011, the Raglan exploration project also received \$3,631,975 Quebec 2009 tax credits that have been claimed by Jilin Jien. On July 20, 2011, the Company paid back its pro rata shares of the over-refunded 2009 Quebec tax credit plus interest in the amount of \$941,201.45 according to the arbitration award and order and the subsequent ruling.

Jilin Jien's option was exercised on January 31, 2011 and that a Joint Venture was formed between Jilin Jien and the Company on that date. As such, the Company transferred all its Raglan district properties to the Joint Ventures on January 31, 2011. Effective February 1, 2011, the Joint Venture partner became the operator and the management of the new Joint Venture is under the partner's responsibility. The Company will not earn operator's fees from year 2012.

9,692,171 common shares of the Company have been issued (6,974,999 of which were issued in 2009, 2,228,042 of which were issued in 2010, and 489,130 of which were issued in 2011) and a \$1,132,500 cash finder's fee has been paid (\$505,000 of which was paid in 2009, \$515,000 of which was paid in 2010, and \$112,500 of which was paid in 2011) to a third party in connection with the Shareholder, Joint Bid, and Operating Agreement (“Agreement”) and in accordance with the policies of the TSX Venture Exchange. The value of the common shares issued in lieu of finder's fee and the cash finder's fee have been recorded as financing costs.

Exploration Results and Future Developments (Raglan Properties)

In late September 2010, the Company completed its 2010 nickel-copper-cobalt-PGE sulphide exploration program in the Raglan Belt, northern Quebec. Goldbrook's geoscience team, led by Revelation Geoscience Ltd during 2010, carried out an aggressive exploration program across the properties, including diamond drilling, ground geophysics, regional till geochemistry, prospecting and mapping. Revelation Geoscience brought a new insight and experience to the Goldbrook program in an effort to add to previous successes with new discoveries.

Belanger Camp supported a large exploration program on the western portion of the Goldbrook properties, and an eastern Camp in Kangiqsujuaq (Wakeham Bay) supported activities in the eastern tenures. Geological field crews mobilized to these camps during week of June 21st and demobilization took place about September 22nd.

Joint Ventures's 2010 Exploration Program Summary

- **Core Drilling:** A total of 23,075 metres was drilled in 113 diamond drill holes. New sulphide mineralization was discovered.
- **Base-of-Till Sampling:** 246 Base-of-till holes were drilled by a percussion drill rig over targets on the Eastern properties where glacial till cover had hindered previous exploration. Basal till samples were collected from all of these holes and bedrock chip samples were collected from 194 drillholes. Field XRF analyses of base-of-till samples allowed for "live" interpretation of results and immediate follow-up where Ni-Cu values warranted. New ultramafic bodies were identified.
- **Surface Till Sampling:** 6777 Till samples were collected over glacial till covered geophysical targets. Field XRF analyses of till samples allowed for "live" interpretation of results and immediate follow-up.
- **Moss Matt and Stream Sediment Sampling:** 116 Moss Matt and Stream Sediment samples were collected covering regional areas that have seen limited previous work.
- **Ground Geophysics:** Approximately 2,050 line kilometres of ground magnetic surveys were completed over approximately 32 airborne magnetic anomalies to provide higher resolution data for drill targeting.
- **Geological Mapping and Prospecting:** 12 Prospectors, 15 geologists, and several student and local Inuit field assistants were employed through the work program and evaluated over 50 high priority target areas by prospecting and geological mapping, resulting in the discovery of new nickel sulphide mineralization in several areas. More than 3500 geological field stations and 1250 rock samples were collected. Results are currently being compiled and assays are pending.
- **Personnel:** From mid-June to late September, 80 to 115 employees and contractors were on site at the Kangiqsujuaq and Belanger Camps including many local hires from the Inuit community.
- **National Instrument 43-101 resource estimates** were completed by P&E Mining Consultants Inc for the Mystery, Getty, Sylvie, Bravo B4, PAD and Timtu deposits and the resulting report has been posted on SEDAR.

This program had been planned as an expansion from the previous, and successful, exploration focus on the Belanger Trend into new, and high potential geological target areas. The program tested positive results of geological, geophysical, prospecting and remote sensing surveys completed in previous years. This exploration discovered significant nickel-copper-PGE sulphides at the Echo One and Delta NE zones and better defined mineral potential at Sylvie. With the still pending results from data analyses, compilation and report preparation for the 2010 program, the Company expects to see additional potential identified which can be incorporated into the targeting for future exploration programs.

In August 2011, the Joint Venture approved the 2011 exploration program budget of \$2.7 million. No cash call is expected as the budgeted expenditures are expected to be fully covered by the Quebec mineral exploration credits refund.

Results of Operations

The loss for the six months ended October 31, 2011 was \$3,380,260 as compared with a loss of \$2,438,946 for the six months ended October 31, 2010. The changes in the loss for the current period were in the following categories that also reflected in the general administration expenses and cash flows:

- A \$793,500 share of loss of the company subject to significant influence has been included in the Company's net loss (refer to 1.5) of the six months ended October 31, 2010 while \$Nil has been recorded in the current period;
- Recorded financing costs in the amount of \$220,108 in the six months ended October 31, 2010 which represents both the cash finder's fee paid and the value of the common shares issued relating to the Raglan joint venture project, while no financing costs incurred during the current period;
- Professional fees increased by \$1,504,514 during the six months ended October 31, 2011 due to the increased legal fees and accounting and audit fees. The increased legal fees during the six months ended October 31, 2011 were caused by the Company's involvement in multiple arbitration processes (refer 1.4 and 1.15);
- During the six months ended October 31, 2011, wages and salaries increased by \$272,031 comparing to the six months ended October 31, 2010. The increases were mainly due to the increased number of employees and officers;
- \$240,000 stock option compensation expenses were recorded in the six months ended October 31, 2011 (October 31, 2010: \$Nil);
- During the six months ended October 31, 2011, a \$150 unrealized gain (October 31, 2010: unrealized loss of \$1,350) from marketable securities has been recorded as other comprehensive income which is not included in the net loss.

Below is a comparison of the general and administration expenses during the six months ended October 31, 2011 and 2010:

| | Six months ended 31-October-11 | Six months ended 31-October-10 | Increase (Decrease) during the period |
|---|---|--------------------------------------|--|
| General and Administration Expenses | | | |
| Depreciation on property and equipment | \$ 6,982 | \$ 8,674 | \$ (1,692) |
| Consulting fees | 271,520 | 296,536 | (25,016) |
| Financing costs | - | 220,108 | (220,108) |
| Management fees | 298,325 | 297,450 | 875 |
| Office and general expenses | 255,379 | 264,352 | (8,973) |
| Professional fees | 1,697,030 | 192,516 | 1,504,514 |
| Regulatory fees & services | 40,328 | 10,163 | 30,165 |
| Shareholders' communication, travel & promotion | 180,527 | 237,559 | (57,032) |
| Stock option compensation | 240,000 | - | 240,000 |
| Wages and benefits | 390,169 | 118,138 | 272,031 |
| | <u>3,380,260</u> | <u>1,645,496</u> | <u>1,734,764</u> |

Investor Relations Activities

Currently, the Company has no formal arrangements in place with respect to investor relations. Three spokespersons are assigned to respond to any shareholder or investor calls. They are also responsible for handling shareholder mail-outs and represent the Company in trade shows and conferences.

During the six months ended October 31, 2011 the Company issued press releases, responded to investor inquiries and conducted shareholder and investor mail outs.

Financings, Principal Purposes & Milestones

On May 17, 2011, the Company closed a non-brokered private placement and issued 26,000,000 units at a price of \$0.15 per unit for gross proceeds of \$3,900,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant is exercisable into one common share of the Company for a period of one year from the closing at an exercise price of \$0.25.

On October 31, 2011, the Company announced that it had closed a non-brokered private placement to issue 12,313,000 units at a price of \$0.15 per unit for aggregate gross proceeds of \$1,846,950. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to subscribe for one additional common share for a period of one year from the closing of the offering at an exercise price of \$0.25. Finders' fees totaling \$76,096 in cash were paid and 507,307 finders' warrants were issued with respect to the private placement. Each finders' warrant is exercisable into one common share of the Company at a price of \$0.25 per share for a period of 1 year from the closing date.

Investment In Company Subject To Significant Influence

On August 7, 2009, the Company announced that it had entered into an Agreement with Jilin Jien, and its wholly-owned subsidiary Jien International Investment Ltd. ("Jien International"), to make an all-cash take-over bid for Canadian Royalties Inc. ("Canadian Royalties") to acquire all of its outstanding common shares and all of the outstanding 7% convertible senior unsecured debentures due March 31, 2015

On January 13, 2010, the acquisition was completed and Jien Canada Mining Ltd. ("Jien Canada"), a company jointly owned by the Company (25%) and Jien International (75%) now owns 100% of the outstanding shares of Canadian Royalties.

On November 13, 2009, the Company tendered the 4,750,000 Canadian Royalties shares held as "available-for-sale" securities to Jien Canada as its investment in Jien Canada. The fair market value of those shares was \$3,752,500 (based on the closing price of November 13, 2009 on TSX at \$0.79 per share) which has been recorded as "Investment in Company Subject To Significant Influence" as non-current assets on Balance Sheet. The Company also acquired 25 class A shares and 1 class B share of Jien Canada for cash consideration of \$26, and those are also included in "Investment in Company Subject To Significant Influence".

On September 21, 2010, the Company announced that at a meeting of the Directors of Jien Canada, the nominees of Jilin Jien had purported to approve an issuance of 494 voting common shares of Jien Canada that would reduce the Company's percentage of voting shares from 25% to 4.21% and increase Jilin Jien's percentage of voting shares from 75% to 95.79%. The Company had informed Jilin Jien that this shares issuance is not permitted under the Agreement between the parties that governs the operation of Jien Canada. The Company has discussed this matter with its legal counsel and has informed Jilin Jien that any issuance of voting shares requires its approval under the Agreement and that such issuance is also in contravention of other provisions of the Agreement. The Company intends to vigorously defend its rights under the Agreement.

Up till July 31, 2010, by using the equity method, the Company included 25% of the net income or

net loss of Jien Canada (consolidated with Canadian Royalties) in the Company's financial statements by adjusting the carrying value of "Investment in Company Subject To Significant Influence" at the balance sheet and by adjusting its net income or net loss.

After July 31, 2010, the Company reclassified its investment in Jien Canada from "Investment in Company Subject To Significant Influence" to "Investment Available For Sale" based on the fact that Jien Canada's issuance of voting shares without the Company's approval. The value of the investment in Jien Canada is measured at cost, which is the consolidated value as at July 31, 2010. Uncertainty exists relating to the measurement of the fair value of the investment as there is no quoted market price for Jien Canada. ". If the Company re-establishes its significant influence in the future, its investment in Jien Canada will be recorded at the consolidated value at the carrying value at the date of the recovery of the significant influence.

Arbitration – the Company's 25% Voting Share of Jien Canada

On October 20, 2010, the Company announced that it had commenced arbitration proceedings in British Columbia against Jilin Jien in respect of Jilin Jien's purported issuance of voting common shares of Jien Canada that would reduce the Company's percentage of voting shares, and consequently Company's interest in the Nunavik Nickel Project, from 25% to 4.21%. The Company is seeking remedies, including declarations that the share issuance violated the terms of the Agreement between the parties and that the Company continues to hold 25% of the voting shares of Jien Canada.

On July 20, 2011, the Arbitration Tribunal issued a partial final award in respect of this arbitration announced by the Company on October 20, 2010. The Arbitration Tribunal found that the Company is entitled under the Agreement to be the holder of 25% of the voting shares of Jien Canada and that the issuance of 494 voting shares that would have effected the dilution was not authorized by, and was contrary to, the Agreement.

The Tribunal further directed that if the Company intends to seek an award directing the steps to be taken to restore its 25% shareholding beyond the declarations made in the Award that the Tribunal requires submissions from the parties on that issue. The Tribunal has reserved its jurisdiction to decide all matters relating to costs until any further submissions have been made.

The Company intends to pursue any further steps necessary in order to restore its 25% interest in the Nunavik Nickel Project.

A consent resolution of Jien Canada has been proposed to cancel the 494 voting common shares issued in order to restore the Company's 25% shareholding of Jien Canada.

On September 19, 2011, Jilin Jien and its affiliates filed a petition in British Columbia Supreme Court seeking an order granting leave to appeal the July 20 Award.

Pursuant to section 31 of the British Columbia Commercial Arbitration Act, in order to obtain leave to appeal, Jilin Jien and its affiliates must establish that the appeal sought is on a question of law arising out of the Award. If Jilin Jien and its affiliates are able to establish that the appeal sought is on a question of law, the petition provides that they must also establish (i) that the importance of the result of the arbitration to the parties justifies the intervention of the court, (ii) that determination of the point of law may prevent a miscarriage of justice, and (iii) that granting of leave is an appropriate exercise of judicial discretion.

The Company will oppose the petition for leave to appeal the July 20 Award.

On September 27, 2011, the Arbitration Tribunal issued a further partial final award on the supplementary issues (the "September 27 Award"). In the September 27 Award, the Arbitration Tribunal found that Jilin Jien and Jien International breached the Agreement by proposing and taking the benefit of the September 21 Resolution. The Arbitration Tribunal also found that Jien Canada breached the Agreement by approving the September 21 Resolution.

In the September 27 Award, the Arbitration Tribunal further declared that the units issued pursuant to the September 21 Resolution are invalid, null and void and directed the parties to discuss the steps that should be taken to cancel the units, and to use their best efforts to agree on and implement those steps. The Arbitration Tribunal continues to reserve its jurisdiction to determine any further steps that the parties must take in light of that declaration for a further 30 days. The Arbitration Tribunal also continues to reserve its jurisdiction to decide all matters relating to the costs of this proceeding.

Arbitration – Jilin Jien Became Operator of the Joint Venture

On March 8, 2011, Jilin Jien and Jien International commenced arbitration in respect of a matter in dispute between Jilin Jien and the Company arising out of the Option and Joint Venture Agreement dated August 28, 2008 between the Company and Jilin Jien. This dispute arises out of whether Jilin Jien has vested its interest in the joint venture and become operator of the project. On May 31, 2011, the Arbitration Tribunal declared that Jilin Jien's option was deemed to have been exercised on January 31, 2011 and that a joint venture was formed between Jilin Jien and the Company on that date. The Tribunal also made orders relating to the formation of the joint venture, including that the parties will each pay their pro rata shares of excess rebates that were paid into the project and subsequently reassessed. The Arbitration Tribunal confirmed in a subsequent ruling dated July 14, 2011 that the award is payable immediately.

Effective February 1, 2011, the Joint Venture partner became the operator, and the Company will not earn operator's fees from year 2012.

On July 20, 2011, the Company paid its pro rata shares of the over-refunded 2009 Quebec tax credit plus interest in the amount of \$941,201.45 according to the arbitration award and order and the subsequent ruling.

The Arbitration Tribunal also ordered that the Company pay the costs of the Arbitration.

On July 20, 2011, the Company paid \$175,000 to Jilin Jien in satisfaction of that order as well as \$15,498 to cover the costs of the July 14 subsequent ruling.

Arbitration – Purported Approval of Loan

On March 30, 2011, the Company commenced arbitration proceeding in British Columbia against Jilin Jien in respect of Jilin Jien's purported approval of a loan of up to \$357,497,576 from Jilin Jien's affiliate JHG International Capital Inc. ("JHG") to finance the 2011 program and budget of Jien Canada. The terms of the loan facility include that from six months following project completion, JHG will be entitled to a "cash sweep" of 100% of the cash flow available from Canadian Royalties, the wholly owned operating subsidiary of Jien Canada. The Company's position is that the purported approval of the terms of the related party loan facility is contrary to the Agreement dated August 6, 2009. The Company is seeking remedies, including damages and a declaration that the unanimous consent of the Jien Canada Board was required to approve the financing under the Agreement.

Petition

On April 18, 2011, the Company filed a petition in the Supreme Court of British Columbia against Jien Canada, Jilin Jien, Jien International, and Canadian Royalties seeking a declaration that the affairs of Jien Canada have been and are being conducted in a manner that is oppressive or unfairly prejudicial to the Company or which unfairly disregards the interests of the Company.

Arbitration – Mineral Exploration Credits Refunds

On September 6, 2011, the Company announced that it commenced arbitration proceedings in British Columbia against Jilin Jien and its affiliates in respect of Jilin Jien's handling of mineral exploration credits refunds received from the Quebec government for expenditures on the property (the "Property") subject to the Agreement between the Company and Jilin Jien and other disputes relating to Jilin Jien's actions as Operator of the joint venture between the Company and Jilin Jien. The Company is seeking remedies in the arbitration proceedings including orders declaring Jilin Jien in breach of the Agreement and damages.

In 2009, Jilin Jien received mineral exploration credits refunds in the amount of \$3,631,975 from the Quebec government in respect of 2008 expenditures on the Property (the "2008 Refunds"). The 2008 Refunds were used for expenditures on the project. The amount payable in respect of 2008 Refunds was later reassessed and reduced, and both the Company and Jilin Jien paid \$937,426 to remedy the overpayment. In a prior arbitration proceeding relating to the establishment of the joint venture, the Tribunal ordered that future refunds received in respect of 2008 and 2009 expenditures must be used to fund expenditures on the project. In August 2011, Jilin Jien received \$2,400,404.47 from the Quebec government in respect of 2009 expenditures (the "2009 Refunds"). Jilin Jien proposes to unilaterally establish an environmental contingency fund and to appropriate the 2009 Refunds to be contributed to that fund. The Company's position is that the establishment of the environmental contingency fund and appropriation of the funds thereto is not authorized, and is contrary to the Agreement. The Company further takes the position that the arbitration order requires that the 2009 Refunds be used for expenditures on the project, including reimbursement of funds previously advanced by the Company and Jilin Jien towards project expenditures.

There is no basis for the creation of an “environmental contingency fund” at the Raglan joint venture property. The Agreement permits an environmental contingency fund to be created in conjunction with a mine maintenance or mine closure plan. This project has not yet progressed to the feasibility stage, much less to a mine maintenance or closure situation. In addition, the 2011 Program and Budget put forward by Jilin Jien as Operator, and approved by the Management Committee on August 5, 2011, did not contemplate an environmental contingency fund, nor was the topic raised at the August 5 meeting.

The Company is seeking remedies, including damages, an order that Jilin Jien use the 2009 Refunds to pay the Company \$1,062,933 in respect of expenditures incurred on the Property by the Company during the currency of the option, and an order that the remaining balance of the 2009 Refunds (\$1,337,471.47) be used to repay the Company and Jilin Jien for the amount each advanced to the project to remedy the overpayment in the 2008 Refunds. If this order is granted, the Company would be entitled to one half of the remaining balance of the 2009 Refunds, or \$668,735.73. The Company also seeks an order that Jilin Jien pay the Company the sum of \$487,188 in respect of expenditures incurred on the Property by the Company following the deemed establishment of the Joint Venture.

1.5 Summary of Quarterly Results

The following is a summary of the Company’s financial results, under IFRS, for the eight most recently completed quarters:

| | <u>Q2</u> <u>31-Oct-11</u> | <u>Q1</u> <u>31-Jul-11</u> | <u>Q4</u> <u>30-Apr-11</u> | <u>Q3</u> <u>31-Jan-11</u> | <u>Q2</u> <u>31-Oct-10</u> | <u>Q1</u> <u>31-Jul-10</u> | <u>Q4</u> <u>30-Apr-10</u> | <u>Q3</u> <u>31-Jan-10</u> |
|------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <i>Net sales</i> | - | - | - | - | - | - | - | - |
| <i>Net Income(Loss):</i> | | | | | | | | |
| Total | \$(1,839,570) | \$(1,540,690) | \$921,749 | \$(1,203,022) | \$(732,046) | \$(1,706,900) | \$(2,829,102) | \$540,433 |
| Per share | \$(0.009) | \$(0.008) | \$0.005 | \$(0.007) | \$(0.004) | \$(0.009) | \$(0.016) | \$0.003 |
| Per share diluted | \$(0.009) | \$(0.008) | \$0.005 | \$(0.007) | \$(0.004) | \$(0.009) | \$(0.016) | \$0.003 |

Discussion

For the six months ended October 31, 2011, please refer to Section 1.4 - *Results of Operations*.

Non-cash stock-based compensation expenses of \$1,020,000 were recorded in the quarter ended April 30, 2010. Also included in the quarter ended April 30, 2010 are \$1,207,866 non-cash loss which reflects the 25% of the net loss of Jien Canada Mining Ltd. and \$452,500 financing costs incurred which represents the value of common shares issued.

During the quarter ended January 31, 2010, the Company tendered the 4,750,000 shares of Canadian Royalties Inc. to Jien Canada Mining Ltd. as the investment in Jien Canada Mining Ltd (refer to "Take-over Bid" in 1.4). The Company recorded the contribution as a deemed sale of 4,750,000 Canadian Royalties Inc. shares at a sale price of \$0.79 per share (the November 25, 2009 closing price of Canadian Royalties Inc. on Toronto Stock Exchange). As such, gain from sale of those stocks in the amount of \$2,480,463 was deemed realized and recognized during that quarter.

During the quarter ended July 31, 2010, a loss in the amount of \$793,500, which reflects the 25% of the net loss of Jien Canada Mining Ltd, was included against the Company's net loss.

During the quarter ended April 30, 2011, \$1,400,000 operator's fees income and \$2,759,821 non-cash gain from transferring properties to Joint Venture were recorded.

During the current quarter ended October 31, 2011, non-cash stock-based compensation expenses of \$240,000 were recorded.

1.6 Liquidity

As the Company has no revenue generating projects at this time, the ability of the Company to carry out its business plan rests with its ability to secure equity and other financings.

At October 31, 2011, the Company has total assets of \$40,842,157. The primary assets of the Company are cash of \$1,139,673, accounts receivable of \$649,869, prepaid expenses of \$719,543, marketable securities of \$5,250, investment available for sale of \$1,751,160, participation in Joint Venture of \$36,482,894, and mineral properties with a historic cost of \$37,860. The Company has working capital of \$1,719,007.

The Company will require additional financing to fund any new acquisitions, exploration programs as well as its holding costs on all of its properties. The ability of the Company to successfully fund the joint venture project and to acquire additional projects is conditional on its ability to secure financing when required. The Company proposes to meet any additional financing requirements through the exercise of outstanding warrants, or arranging other forms of equity financing. In light of the continually changing financial markets, there is no assurance that funding by equity subscriptions will be possible at the times required or desired by the Company.

1.7 Capital Resources

The capital resource of the Company is the mineral properties with a historic cost of \$37,860 and the mineral properties through its participation in the joint venture of \$36,482,894. The Company is committed to further expenditures on these properties, as detailed in Section 1.4 - *Results of Operations*.

1.8 Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

1.9 Transactions with Related Parties

The Company retains the services of certain directors and officers of the Company, or by companies controlled by directors, officers, and related parties. Fees are paid for these services on a month-by-month basis without formal agreements.

\$83,853 is due to directors and officers that is included in accounts payable and accrued liabilities at October 31, 2011 (October 31, 2010 - \$Nil).

During the six months ended October 31, 2011 and 2010, the Company was charged the following amounts by directors and officers of the Company and their immediate family, or by companies controlled by directors, officers, and related parties:

| | <u>Six months ended October 31</u> | |
|---|------------------------------------|-------------------|
| | <u>2011</u> | <u>2010</u> |
| Consulting fees | | |
| - Financial – paid/accrued to two director ^{(1) & (8)} | \$ 24,250 | \$ 18,000 |
| - Marketing – paid/accrued to two directors ^{(1) & (6)} | 33,900 | 33,900 |
| - Shareholders’ communication – paid to a company controlled by the spouse of the Chairman ⁽²⁾ | 48,000 | 48,000 |
| Equipment rental – paid to a company controlled by the Chairman ⁽²⁾ | 43,594 | 43,594 |
| Management fees – paid/accrued to the Chairman ⁽²⁾ | 150,000 | 150,000 |
| Management fees – paid/accrued to an officer ⁽³⁾ | 148,325 | 147,450 |
| Professional fees – paid to an officer ⁽⁴⁾ | 48,000 | 48,000 |
| Rent – paid/accrued to the Chairman ⁽²⁾ | 36,000 | 36,000 |
| Salaries – paid/accrued to the President ⁽⁵⁾ | 120,000 | 60,000 |
| Salaries – paid to an officer ⁽⁷⁾ | 125,000 | - |
| Website fees – paid to a director ⁽⁶⁾ | 23,850 | 23,850 |
| Deferred exploration costs – paid to the President ⁽⁵⁾ | - | 60,000 |
| Total | <u>\$ 800,919</u> | <u>\$ 668,794</u> |

(1): Earl Terris, Director
(3): Edward T. Gardner, CEO
(5): Brian Grant, President
(7): Alan Gorman, Executive VP of Operation

(2): David Baker, Chairman
(4): Vivian Gu, CFO
(6): Martin Auyeung, Director
(8): William R. LeClair, Director

All transactions with related parties were concluded in the normal course of operation at the exchange amount which is the amount established and accepted by the parties.

As at October 31, 2011, there are no short-term employee benefits, post-employment benefits, other long-term benefits, or termination benefits outstanding with the related parties.

As at October 31, 2011, the related parties had the following stock options that are outstanding and exercisable:

| <u>Stock options</u> | <u>Year of expiry</u> |
|----------------------|-----------------------|
| 1,523,000 | 2012 |
| 5,535,000 | 2013 |
| 4,380,000 | 2015 |
| 3,000,000 | 2016 |

As at October 31, 2011, the related parties had the following share purchase warrants that are outstanding and exercisable:

| <u>Share purchase warrants</u> | <u>Year of expiry</u> |
|--------------------------------|-----------------------|
| 600,000 | 2012 |

1.10 Second Quarter

Second quarter results do not differ significantly from other quarters, except for the \$240,000 non-cash stock option compensation expenses recorded.

1.11 Proposed Transactions

None.

1.12 Critical Accounting Estimates

N/A

1.13 Changes in Accounting Policies

Effective May 1, 2011, the Company adopted IFRS with a transition date of May 1, 2010.

The guidance for the first time adoption of IFRS is set out in IFRS 1 “First-time Adoption of International Financial Reporting Standards”. Under IFRS 1, the IFRS are applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated May 1, 2010.

a) Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 “Business Combinations” retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and will apply IFRS 3 to business combinations that occur on or after May 1, 2010. There is no adjustment required to the May 1, 2010 statement of financial position on the transition date.

b) Share-based Payments

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 “Share-based Payment” to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to May 1, 2010.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated May 1, 2010:

Estimates - In accordance with IFRS 1, an entity’s estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP. The Company’s IFRS estimates as of May 1, 2010 are consistent with its GAAP estimates for the same date.

In accordance with IFRS 1, if a company elects to apply IFRS 3 “Business Combinations” retrospectively, IAS 27 “Consolidated and Separate Financial Statements” must also be applied retrospectively. As the Company elected to apply IFRS 3 prospectively, the Company has also elected to apply IAS 27 prospectively.

IFRS employs a conceptual framework similar to Canadian GAAP. Significant differences between IFRS and Canadian GAAP exist in certain matters of recognition, measurement and disclosure. However, the adoption of IFRS had no significant impact on periods presented in these financial statements and therefore no reconciliations were necessary.

c) Flow-through Shares

During the fiscal years 2003 to 2008, the Company issued flow-through shares, capitalized eligible expenditures to its Raglan properties, and renounced the expenses to investors. During the year ended April 30, 2011, the Company transferred the Raglan properties to the joint venture.

Pre-changeover Canadian GAAP includes guidance on accounting for flow-through shares but on transition to IFRSs, this guidance is withdrawn. IFRSs do not specifically address the accounting for flow-through shares or the related tax consequences arising from such transactions. The Company has decided not to apply retrospectively the non-authoritative view point published in May 2011 by the Mining Industry Task Force created by the Canadian Institute of Chartered Accountants and the Prospectors and Developers Association of Canada relatively to the accounting treatment for flow-through shares. It is the management's opinion that the proposed method of accounting for the flow-through financing provided by this point of view would not establish reliable and more relevant information from the one previously reported. A retrospective application could have resulted in modified values for capital shares and deficit compared to the one previously recorded at the transition date but without net impact on shareholders' equity. In the absence of an IFRS that specifically applies to flow-through shares transaction, management decides that pre-changeover GAAP described in EIC-146, "Flow-through Shares" is relevant to the economic decision-making needs of users, reliable and represent faithfully the financial position, financial performance and cash flows of the entity. In making this judgment, management consider that the position in EIC-146 does not conflict with other IFRSs and comply with IFRS conceptual framework.

1.14 Financial Instruments and Other Instruments

For cash and equivalents, accounts receivable, marketable securities, accounts payable and accrued liabilities, and deferred exploration contributions, the carrying amounts of these financial instruments approximate their fair value.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial statements.

The recoverability of the amounts capitalized for the mineral properties under exploration is dependent upon the determination of economically recoverable ore reserves, the ability to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

1.15 Other MD&A Requirements

Disclosure of Outstanding Share Capital (as at December 22, 2011)

| | <u>Number of shares</u> | <u>Value</u> |
|----------------------|-------------------------|---------------|
| Common Shares issued | 222,266,171 | \$ 50,291,190 |

| | <u>Number of shares</u> | <u>Potential cash generated at exercise</u> |
|-------------------------|-------------------------|---|
| Incentive Stock Options | 18,883,000 | \$ 4,638,655 |
| Warrants | 42,820,037 | \$ 11,105,009 |

Additional Disclosure

The Company is a venture issuer that has not had significant revenue from operations in either of its last two financial years. The Company has capitalized all expenditures relating to the exploration of its mineral properties. Details of deferred expenditures for each property are as follows:

Summary of Exploration and Evaluation Assets – October 31, 2011

Refer to the financial statements and notes of the Company.

Contingencies

As at October 31, 2011, the Company involved in the following arbitration and litigation that are still outstanding at the date of this report:

1) Arbitration commenced by the Company on March 30, 2011 against Jilin Jien in respect of Jilin Jien's purported approval of a loan of up to \$357,497,576 from JHG to finance the 2011 program and budget of Jien Canada.

2) A petition filed by the Company on April 18, 2011 in the Supreme Court of British Columbia against Jien Canada, Jilin Jien, Jien International, and Canadian Royalties seeking a declaration that the affairs of Jien Canada have been and are being conducted in a manner that is oppressive or unfairly prejudicial to the Company or which unfairly disregards the interests of the Company. The petition seeks relief including that Jilin Jien be required to purchase the Company's shares in Jien Canada at fair value.

The Company does not expect any quantitative impact on this financial statement from those arbitration and litigation results as the subjects are not quantified. However, subsequent legal fees associated with those arbitration and litigation are expected.

3) Arbitration commenced by the Company on September 6, 2011 against Jilin Jien and its affiliates in respect of Jilin Jien's handling of mineral exploration credits refunds received from the Quebec government for expenditures on the property (the "Property") subject to the Agreement between the Company and Jilin Jien and other disputes relating to Jilin Jien's actions as Operator of the joint venture between the Company and Jilin Jien.

4) A proposed class proceeding is brought in the Ontario Superior Court of Justice against Canadian Royalties and Jien Canada and its co-defendants. It is asserted on behalf of a proposed global class action of all persons and entities, with some exceptions, who acquired Canadian Royalties' securities between June 21, 2007 and August 5, 2008 and who held some or all of those securities as of August 5, 2008. The claim seeks general damages in the amount of \$500 million and punitive damages in the amount of \$20 million. The bases for the proceeding are alleged material misrepresentations made by Canadian Royalties in its July 18, 2007 and March 12, 2008 prospectus offerings. The only material misrepresentations alleged in the claim relate to the issue of access to the Donaldson Airstrip. Since issuing the claim, the plaintiff has taken no steps to prosecute this proceeding or to have it certified by a court as a class proceeding. Canadian Royalties opposes certification of this matter as a class proceeding, and will otherwise continue to vigorously defend this action. Canadian Royalties denies any liability with respect to this proceeding. At this early stage of the litigation external counsel cannot estimate with certainty the possibility that Canadian Royalties may be found liable in any degree or for any amount. It is also not possible to estimate when final resolution – through trial or otherwise – will occur. As such, at this early stage, the Company cannot evaluate the impact of this claim to the fair value of the Company's investment in Jien Canada, and in Canadian Royalties.

Subsequent Events

- On November 30, 2011, the Company announced that it received from Jilin Jien a request for the Company's consent to make a CAD\$0.30 cash offer to the Company's shareholders to acquire all of the issued and outstanding shares of the Company. The Company has declined to provide the consent for the reasons stated below.

The request for consent is required in light of the restriction imposed on Jilin Jien in the Shareholder, Joint Bid and Operating Agreement between the Company and Jilin Jien with respect to the Nunavik Nickel Project. The requirement for the Company to consent was negotiated to ensure that the Company's shareholders would have full information and receive a bona fide offer for fair value for their shares if Jilin Jien, as operator of the Nunavik Nickel Project, wished to make an offer to purchase all of the shares of the Company.

Following receipt of the request for consent, the Company's Board of Directors formed a special committee (the "Special Committee") of independent directors comprised of William R. LeClair (Chair) and J. Earl Terris to evaluate the request and to provide a recommendation to the Board. The Special Committee retained McCarthy Tétrault LLP as independent legal counsel and engaged Raymond James Ltd. as independent financial advisor.

The Special Committee requested additional information from Jilin Jien relating to the Nunavik Nickel Project, particularly relating to the ongoing construction, financing, capital and operating expenditures and projected output for the project. Certain information was provided by Jilin Jien which allowed the committee and its advisors to more fully evaluate the request for consent. However, the Committee and its advisors continue to be hampered by significant incomplete information. The Company's Chairman, Mr. Baker, Mr. LeClair and independent counsel also met with representatives of Jilin Jien in Beijing to further understand the nature of the request for consent and to provide to Jilin Jien its views with respect to fair value for the issued and outstanding shares of the Company based on available information.

After due deliberation and consultation with its legal and financial advisors, the Special Committee concluded that the request for consent and potential offer, if made, are opportunistic, coercive and lack key material terms including providing certainty of financing and certainty of proceeding or completion of any offer if it were to be forthcoming. Accordingly, the Special Committee recommended that the Company reject the request for consent. The Board subsequently adopted the Special Committee's recommendation and has rejected the request for consent.

In reaching this conclusion, the Special Committee considered a number of factors including, but not limited to, the following:

- The potential offer price in light of the Company's depressed share price which it believes arises from the lack of information provided by Jilin Jien with respect to the ongoing construction, financing, capital and operating expenditures and projected output for the Nunavik Nickel Project.
- The need for complete financial information in light of Jilin Jien's unique position as 75% partner in the Nunavik Nickel Project.
- The potential offer price would not appear to represent the intrinsic value of a 25% carried interest in a near-term operating sulphide nickel mine and a 50% interest in prospective exploration lands with identified resources which are nearby.
- According to Jilin Jien, commencement of commercial production is now scheduled for March 2013.
- The request for consent and potential offer, if made, are opportunistic and coercive and Jilin Jien was unable to provide adequate assurances with respect to the funding and certainty of proceeding or completion of an offer if it were to be forthcoming.

No further discussions are currently planned with Jilin Jien. The Company will continue to protect shareholder's interests through vigorous application of the various arbitration processes arising under the joint venture and joint bid and operating agreements. The Company will continue to keep shareholders apprised with information as it becomes available and will continue to request additional information from Jilin Jien relating to the construction, financing, capital and operating expenditures and projected output for the Nunavik Nickel Project.

- On December 16, 2011, the Company's shareholders held the annual general and special meeting. David baker, J. Earl Terris, Martin Auyeung, William R. LeClair, Brian Grant, and Edward T. Gardner were elected as members of the Company's board of directors. The Company's shareholders also re-approved and ratified the Company's Stock Option Plan and Shareholder Rights Plan.
- On December 20, 2011, the Company received a Final Award in respect of the Arbitration proceeding it commenced on March 30, 2011 against Jilin Jien, Jien International, and Jien Canada in respect of Jien Canada's purported approval of a loan of up to \$357,497,576 from Jilin Jien's affiliate JHG.

The unanimous Final Award of the Arbitral Panel declared that Jien Canada breached the Shareholder's Agreement by purporting to approve the JHG loan facility without the unanimous consent of the Jien Canada board. The Tribunal further declared that Jien Canada breached the Agreement by failing to provide information, including the executed commitment letter for the JHG loan facility to the Company's nominee directors. In addition, the Tribunal has made an award of costs in favor of the Company whereby Jien Canada will pay to the Company 75% of the Company's actual reasonable legal fees and expenses related to this Arbitration, including the Company's share of the Arbitrator's remuneration and expenses.

Other Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com.