



MANAGEMENT DISCUSSION AND ANALYSIS FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2012

The following management discussion and analysis ("MD&A") of financial results is dated August 24, 2012 and reviews the business of BacTech Environmental Corporation (the "Company" or "BacTech"), for the three months and six months ended June 30, 2012, and should be read in conjunction with the accompanying unaudited condensed consolidated interim financial statements and related notes for the three months and six months ended June 30, 2012, as well as the audited annual consolidated financial statements for the year ended December 31, 2011 and related MD&A. This MD&A and the accompanying unaudited consolidated interim financial statements and related notes for the three months and six months ended June 30, 2012 have been reviewed by the Company's Audit Committee and approved by the Company's Board of Directors.

This MD&A contains certain forward looking statements, such as statements regarding potential mineralization, resources and exploration results, and future plans and objectives of the Company, that are subject to various risks and uncertainties. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements. Readers are cautioned not to place undue reliance on these forward looking statements. Forward-looking statements contained are made as of the date of this MD&A and the Company disclaims, other than as required by law, any obligation to update any forward-looking statements whether as a result of new information, results, future events, circumstances, or if management's estimates or opinions should change, or otherwise.

A. Core Business Strategy

BacTech Environmental Corporation (the "Company" or "BacTech") was incorporated by REBgold Corporation ("REBgold" and formerly known as BacTech Mining Corporation) on October 5, 2010 under the *Canada Business Corporations Act*. Through the completion of the Plan of Arrangement ("Arrangement") transaction described below, the Company was granted a perpetual, exclusive, royalty free license to use REBgold Corporation's proprietary bioleaching technology ("BACOX") in the remediation business for mining. The technology utilizes bacteria to liberate precious and base metals and has been traditionally used to treat difficult-to-treat sulphide ores and concentrates. The business plan for the Company is to apply the bioleaching technology to abatement and reclamation projects to remove harmful elements such as arsenic and sulphur from the environment, where this can be assisted by a positive cash flow from metal recovery. Examples of metals which can be extracted include gold, silver, cobalt, nickel, copper, uranium and zinc.

Bioleaching is an environmentally friendly process technology for treating difficult-to-treat sulphide ores and concentrates. By replacing smelting and/or roasting with a bioleach process, the production of sulphur dioxide emissions which is the primary source of acid rain, and arsenic trioxide is

eliminated. Furthermore, the capital and operating costs of a bioleach facility are significantly less when compared to other existing treatment methods.

Plan of Arrangement (“Arrangement”)

Effective December 2, 2010, REBgold completed a divisive reorganization by way of an Arrangement whereby a newly formed subsidiary, BacTech Environmental Corporation, was granted rights and interests in REBgold's existing and proposed tailings remediation projects and an exclusive, perpetual, royalty-free licence to use REBgold’s proprietary bioleaching technology for reclamation of mine tailings and waste rock. REBgold retained the primary rights to the bioleaching technology, as well as all of REBgold’s existing project assets.

Subsequent to the Arrangement, BacTech started to trade on the Canadian National Stock Exchange under the symbol “BAC” and REBgold continued to trade on the TSX Venture Exchange under the symbol “RBG”. Under the terms of the Arrangement, REBgold's shareholders received, in exchange for each existing common share of REBgold, one new common share of REBgold (formerly BacTech Mining Corporation) and one-fifth of a common share of BacTech Environmental Corporation.

B. Mining Properties and Project

The mineral properties and deferred exploration costs are comprised as follows:

	Snow Lake	Total
Balance December 31, 2010	32,553	32,553
Expenditures on property	308,706	308,706
Balance, December 31, 2011	341,259	341,259
Third party project contributions	(300,000)	(300,000)
Expenditures on Property	354,534	354,534
Balance, June 30, 2012	395,793	395,793

Snow Lake Arsenopyrite Concentrate Stockpile - Manitoba

In early 2010, REBgold pursued a reclamation opportunity in Snow Lake, Manitoba. In the 1950’s, a gold mine named Nor-Acme was opened and operated at Snow Lake, Manitoba. Approximately 10% of the ore was classified as arsenopyrite (arsenic bearing) and refractory in nature, which required additional treatment to liberate the gold for recovery. Given the high levels of arsenic that reported to the concentrate, conventional roasting or smelting were ruled out as process options and the concentrate was treated by direct cyanidation to recover as much gold as possible. The residue was stockpiled at the mine site to await future technologies capable of extracting the remaining gold values.

REBgold approached the Manitoba Ministry of Innovation, Energy and Mines in April 2010 and outlined a plan whereby REBgold, at its own expense, would use samples obtained from the concentrate stockpile to determine whether the material was amenable to bioleaching for liberating and extracting the gold while stabilizing the arsenic. The Manitoba government granted approval for REBgold to conduct the sampling program, subject to oversight by an independent engineering consulting firm which the

government engaged to ensure that there would be no adverse environmental impacts from drilling through the arsenopyrite stockpile.

Pursuant to completion of the Plan of Arrangement on December 2, 2010, REBgold assigned its rights and commitments to BacTech Environmental Corporation. As such, accumulated development costs and expenditures that were capitalized and deferred were transferred to the Company's balance sheet as per the terms of the Arrangement.

In February 2011, BacTech tendered a proposal for the remediation of the arsenopyrite stockpile at Snow Lake under a request for proposals ("RFP") from Manitoba Innovation, Energy and Mines. In April 2011, BacTech was awarded the contract by the Mines Branch of the Manitoba Department of Innovation, Energy and Mines. The contract was finalized in December 2011. BacTech has proposed a "no cost to the taxpayer" approach to the clean up. The Company will recover payable metals for its own account from the stockpile, while stabilizing the contained arsenic.

In May 2011, BacTech announced the completion of a drill program carried out at the arsenopyrite concentrate stockpile. A total of 299.3 meters of sonic drilling were completed in 33 holes. The holes were drilled on a grid at 20 m spacing to obtain core from the entire stockpile. One half of the core was retained in Snow Lake as a permanent record, with half the core taken for geochemical, metallurgical and bioleach samples. Some 432 geochemical samples were taken at 50 cm intervals of which 236 were used for a resource calculation. Saskatchewan Research Council in Saskatoon completed the fire assaying. In July 2011, the Company released the drill results of the program. An average grade of 9.7 g/t gold was obtained from the 33-hole program, which is consistent with previous historic results. Given the large number of samples, the Company advises the reader to visit the BacTech website at www.bactechgreen.com to view a complete list of the drill holes and related samples.

On October 17, 2011, the Company announced the results of a National Instrument 43-101 technical report for the Snow Lake, Manitoba, arsenopyrite residue stockpile (ARS) compiled by Ralph Newson, the independent qualified person who authored the report. The following information is based on the technical report on the Snow Lake Project which is available on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. The technical report outlines a measured mineral resource of 265,000 tonnes grading 9.7 grams per tonne gold and 2.17 g/t silver for the stockpile. In addition, an indicated mineral reserve of 9,300 tonnes grading 9.2 g/t gold and 2.15 g/t silver is estimated, as is a further inferred mineral reserve of 28,000 tonnes grading 7 g/t gold and 2.4 g/t silver. The samples were assayed at Inspectorate Exploration and Mining Services Ltd. in Richmond, B.C., an approved assay facility. The accompanying table outlines the total ounces for the various resource calculations.

	Tonnes	(g/t)	Gold Ounces	Silver (g/t)	Ounces
Measured resource	265,000	9.7	82,643	2.17	18,488
Indicated resource	9,300	9.2	2,750	2.15	642
Inferred resource	28,000	7.0	6,300	2.4	2,160

The drill samples collected from the arsenopyrite stockpile were also used to determine the metallurgical variability of the stockpile, evaluate pre-treatment scenarios and costs, continue bioleach work on a larger scale for gold extraction, as well as to study the detox/arsenic stability for the oxidized end product.

On March 20, 2012, the Company announced results of the bioleach study program it had been working on for the last several months. The patented BACOX bio-oxidation process oxidized over 95 per cent of the sulphides. This study definitively demonstrates the technology's ability in eliminating future acid mine drainage and the environmental problems associated with the stockpile, which is one of the key drivers of the project. In addition, the bio-oxidation process rendered 88.6 per cent of the gold contained in the sulphides available for extraction, compared with only 9.4 per cent using conventional gold extraction without oxidation.

The bioleach study is an integral part of the continuing Economic Study ("ES") currently under way with Micon International. The ES results are expected to be disclosed by press release by the end of August 2012 with a final report being filed on SEDAR within 45 days. In addition, BacTech has hired Golder Associates Ltd., which is in the process of completing the environmental impact statement required for an *Environment Act* license.

Newalta Corporation ("Newalta") has contributed \$300,000, as well as provided engineering resources and co-managed detailed engineering for the ES. If the Snow Lake project proves economically feasible based on the final ES to be issued in August 2012, the companies have agreed to engage in good faith negotiations for a 90-day exclusivity period concerning Newalta's participation in the development, construction and operation of the project.

It is BacTech's intention to complete the current study and then seek permission and the necessary approvals to process the stockpile material. This would involve building a bioleach plant in the vicinity to reprocess the arsenopyrite concentrate, stabilize the arsenic, and recover a high percentage of the contained gold. Once the bioleach plant is built, it will be the first operating bioleach plant in North America. The process will extract the gold and produce a stable residue in a manner which is both economic and effective, and would result in a financial saving to the government of Manitoba. BacTech is committed to working with all parties associated with the potential reclamation of the Snow Lake site. Given the fact that the stockpile is already in a concentrate form, the capital cost associated with building a bioleach plant will be significantly reduced. In addition, Manitoba's low energy prices would provide for a beneficial reduction in operating costs, as power can consume as much as 40% of the operating costs for bioleaching.

Future Plans

The Company envisions starting construction of a bioleach plant in late 2012 in Snow Lake. The current plans for the bioleach plant encompass the treatment of approximately 109 tonnes of stockpiled material per day, or 37,500 tonnes per year. At this rate, the Snow Lake Arsenopyrite Stockpile will take approximately 6 - 7 years to process. Once the reclamation and remediation of the Snow Lake Arsenopyrite Stockpile is completed, the bioleach facility will be adapted to treat similar tailings in the region. The expected life of the facility is estimated to be approximately 25 years.

Patent: Bioleaching Process Produces Liquid Ferric Sulfate

In June 2012, the Company filed a provisional patent application for a new invention relating to bioleaching. The patent application covers the use of bioleaching as a means of manufacturing liquid ferric sulphate.

Ferric sulfate is a staple chemical with a wide range of applications. In conventional water treatment processes, it is commonly used as a coagulant to remove turbidity, colour, phosphate, and heavy metals. In the mining industry, ferric sulfate is not only a leaching lixiviant in various processes treating copper

concentrates and uranium ores, but also a reagent commonly used to control arsenic in metal mining effluents.

The discovery of the invention arises from BacTech's bioleach work at Snow Lake, Manitoba. The invention provides for the onsite production of ferric sulfate using pyrite as a source and thereby eliminating the costly transportation of the liquid product. With the formula FeS_2 , pyrite is the most common sulfide mineral and is widely associated with other metal sulfide deposits. Unless it contains valuable metals to be recovered, pyrite is usually rejected into tailings through the flotation processes at a mine site. Such tailings represent a large disposal problem because pyrite gets oxidized and generates sulfuric acid after being exposed to air and water. With this new invention, mine tailings at existing operations can be refloatated to provide a cheap source of material for the creation of ferric sulfate. Pyrite oxidation in tailings is by far the greatest contributor of acid mine drainage.

The current business plan encompasses the selling of single bioleach tank plants that can be delivered and built onsite for the customer. The single bioleach plant is envisioned to be ideal for remote locations where ferric sulfate cannot be obtained or in larger high volume locations to eliminate the costly special trucking of ferric sulfate through urban areas. The payback for the investment by the customer should be relatively short given the low cost of pyrite feed stock and simple unsophisticated operation of the bioleach plant.

The provisional patent is an alternate application of REBgold Corporation's bioleaching technology. BacTech owns a perpetual, exclusive license to the bioleach technology for tailings' reclamation and is allowed under the agreement with REBgold to own any improvements made to the technology. The Company will be adding an amendment to the licence agreement to specifically address this application, which as of the date of this report has not been finalized. This patent is the invention of various contractors to the Company and they have assigned their rights in the invention to the Company subject to the terms of a royalty agreement.

Other Projects

The Company continues to evaluate other projects including the Telamayu tailings project in Bolivia, as well as other projects in Canada, Mexico, South America and Europe.

C. Results of Operations

This analysis of the results of the Company's operations should be read in conjunction with the Company's condensed consolidated interim financial statements for the six months ended June 30, 2012.

Revenues

The Company has no revenue or sources of recurring revenues at this time.

Operating and Administrative Costs

Operating and administrative expenses were \$256,520 for the three months ended June 30, 2012 compared to \$230,172 for same period last year. For the six months ending June 30, 2012, operating and administrative expenses were \$456,060 compared to \$558,638 for same period last year. Significant components of this expense include:

1. Salaries, management fees and related costs decreased to \$95,808 for the three months ended June 30, 2012 from \$112,819 in the same period last year. For the six months ended June 30, 2012, costs decreased to \$178,705 from \$260,901 in the same period last year. These costs are for the salaries, wages and management fees incurred directly in managing and operating the business of the company, which includes the investigation and evaluation of potential projects.

As the Company further pursues the Snow Lake Project, more management consulting fees have been capitalized which reduces the annual expenses;

2. Share based payments, as explained in note 14 to the condensed consolidated interim financial statements, were \$nil for the six months ended June 30, 2012 compared to \$24,335 in the same period last year. Yearly fluctuations in stock option expense are dependent on a number of factors including, but not limited to, number of options issued, valuation of options, vesting period and timing. For the current period ended June 30, 2012, no new options were granted. For the year ended December 31, 2011, 250,000 options were granted. The expense for the current period is based on the valuations of options granted in both the current period which are recognized as an expense in the current period, based on the portion of options vested in the current period;
3. Professional fees increased to \$50,980 for the three months ended June 30, 2012 from \$14,526 in the same period last year. For the six months ended June 30, 2012, professional fees marginally increased to \$56,876 from \$51,811 in the same period last year. Legal fees and professional fees were incurred on project related expenses and general corporate purposes, and are consistent with what occurred in the same period last year;
4. Costs associated with shareholder information and investor relations increased to \$30,438 for the three months ended June 30, 2012 from \$22,956 in the same period last year. For the six months ended June 30, 2012, costs marginally decreased to \$88,793 from \$96,843 in the same period last year. Management continues to use investor relations programs to assist with raising awareness about the Company. The Company developed a video to describe, in simple terms, the bioleach process which is available on the Company's website;
5. Travel costs increased to \$29,723 for the three months ended June 30, 2012 from \$22,986 in the same period last year. For the six months ended June 30, 2012, costs marginally increased to \$56,593 from \$55,705 in the same period last year. These costs are for travel incurred to source and evaluate projects, as well as capital fundraising tasks in the current period. Costs are consistent with the same periods last year; and
6. General office expenses increased to \$48,400 for the three months ended June 30, 2012 compared to \$43,585 in the same period last year. For the six months ended June 30, 2012, costs marginally increased to \$73,921 from \$68,493 in the same period last year. These are expenses for the general corporate office located in Toronto. The increase is mainly due to the increase in office rental costs which is the result of increased floor space for the head office.

Finance Charges

Debenture interest expense for the three months ended June 30, 2012 increased to \$15,969 compared to \$3,870 in the same period last year. For the six months ended June 30, 2012, costs increased to \$19,659 from \$7,740 in the same period last year. The debenture interest expense for the period reflects the interest expense from BacTech's portion of the debenture issued by REBgold Corporation and the from BacTech's own convertible debenture issued in April 2012, as explained in note 11 to the condensed consolidated interim financial statements for the six months ended June 30, 2012.

Accretion expense is related to the Company's debentures as described in note 11 to the condensed consolidated interim financial statements for the three months ended June 30, 2012. This expense reflects the difference, which is recognized as an expense over the life of the debenture, between the face value of the debenture and the fair value at which it is reported in the Company's balance sheet. Accretion expense for the three months ended June 30, 2012 increased to \$23,590 compared to \$5,590 in the same period last year. For the six months ended June 30, 2012, costs increased to \$26,790 from \$11,180 in the same period last year. The significant increase in accretion expense is due to the new

convertible debenture issued in April 2012 by the Company, as explained in note 11 to the condensed consolidated interim financial statements for the six months ended June 30, 2012.

D. Liquidity and Capital Resources

At June 30, 2012, the Company had cash of \$118,463 and a working capital deficit of \$308,097. The funds raised from the exercise of warrants and options, the three private placements completed in December 2010, June 2011 and January 2012, and a debenture financing in April 2012 were used for general working capital and advancing the Snow Lake Project.

Between April 25, 2012 and May 3, 2012, the Company closed two tranches totaling \$585,000 of private placement subscriptions whereby the Company issued 58.5 units, with each unit being comprised of a 2-year \$10,000 principal convertible redeemable debenture ("Debenture") and 50,000 common share purchase warrants. The Debentures mature on April 25, 2014 and bear an interest at a fixed rate of 12% per year payable quarterly starting June 30, 2012. Under the terms of the 2-year Debentures, the holders of the Debentures have the option to convert their Debentures in full into common shares at a price of \$0.20 per share.

On January 18, 2012, the Company issued 705,000 units at \$0.20 per unit for gross proceeds of \$141,000. Each unit consisted of one common share and one half of one common share purchase warrant, with each whole warrant exercisable at \$0.30 until January 18, 2013. Prior to June 30, 2011, the Company had collected \$64,000 related to the private placement which was recorded at the end of the reporting period as shares to be issued.

On June 29, 2011, the Company issued 2,500,000 units in its first tranche of a non-brokered private placement at a price of \$0.20 per unit for aggregate gross proceeds of \$500,000. Each unit consisted of one common share and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at \$0.30 until June 20, 2012. Subsequently, on July 15, 2011, the Company completed the second tranche for the private placement for total gross proceeds of \$100,000 under the same terms as the original tranche.

Between January 1, 2011 and May 3, 2011, REBgold warrant holders exercised a total of 22,051,667 warrants to purchase 22,051,667 REBgold common shares for gross proceeds of \$2,198,100. As per the terms of the Arrangement, the Company was obligated to issue 4,510,331 common shares to these REBgold warrant holders, and the Company is entitled to 17% of the proceeds for a total of \$373,677. In addition, warrant holders exercised 255,000 warrants for 255,000 common shares of the Company for gross proceeds of \$43,350, and option holders exercised 150,000 options for 150,000 common shares of the Company for gross proceeds of \$30,000.

Share Capital				
	June 30, 2012		December 31, 2011	
	Number of shares	\$ Amount	Number of shares	\$ Amount
Balance, beginning of period	38,383,361	1,631,624	29,246,673	357,190
Shares issued – property termination payment	-	-	1,221,356	244,271
Shares issued pursuant to exercise of REBgold warrants	-	-	4,510,332	373,687
Shares issued for cash pursuant to a private placement	705,000	77,000	3,000,000	600,000
Exercise of warrants	-	-	255,000	43,350
Fair value from exercise of warrants	-	-	-	5,279
Exercise of options	-	-	150,000	30,000
Future share issuance	-	-	-	64,000
Fair value from exercise of options	-	-	-	14,940
Less:				
Warrant fair value from shares issued	-	30,200	-	67,500
Share issue costs	-	3,781	-	33,593
Balance, end of period	39,088,361	1,674,643	38,383,361	1,631,624

E. Quarterly Information

Selected quarterly information for the most recently completed quarter is presented below in Canadian currency (\$), and in accordance with International Financial Reporting Standards. The Company started operations on October 5, 2010 and had its first period end December 31, 2010. As a result there are only seven quarters to present.

	2012		2011				2010
	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's	\$000's
Revenues	-	-	-	-	-	-	-
Operating loss	(507)	(207)	(359)	(228)	(239)	(583)	(558)
Loss for the period	(507)	(207)	(359)	(228)	(239)	(583)	(558)
Loss per share	(0.01)	(0.00)	(0.01)	(0.00)	(0.01)	(0.02)	(0.06)

F. Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements as of June 30, 2012 or December 31, 2011.

G. Financial Instruments

The Company has not entered into any specialized financial arrangements to minimize its investment risk, currency risk or commodity risk.

H. Outlook

The current volatile state of the capital markets and the high price for precious and base metals has significantly increased the level of activity for companies in the resource sector or in the remediation and reclamation of mine waste and tailings. Even though there is a heightened interest from the capital markets to invest in companies in these sectors, there can be no assurance that the Company will be successful in attracting either new financing or new opportunities to apply its technology.

I. Risks

The Company's strategy emphasizes developing projects in order to leverage its intellectual property and drive the creation of shareholder value. This strategy has required, and continues to require, significant financings, and is subject to risks associated with mineral prices, mineral resources and operations. Due to the nature of the Company's business, the present stage of development of its projects, and the constraints placed upon the Company's ability to move forward by its current liquidity situation, readers should carefully review and consider the financial, environmental and operational risk factors affecting the Company.

Need for Additional Financing

The Company currently has no source of operating cash flow, and there is no assurance that additional funding will be available to the Company as and when needed for further exploration and development of its projects, or to fulfill its obligations to its existing creditors. Volatile markets may make it difficult or impossible for the Company to obtain adequate debt or equity financing in the future, or on terms acceptable to the Company. The failure to obtain additional financing could force the Company to liquidate its assets to satisfy creditor claims.

Dependence on Management

The Company's business and operations are dependent on recruiting and retaining the services of a small number of key members of management and qualified personnel. The success of the operations and activities of the Company are dependent, to a significant extent, on the efforts and abilities of the management of the Company. Investors must be willing to rely, to a significant extent, on the discretion and judgment of the management of the Company. Furthermore, while the Company believes that it will be successful in attracting qualified personnel and retaining its current management team, there can be no assurance of such success. The Company does not maintain key employee insurance on any of its employees.

Competition

The Company competes with other engineering companies for the acquisition of mineral rich mine tailings and mine waste that can be developed economically. The Company competes with other engineering companies that have greater financial and technical resources and experience. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees, or to acquire the capital necessary to fund its operations and develop its properties. The inability of the Company to compete with other engineering companies for these resources would have a material adverse effect on the Company's results of operations and business.

Currently, the Company's bioleaching technology does not operate in an overly competitive marketplace; however the Company anticipates that it may face increased competition in the future, as advanced technologies become available. While management believes that the Company's technology is more advanced, commercially proven and better situated than its competitors, there can be no assurance that the Company will be able to effectively compete with companies who have or may develop similar technologies and may possess greater financial resources and technical facilities. Competitive pressures, or the inability of the Company to successfully license its technology on terms that are acceptable, may have a material adverse effect on the Company's business, operating results and financial condition.

Protection of Intellectual Property Rights

The Company is dependent not only on its ability to protect its intellectual property rights, but also upon the protection of rights of third parties from which it may license intellectual property rights. The Company currently holds patent rights and has pending patent applications. In addition, the Company

relies upon certain other technologies, ideas, know how, secrets or other information, which it may not be able to protect. Notwithstanding precautions the Company may take to protect its rights, third parties may copy or obtain and use the Company's proprietary and licensed or optioned technologies, ideas, know how, secrets and other proprietary information without authorization or independently develop technologies similar or superior to the Company's proprietary and licensed or optioned technologies. The Company enters into confidentiality and restriction on use agreements with its employees, strategic partners and others; however, these agreements may not provide meaningful protection of the Company's proprietary and licensed or optioned technologies or other intellectual property in the event of unauthorized use or disclosure. Policing unauthorized use of such technologies and intellectual property is extremely difficult, and the cost of enforcing the Company's rights through litigation may be prohibitive. Further, the laws of jurisdictions other than Canada and the United States may not provide meaningful protection of the intellectual property rights of the Company and such third parties.

Obtaining and Enforcing Patents

The patent positions of technology firms, including the Company, are generally uncertain and involve complex legal and factual questions. The Company's success in utilizing and licensing its bioleaching technology will depend, in part, on its ability to obtain, enforce and maintain patent protection for its technology worldwide. The Company cannot be assured that patents will issue from any pending applications or that claims now or in the future allowed under issued patents will be sufficiently broad to protect its technology. In addition, no assurance can be given that any patents issued to or licensed by the Company will not be challenged, invalidated, infringed or circumvented, or that the rights granted thereunder will provide continuing competitive advantages to the Company. Furthermore, there is no assurance that the patents of others will not impede the ability of the Company to do business or that others will not independently develop similar products or technologies, duplicate any of the Company's products or technologies or, if patents are issued and licensed to the Company, design around the Company's patented product or technology.

Accordingly, the Company may not be able to obtain and enforce effective patents to protect its proprietary rights from use by competitors, and the patents of other parties could require the Company to stop using or pay to use certain intellectual property, and as such, the Company's competitive position and profitability could suffer as a result.

Claims of Infringement of Proprietary Rights of Others

The Company is not currently aware of any claims asserted by third parties that the Company's intellectual property infringes on their intellectual property. However, in the future, third parties may assert a claim that the Company infringes on their intellectual property. As a result, there is a risk that the Company, or one or more of its licensors, may become subject to litigation alleging that the products or technologies of the Company or its licensors infringe on the proprietary rights of third parties. Whether or not the products or technologies infringe on the proprietary rights of third parties, the Company or such licensors could incur significant expenses in defending allegations of infringement of proprietary rights. Further, the Company or such licensors may be required to modify their products or obtain licenses for intellectual property rights as a result of any alleged proprietary infringement which may not be achievable on commercially reasonable terms, in a timely manner, or at all, any of which could adversely affect the Company's business revenue, results from operations and financial condition.

Conflicts of Interest

Certain of the Company's directors and officers may serve as directors or officers of other reporting companies, companies providing services to the Company, or companies in which they may have significant shareholdings. To the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a

conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms.

From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties, thereby allowing for the participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment.

In accordance with the laws of Canada, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

J. Other MD&A Requirements

Additional information related to the Company is filed electronically on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.