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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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**For the three and six months ended December 31, 2011**

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### INTRODUCTION

The following is management's discussion and analysis of the financial condition and the results of operations of Tri Origin Exploration Ltd. (the "Company" or "TOE") for the three and six months ended December 31, 2011, and its financial position as at December 31, 2011 and should be read in conjunction with the Company's unaudited, condensed interim financial statements as at December 31, 2011, including the accompanying notes thereto. The Company's unaudited, condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information relating to the Company, including press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online at [www.sedar.com](http://www.sedar.com). The date of this management's discussion and analysis is February 17, 2012. Unless otherwise indicated all amounts discussed herein are denominated in Canadian dollars.

The Company's common shares are listed on the TSX Venture Exchange (the "TSX-V") under the trading symbol "TOE".

### HIGHLIGHTS

During the three and six month periods ended December 31, 2011, The Company:

- Completed field exploration and induced polarization geophysical surveying at the Sky Lake gold property, Pickle Lake, Ontario; results were encouraging and include the identification of a number of gold targets to be followed up with diamond drilling.
- Completed field work consisting of surface trenching, sampling and related geological work which was successful in exposing the "Road" Gold Zone at surface at the North Abitibi gold property northeast of Timmins, Ontario; high grade assay results were received and additional work is warranted
- Completed a diamond drilling program of 5 holes at its RLX project, Red Lake, Ontario during the first fiscal quarter of 2012; gold-bearing rocks were intersected within a 4 kilometre long previously unexplored area at the northwest part of the property.
- Conducted its work without incurring employee or environmental safety incidents and continued proactive consultation with communities in the vicinity of its project sites.

In addition, the Company's equity investment in TriAusMin Limited ("TriAusMin" or "TOR") was strengthened through progress made by TriAusMin on its projects in New South Wales, Australia;

- Front End Engineering and Design ("FEED") work and environmental approvals for the Woodlawn tailings re-treatment project were both progressed during the quarter as reported by TriAusMin in its December quarterly report.
- Drilling at the Lewis Ponds gold and base metal resource intersected shallow, broad zones of mineralization.

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- A non-brokered private placement to raise C\$3,579,800 through the issue of 42,115,295 shares at C\$0.085 per share was completed by TOR in December 2011 and February 2012. Upon completion of the placement in February, the Company's interest in TOR was further reduced to 14.6%.

### **Cautionary Note Regarding Forward-Looking Information**

Certain information included in this management's discussion and analysis may constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to management's future outlook and anticipated events or results, and may include statements or information regarding the future plans or prospects of the Company. Without limitation, statements about the Company's planned activities related to exploration activities in Canada constitute forward-looking information.

Forward-looking information is based on certain factors and assumptions regarding, among other things, the estimation of mineral reserves and resources, the realization of mineral reserve and resource estimates, metal prices, the timing and amount of future exploration expenditures, the estimation of initial and sustaining capital requirements, the estimation of labour and operating costs, the availability of necessary financing and materials, including financing to conduct any 2012 drilling program and the other activities necessary to continue to explore and develop the Company's properties in the short and long term, the receipt of necessary regulatory approvals, and assumptions with respect to environmental risks, title disputes or claims, weather conditions, climate change and other similar matters. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. Without limitation, in estimating expenditures the Company has assumed, among other things, that metal prices will not change materially from the prices used in its current financial forecasts, that it will obtain in a timely fashion all of the financing, regulatory approvals and other authorizations required to enable the continued exploration of its properties, and that such activities will proceed in the ordinary course without undue disruption. See "Risk Factors and Uncertainties".

This MD&A has been prepared in accordance with the provisions of National Instrument 51-102, Section 5 and Form 51-102F1 and has been approved by the Company's Board of Directors.

### **OVERVIEW**

The Company, formed in 1989 pursuant to Articles of Incorporation under the Business Corporations Act (Ontario), is a public mineral exploration company managed by personnel with extensive education, training and experience in the identification and exploration of mineral prospects. The Company also has a strong background in securing the necessary funding to advance properties of merit.

The Company's principal objectives are to explore and, if warranted, develop its existing precious and base metal properties in Ontario. Its secondary objective is to locate, evaluate and acquire other properties and to finance their exploration and development by either issuing additional equity or through joint ventures or option agreements with other mining firms. See "Exploration Properties in Canada".

The Company also has an indirect interest in base and precious metal exploration in Australia through its equity holding in TriAusMin Limited ("TOR"). TOR was incorporated in New South Wales, Australia in 1993 as a wholly-owned subsidiary of the Company following early success at the Lewis Ponds project. The Company managed and funded TOR's activities from inception until TOR's Initial Public Offering ("IPO") and listing on the Australian Securities Exchange in January 2004. TOR's IPO reduced the Company's ownership interest to 51%. Since then TOR has raised additional equity in a number of secondary offerings and completed a secondary listing on the TSX in early 2010. These financings and the completion of a dividend-in-kind of TOR shares to TOE shareholders of record on February 3, 2010, further reduced the Company's percentage equity ownership in TOR. At December 31, 2011 the Company's equity interest in TOR was 14.8%. TOR is pursuing the exploration and development of base

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and precious metals projects in Australia. These projects are located in the Lachlan Fold Belt in New South Wales and consist of the Woodlawn Project, Lewis Ponds Project and other regional exploration land holdings.

The accounts of TOR are not consolidated with the accounts of the Company. The investment in TOR is accounted for by the Company at market value based on the closing share price of TOR on the Toronto Stock Exchange. The market value of the Company's investment in TOR at December 31, 2011 is \$3.2 million (June 30, 2011 - \$4.1 million). The carrying value of TOR as at July 1, 2010 was \$Nil as a result of the write off of the exploration assets of TOR during the year ended June 2009. See note 5(a) to the financial statements for the period ended December 31, 2011.

### Selected Quarterly Financial Information

Set forth below is certain selected financial information in respect of the eight most recently completed quarters of the Company. This unaudited data is derived from the Company's financial statements. For the quarters ended December and September 30, 2011 the information is prepared in accordance with IFRS, all prior periods are prepared in accordance with Canadian GAAP:

Quarter Ended:	Working Capital <sup>(2)</sup>	Total Assets	Shareholders' Equity	Common shares outstanding	Interest And Other <sup>(1)</sup>	Net Income (Loss)	Net Income (Loss) per Common Share
December 31, 2011	\$249,720	\$8,995,749	\$7,123,769	80,403,306	\$4,013	\$604,901	\$0.01
September 30, 2011	678,089	8,360,012	6,521,469	80,403,306	4,049	(1,979,521)	(0.02)
June 30, 2011	989,800	10,509,819	8,499,765	80,403,306	4,293	3,821,860	0.06
March 31, 2011	1,514,127	6,375,271	4,414,018	80,463,306	-	(134,581)	0.000
December 31, 2010	104,428	4,947,047	2,973,575	67,423,306	(300)	(130,825)	0.000
September 30, 2010	150,079	4,898,375	2,843,233	65,423,306	582	(165,853)	0.000
June 30, 2010	(2,209)	4,529,395	2,519,843	57,556,639	1,038	(1,383,804)	(0.024)
March 31, 2010	68,814	5,851,112	3,911,379	57,556,639	(28)	(16,745)	(0.000)

<sup>(1)</sup> Interest and Other is comprised of interest from invested funds and payments resulting from exploration agreements.

<sup>(2)</sup> See Capital Resources and Liquidity for a further discussion of working capital.

### CAPITAL STOCK POSITION

As at December 31, 2011 the Company's capital stock position consisted of:

Shares outstanding	80,403,306
Stock options outstanding	5,525,000
Warrants Outstanding	13,940,000

As at December 31, 2011, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants
December 20, 2012	\$0.20	1,000,000
March 15, 2013	\$0.25	4,460,000
March 17, 2013	\$0.25	8,480,000
<b>Total</b>		<b>13,940,000</b>

The warrants have 18-month and 24-month terms and are exercisable as indicated in note 12.

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Stock options outstanding at December 31, 2011 and expense for the period are as follows:

<b>Expiry date</b>	<b>Number of Stock Options</b>	<b>Exercise Price</b>
January 4, 2012	1,350,000	\$0.86
October 3, 2012	850,000	\$0.76
January 6, 2015	3,125,000	\$0.12
March 22, 2016	200,000	\$0.15
<b>Total</b>	<b>5,525,000</b>	

At December 31, 2011 the Company had 5,458,330 stock options vested at an average price of \$0.40 per option (June 30, 2011 – 5,491,666 stock options vested at an average price of \$0.40 per option). The Company recognized a total expense of \$Nil and \$1,225 for the three and six month periods ended December 31, 2011 (\$11,167 and \$16,410 for the three and six month periods ended December 31, 2010).

### RESULTS OF OPERATIONS FOR THE THREE AND SIX MONTH PERIODS ENDED DECEMBER 31, 2011

The review of results of operations should be read in conjunction with the unaudited, condensed interim financial statements of the Company for the period ended December 31, 2011.

The Company is in the exploration stage of development and, as such, it had no revenues from operations in the last three months. Exploration expenditures on mineral properties are deferred on the Balance Sheet as long as the property of interest is maintained and the project prospects are not deemed to be impaired. Corporate and administrative expenses are charged to the Statement of Income (Loss) and Comprehensive Income (Loss) and Deficit as incurred. Revenues consist only of short-term investment income from interest on invested funds and payments to the Company under exploration agreements. The Company reported a loss from operations in the current quarter before the recognition of an unrealized gain on long term investments. Retained earnings are in a deficit position. The Company has not paid any cash dividends since inception.

The Company recorded net income (loss) for the three and six month periods ended December 31, 2011 of \$604,901 and (\$1,374,620) compared to losses for the three and six month periods ended December 31, 2010 of (\$130,825) and (\$296,678). The 2011 year was significantly affected by unrealized gains (losses) recognized on the shares of TOR and on the market value of the long term investment in the MAV 2 Notes. See note 5(c) to the financial statements for the period ended December 31, 2011. Loss from operations before the unrealized gains (losses) from long term investments for the three and six month periods ended December 31, 2011 was (\$140,446) and (\$275,605) (loss from operations for the three and six month periods ended December 31, 2010 was (\$130,825) and (\$296,678)).

The market value and carrying value of the Company's TOR holding was \$3.2 million at December 31, 2011 based on the closing share price on the Toronto Stock Exchange (June 30, 2011 - \$4.1 million). For the period ended December 31, 2010 the Company recorded its interest in the shares of TOR using the equity accounting methodology, and as a result the carrying value of TOR was \$Nil.

General and administrative expenses of \$131,700 for the three months ended December 31, 2011 are slightly higher than the three months ended December 31, 2010 of \$118,563. General and administrative expenses are \$258,301 for the six months ended December 31, 2011 (2010 - \$276,106). The stock-based compensation expenses of \$Nil and \$1,225 for the three and six month periods ended December 31, 2011 were lower than the three and six month periods ended December 31, 2010 of \$11,167 and \$16,410.

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### **EXPLORATION EXPENDITURES**

The Company capitalizes exploration expenditures and property acquisition costs as incurred. Properties are reviewed for impairment on a regular basis. Exploration expenditures incurred during the six months ended December 31, 2011 are summarized below and disclosed in the notes to the December 31, 2011 financial statements.

Mineral property and deferred exploration expenditures (prior to any write-downs) were \$448,172 during the six months ended December 31, 2011 compared to \$337,923 incurred in the six months ended December 31, 2010.

#### **Exploration Properties in Canada**

The Company has exploration properties in Ontario, Canada (Red Lake Extension (RLX), North Abitibi, Sky Lake) and Nunavut, Canada (Keewatin). A brief summary of the Company's projects follows.

##### **Red Lake Extension (RLX)**

RLX is a gold exploration property located 20 kilometres southeast of Red Lake, Ontario. The Company has a 100% ownership in 54 adjoining mining claims consisting of 735 claim units totaling an area of 121 square kilometres in the Red Lake Greenstone Belt. Expenditures at RLX during the six months ended December 31, 2011 totalled \$133,593 (December 31, 2010 - \$109,940). Expenditures for the three months ended December 31, 2011 totalled \$43,445 (2010 - \$54,771). Diamond drilling completed during the quarter ended September 30, 2011 resulted in the recognition of new areas of gold enrichment in a previously unexplored area at the northwest part of the property. This area will require further work to delineate ore-body scale drill targets. Ground geophysical surveying is planned to commence following the 2012 winter season prior to a follow-up drill program. The Company has spent a total of \$3,000,632 at RLX from inception to December 31, 2011.

##### **Sky Lake**

Sky Lake is a gold exploration project located 35 kilometres southwest of Pickle Lake in northwestern Ontario. It is comprised of 24 contiguous mining claims, 100% owned, covering an area of 60 square kilometers. A further 8 contiguous mining claims covering an area of 14.4 square kilometres are subject to an earn-in option to acquire an initial 80% interest and 2 other claims covering an area of approximately 5 square kilometres are subject to an earn-in option to acquire an initial 51% interest.

During the six months ended December 31, 2011, the Company spent \$236,650 (six months ended December 31, 2010 - \$236,750) to conduct exploration on the property. Expenditures for the three months ended December 31, 2011 totalled \$163,614 (2010 - \$122,538). During the first quarter ended September 30, 2011, a geological and geochemical program was completed. Soil geochemical results were positive and assisted the Company with the prioritization of prospective drill targets. This was followed by a program of linecutting and induced polarization ("IP") ground geophysical surveying which was completed during the second quarter ended December 31, 2011. The IP program proved successful in confirming the identification of a number of gold targets, which require follow-up drilling. A diamond drilling program is planned during the first half of 2012 to test selected geophysical targets.

Also during the period, the Company staked an additional 4 mining claims covering a prospective area of approximately 10 square kilometres to bring its total land position at Sky Lake to 79.4 square kilometres. Total spending to December 31, 2011 was \$749,512.

##### **North Abitibi**

North Abitibi is a gold exploration property located 150 kilometres north of Kirkland Lake, Ontario, in the Abitibi Greenstone Belt. The project consists of 16 claims covering an area of 28.5 square kilometres and is comprised of two parts. Late in the 2009 fiscal year, Vista Gold Corp. ("Vista") transferred 100% interest in 7 of the North Abitibi mineral claims totalling 13.6 square kilometres to Tri Origin. The Vista

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claims are subject to a back-in right held by Vista and to the return of claims to Vista if an expenditure commitment is not met by Tri Origin by 2015. The remaining 9 claims covering 14.9 square kilometres are held under a purchase option agreement expiring in 2013 with North American Exploration Ltd.

The Company had written off deferred exploration expenditures of \$752,291 during the quarter ended December 31, 2008, when an earlier option agreement on the property terminated. During the March 31, 2010 quarter the Company re-acquired this property at more favourable commercial terms.

During the six months ended December 31, 2011, the Company spent \$53,372 (six months ended December 31, 2010 - \$1,583) related mainly to completion of geological and geophysical data compilation and a field exploration program. Expenditures for the three months ended December 31, 2011 totalled \$45,917 (2010 - \$1,583). Field exploration work consisted of surface trenching, sampling and related geological work and was successful in exposing the "Road" Gold Zone at surface. Assay results from the trenching program confirmed high-grade gold mineralization and further work is warranted. A follow-up program of ground geophysical surveying and diamond drilling is planned for 2012. Total spending to December 31, 2011 was \$106,881.

### **Keewatin**

Keewatin is a copper/gold/uranium exploration property comprised of 16 mineral claims in 4 blocks totaling approximately 123 square kilometres located 150 kilometres west of Arviat, Nunavut. The Company originally entered into an agreement with BHP Billiton Diamonds Inc. ("BHPB") regarding Keewatin and now has a 100% interest in Keewatin subject to a 2% net smelter royalty on base metals and precious metals and a 2% gross production royalty on diamonds.

The Company spent a total of \$1,434,201 at Keewatin from inception to June 30, 2010. However, due to two years of inactivity on this project and no plan to spend significant amounts of cash in the coming year, the Company had determined that the property was impaired under the current accounting guidelines and all expenditures were written off at June 30, 2010.

The Company spent \$278 in the six months ended December 31, 2011, (six months ended December 31, 2010 – \$Nil.). The Company continues to review strategic alternatives to progress this project.

### **Community Consultation**

Tri Origin is committed to the preservation of the environment in which it works and respecting the needs and land uses of members of nearby communities and other stakeholders in the vicinity of its projects. Tri Origin maintains open communication with indigenous peoples in the vicinity of its projects to understand and respect the impact the Company's work programs may have on the local environment and their communities. Community consultation is an ongoing process and may or may not lead to the necessity for agreements between stakeholders regarding assistance to local communities, provision of services and environmental compensation. This process may affect the timing of upcoming exploration and drilling programs planned by the Company.

### **Exploration Activities Conducted by TOR in Australia**

In addition to its exploration properties in Canada, the Company has an indirect interest in exploration and development activities in Australia through its 14.8% equity ownership (29,270,023 ordinary shares) in TOR.

The properties held by TOR are located in New South Wales, in the prolific Lachlan Fold Belt. These properties include the Woodlawn Project (zinc and copper), Lewis Ponds (poly-metallic) and other regional land holdings. The Company does not participate directly in the exploration of TOR's projects nor does it fund any of TOR's exploration activities.

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These projects are more fully described in TOR's Annual Report which is available from the Company on request or which may be accessed from the Company's website, [www.triorigin.com](http://www.triorigin.com), or TOR's website, [www.triausmin.com](http://www.triausmin.com).

### **Woodlawn Project**

TOR controls a very large land position located 200 km southwest of Sydney comprising the Woodlawn Mining District and regional exploration tenements. It also owns mineral rights to the past-producing Woodlawn Mine which was a medium sized, high-grade, massive sulphide deposit by world standards. Total past production from 1978 to 1998 was about 13.8 million tonnes of ore grading 1.6% copper, 3.6% lead, 9.1% zinc, 74 grams per tonne of silver and 0.5 grams per tonne of gold from open pit, underground and satellite deposits. The mine was closed by its previous operators due to prevailing low metal prices and corporate issues in March 1998. The mineral rights to the Woodlawn District were acquired by Tri Origin soon after closure.

The Woodlawn Project includes; the Woodlawn Retreatment Project ("WRP"), which was subject of a feasibility study completed in 2008, Woodlawn "near-mine" exploration (the Woodlawn Underground Project or "WUP") which is investigating the potential to delineate additional resources in the vicinity of the past-producing mine sufficient to justify redevelopment of the underground mine and regional exploration.

At the WRP, TOR is evaluating the potential to retreat a Reserve of 11.2 million tonnes of zinc, copper, lead and silver-rich tailings remaining from previous mining that is located in three dams (north, south and west) for total production in the order of 1.5 million tonnes per annum to produce zinc, copper and lead concentrates. During 2008 TOR completed a feasibility study on WRP and in November 2009, a NI 43-101 compliant technical report on WRP was completed. Although results of the reports were positive, the global financial crisis delayed advancement of the project.

During the past year, TOR has re-commencement activities related to moving WRP to development status. In the recent quarter, front end engineering and design ("FEED") and environmental approval applications with the New South Wales government were progressed. Metallurgical test work for the FEED study was completed and assay results are pending.

In addition, TOR conducted a significant amount of "near-mine" research, geological modelling and resource extension targeting with the objective of identifying additional mineralization adjacent to and along strike from former underground workings.

### **Lewis Ponds Project**

The 100%-owned Lewis Ponds tenement is located 200 kilometres west of Sydney and 15 kilometres east of Orange and covers part of an extensive Silurian volcanic and sedimentary belt hosting the major volcanic hosted massive sulphide deposits of the Lachlan Fold Belt. Lewis Ponds, subdivided into regional and resource oriented exploration activities is an advanced project and has a significant gold and base metal resource delineated. TOR owns the freehold land over which much of the resource is located. During the quarter, TOR conducted a drilling program to evaluate regional targets and further assess possible extensions of the Lewis Ponds resource. Results of this work were positive and broad zones of precious and base metal mineralization were intersected at interpreted extensions to Toms and Main Zones confirming regional prospectivity.

### **Regional Landholdings**

TOR holds a 100% interest in regional tenements in New South Wales where exploration work has been ongoing to determine the exploration potential of each property.

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### **CAPITAL STOCK AND DEFICIT**

The authorized capital of the Company consists of an unlimited number of common shares without par value. At December 31, 2011 the Company had 80,403,306 (December 31, 2010 – 67,423,306) issued and outstanding common shares and 5,525,000 (December 31, 2010 – 5,525,000) stock options outstanding, and 13,940,000 (December 31, 2010 – 3,083,332) warrants outstanding, bringing the fully diluted share position of the Company to 100.9 million (December 31, 2010 – 76 million).

During the six month period ended December 31, 2011 no additional equity was issued. At February 17, 2012 the Company had 80,403,306 issued and outstanding common shares, and the fully diluted share position of the Company was 100.9 million.

During the year ended June 30, 2011 the Company completed three equity financings. The Company issued 7,866,667 common shares for net proceeds of \$472,000 in September 2010 by completing a private placement of flow-through common shares.

In December 2010, the Company completed a private placement consisting of 2,000,000 non-flow through units, for gross proceeds of \$250,000. Each unit consisted of one Common Share and one-half of one Share Purchase Warrant. Each whole Warrant entitles the holder to acquire one common share at a price of \$0.20 per share expiring 24 months from the date of issuance. The fair value of these warrants was estimated using the Black-Scholes pricing model with the following assumptions: dividend yield - 0%, risk-free interest rate – 1.69%, volatility - 30%, and an expected life of 2 years. The value attributed to the 1,000,000 warrants was \$4,200.

In February and March 2011, the Company completed a private placement consisting of 12,400,000 non-flow through units, at a price \$0.125 for gross proceeds of \$1,550,000. Each unit consisted of one Common Share and one Share Purchase Warrant. Each whole Warrant entitles the holder to acquire one common share at a price of \$0.25 per share expiring 24 months from the date of issuance. The fair value of these warrants was estimated using the Black-Scholes pricing model with the following assumptions: dividend yield - 0%, risk-free interest rate – 1.69%, volatility - 30%, and an expected life of 2 years. The value attributed to the 12,400,000 warrants was \$64,480.

In addition, the Company issued 480,000 non flow-through finder's fee units (having the same terms and conditions as above) and 60,000 non-flow through broker warrants in connection with the issuance. The 540,000 warrants issued in connection with the non-flow through finders fee units have a strike price of \$0.25 per common share until March 21, 2013. The value ascribed to these warrants was \$2,808 using the same assumptions as above.

In connection with this private placement the Company issued 480,000 compensation options at a price of \$0.125 per option. The Company has recorded the fair value of these compensation options as share issue costs. The 480,000 compensation options are exercisable for a period of two years from the date of issuance into units comprised of one common share and one common share purchase warrant. The share purchase warrant can be exercised at a strike price of \$0.25 per common share until March 2013. The value ascribed to the share purchase warrants was \$19,273 using the same assumptions as above.

As part of the financing the Company paid \$7,500 (cash) in finders fees.

During the year ended June 30, 2011, the Company issued 250,000 stock options and cancelled 100,000 stock options. In March 2011, 100,000 employee stock options were exercised at a price of \$0.12 per option.

There were no stock options or warrants exercised during the six months ended December 31, 2011 and no warrants or stock options were exercised during the six months ended December 31, 2010.

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Share issue costs related to the March 2011 equity financing of \$2,601 were incurred in the six month period ended December 31, 2011. There were no other changes to the share capital of Company since June 30, 2011.

For further information concerning the issuance of common shares, warrants and stock options see the notes to the June 30, 2011 financial statements.

The Company's accumulated deficit at December 31, 2011 was \$16,358,599 compared to \$14,983,979 at June 30, 2011. See "Results of Operations".

### **CAPITAL RESOURCES AND LIQUIDITY**

Capital resources of the Company include: cash, investments, access to a credit facility and equity financings.

#### **Cash and Financial Condition**

The cash position of the Company at December 31, 2011 was \$358,780 (June 30, 2011 - \$1,176,499). Other than cash in long term investments, cash not on account at a bank has been invested in bank-guaranteed, short-term maturity instruments.

The Company's total assets at December 31, 2011 decreased to \$8,995,749 from \$10,509,819 at June 30, 2011 due to unrealized losses on long term investments in TOR of \$.9 million and unrealized losses on the MAV 2 Notes of \$220,915.

The Company had fully drawn its Credit Facility (established in 2008) as of December 31, 2011. Cash was spent on exploration (\$448,172) and administration (\$131,700) during the six month period.

The Company's liabilities include trade payables and accrued liabilities of \$155,685 at December 31, 2011 down from \$293,759 at June 30, 2011. While the Company has a Credit Facility as a long-term financial liability, it has no off balance sheet financing arrangements or material contingent liabilities or contractual obligations.

#### **Investments – TriAusMin ("TOR")**

The Company has an investment in TOR, a public company listed and trading on the Australian Securities Exchange. At December 31, 2009 the Company held approximately 48% of the outstanding shares of TOR. During the quarter ended March 31, 2010, the Company reduced its holding to from 48% to 31% with a dividend of 0.30 TOR shares for each share in the Company. TOR completed a financing of special warrants which, when exchanged for TOR common shares, further reduced the Company's interest to 27%. During the June 30, 2010 quarter the Company sold 2.5 million TOR shares to reduce its interest to 25%. In March and December of 2011 TOR completed additional financings which the Company did not participate in and this further reduced the Company's equity interest to 14.8%. The Company's investment in TOR had a market value at December 31, 2011 of \$3,219,703 (June 30, 2011 - \$4.1 million). Depending on corporate objectives in the future the Company may utilize a portion of this investment to fund its operations.

#### **Investments – MAV 2 Notes**

At January 21, 2009, the Company's interests in non-bank sponsored ABCP investments were replaced with new longer-term floating rate notes with maturities designed to more closely match the maturities of the underlying assets (MAV 2 assets). The restructuring plan also provided, in certain circumstances, for the pooling of certain assets as well as the establishment of a new margin funding facilities to support any collateral calls that may occur in the future. The MAV 2 assets have a combined asset value of \$1,460,654 at December 31, 2011, (\$1,681,569 at June 30, 2011). The face value of remaining assets is \$2,258,744. This financial asset is classified as a long term investment held for trading.

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A liquid market for the restructured notes developed in early 2011 and the Company's ability to realize value for its investment in the restructured notes will be affected by the market for the restructured notes. The assets are designated as Held for Trading and the value is recognized by the Company based on trading prices for the restructured notes in the secondary market. The Company is looking for reasonable opportunities to divest the investment. The quoted market value of the Notes at December 31, 2011 was \$1,460,654 (June 30, 2011 - \$1,681,569).

### **Credit Facility**

The Company has a Credit Facility (the "Facility") as disclosed in the notes to the December 31, 2011 financial statements. The purpose of the Facility is to provide cash for working capital purposes for the Company. This Facility was necessary since the Company's cash was invested in ABCP and the market for ABCP was frozen at that time. The Company had drawn \$1,716,295 of its Facility at December 31, 2011 (June 30, 2011 - \$1,716,295), effectively fully drawing the Facility. The Facility is secured by the MAV 2 assets to a balance of \$1.0 million and by guarantee of the Company for the remaining \$0.7 million. The Facility is interest bearing based on floating rates and is secured by an assignment of a portion of the Company's investment in ABCP assets, subsequently exchanged for the MAV 2 investments.

### **Liquidity**

All of the Company's mineral properties are at the exploration stage. At this time the Company has no operating revenue and does not anticipate any operating profits until the Company is able to realize value from its assets through either the sale of, or placing into production, a resource property. In order to continue its exploration programs, the Company will be required to raise funds through equity financing, possibly supplemented by the exercise of options and warrants. In the past, the Company has successfully raised capital through issuance of equity. There can be no assurance that the Company will be able to raise more capital or obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to raise capital or obtain financing could result in the postponement of further exploration. Any additional financing or capital raised by the Company could result in substantial dilution to the shareholders of the Company. See "Risk Factors and Uncertainties".

### **TRENDS**

The Company holds three important gold exploration properties in northern Ontario – Red Lake Extension, Sky Lake and North Abitibi. It intends to continue its work program on this exploration portfolio during the fiscal 2012 year. The Company will consider recommencing work on the Keewatin Property or establishing a joint venture partnership to advance the project. The Company will also continue to evaluate and pursue other exploration opportunities as they arise. It will assess the exploration work as it progresses and determine a course of action based on that assessment. The level of exploration activity has remained constant at approximately \$700,000 for the past two years. Management intends to increase the level of exploration activity.

The net loss of \$1,374,620 in the six months ended December 31, 2011 is attributed to the unrealized losses recorded on the investments in TOR and the MAV 2 Note of \$1.1 million. Net loss before these items is a loss of \$275,605. This is slightly lower than the net loss of \$296,678 for the six months ended December 31, 2010. It is anticipated that a loss related to TOE administration and corporate expenses similar to that of fiscal 2011 will be recorded during the current year.

A significant asset value is represented by the Company's equity holding in TOR. The value of this holding is determined by progress made by TOR on its exploration and development projects and by general market and economic conditions. Management of the Company believes that its equity holding in TOR has significant potential to appreciate in the future.

In the six months ended December 31, 2011 the turbulence in the global financial markets resulted in a drop in the market value of the MAV 2 Notes resulting in the recognition of an unrealized loss on these

## **TRI ORIGIN EXPLORATION LTD.**

notes of \$220,915. The Company will continue to monitor the market for these notes to identify opportunities to sell the assets and extinguish the liability under the credit facility.

Other corporate activities and expenditures related to the support of the exploration properties, generation of new projects and requirements of being a public company are expected to continue throughout fiscal 2012.

### **CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company considers its capital to be cash, investments, the credit facility and equity, comprising share capital, warrants, contributed surplus and deficit. The equity of the Company at December 31, 2011 totalled \$7,123,769 (June 30, 2011 - \$8,499,765). The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, and acquire or dispose of assets to adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including but not limited to source and use of capital and general industry conditions.

The Company expects its current capital resources will be sufficient to carry out its exploration, development and investment plans and operations through fiscal 2012.

### **COMMITMENTS**

The Company is required to undertake a certain level of expenditures to keep exploration properties in good standing in the normal course of business.

### **RELATED PARTY TRANSACTIONS**

The Company's offices are located at 125 Don Hillock Drive, Unit 18 in Aurora, Ontario. This property is rented month to month and is owned by a private Ontario corporation controlled by Tri Origin Exploration Ltd.'s President. During the six months ended December 31, 2011 the Company paid or accrued \$25,368 for this rental (December 31, 2010 - \$25,368). Prepaid assets include \$2,750 related to rent for the last month of the lease.

During the six months ended December 31, 2011 the Company charged TOR \$4,200 (six months ended December 31, 2010 - \$4,098) related to facilities used and \$27,581 (six months ended December 31, 2010 - \$29,152) related to personnel. A balance of \$5,406 receivable from TOR is included in accounts receivable as at December 31, 2011. The balance will be repaid in the course of normal commercial terms.

The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### **OFF BALANCE SHEET ARRANGEMENTS**

There are no off-balance sheet arrangements as at December 31, 2011.

### **SUBSEQUENT EVENTS**

On February 16, 2012 the Company announced it has completed a letter of intent ("LOI") to enter into an important exploration agreement with Osisko Mining Corp. to advance the Company's 100 percent owned

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Red Lake Extension property (RLX). The LOI outlines the terms under which Osisko will fund exploration programs at RLX to earn an equity interest in the property.

The key terms agreed to in the LOI give Osisko the right to earn an initial 51% interest in the property by funding \$5 million on exploration over a 4 year period and by paying Tri Origin a total of \$800,000 in cash during the period. If these conditions are met, Osisko will then have the right to either earn up to a total of 65% interest in the property by completing detailed deposit delineation and a bankable feasibility study or to enter into a 51% Osisko – 49% Tri Origin joint venture to further explore the property. Tri Origin will be the operator of the project for the first year and Osisko will have the option to become operator each year thereafter.

Osisko has also agreed to participate in a private placement for 5 million common shares of Tri Origin at \$0.07 per share for total proceeds of \$350,000. The Company anticipates that the placement will close on or around February 17, 2012 subject to regulatory approval. All securities will be subject to a hold period of 4 months and one day from the date of closing. Proceeds of the placement will be used for mineral exploration at the Company's properties in Northern Ontario and for general corporate purposes.

## **CHANGES IN ACCOUNTING POLICIES**

### **International Financial Reporting Standards**

In February 2008, the CICA announced that Canadian generally accepted accounting principles for publicly accountable enterprises will be replaced by International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. The condensed interim financial statements for the three and six months ended December 31, 2011 are the Company's second financial statements prepared in accordance with International Accounting Standards 34 using accounting policies consistent with IFRS. Previously, the Company prepared its financial statements in accordance with Canadian GAAP. The accounting policies described in Note 2 to the financial statements are consistent with IFRS as expected to be effective on June 30, 2012, which will be the Company's first annual IFRS reporting date.

### **Impact of adopting IFRS on the Company's Business**

The adoption of IFRS has resulted in minimal changes to the Company's accounting systems and business processes. The Company has not identified any contractual arrangements that are significantly impacted by the adoption of IFRS. The Company's staff and advisers involved in the preparation of financial statements have been appropriately trained in the relevant aspects of IFRS and the changes to accounting policies. The Board of Directors and Audit Committee have been regularly updated through the Company's IFRS transition process, and are aware of the key aspects of IFRS affecting the Company.

### **First time adoption of IFRS**

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS as effective at the end of its first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Company has elected to apply the following optional exemptions in its preparation of an opening IFRS statement of financial position as at July 1, 2010, the Company's "Transition Date".

- To apply IFRS 2 Share based Payments only to equity instruments that were issued after November 7, 2002 and had not vested by the Transition Date.
- To apply IFRS 3 Business Combination prospectively from the transition date and therefore not to restate business combinations occurring before the transition date.
- To apply IAS 16 Property Plant and Equipments on a prospective basis. The Company will use an

## **TRI ORIGIN EXPLORATION LTD.**

IFRS 1 exemption in order to report the opening balance sheet at transition date at its deemed cost value which is equal to the previously established historical cost less accumulated depreciation as reported under previous GAAP.

IFRS 1 does not permit changes to estimates that have been made previously. Accordingly, estimates used in the preparation of the Company's opening IFRS statement of financial position as at the Transition Date are consistent with those that were made under Canadian GAAP.

### **Changes to accounting policies**

In preparing its IFRS statement of changes, the Company has adjusted amounts reported previously in the financial statements prepared in accordance with Canadian GAAP. An explanation of how the transition from Canadian GAAP to IFRS has affected the Company's financial position and determination of net loss is set out in the following tables and accompanying notes.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS:

#### **(a) Impairment of (non-financial) assets**

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. Current Canadian GAAP requires a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

The Company's accounting policies related to impairment of non-financial assets have been changed to reflect these differences. There is no impact on the unaudited condensed interim financial statements.

#### **(b) Decommissioning Liabilities (Asset Retirement Obligations)**

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current Canadian GAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions. In addition, the measurement, of such liabilities differs between IFRS and Canadian GAAP. The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the unaudited condensed interim financial statements.

#### **(c) Exploration and Evaluation**

On transition to IFRS, the Company elected to remain with the policy to capitalize exploration and evaluation expenditures as incurred. All capitalization of expenditures occurred subsequent to obtaining a right to the property to explore and evaluate. There is no impact on the unaudited condensed interim financial statements

#### **(d) Property, Plant and Equipment (PP&E)**

Under IFRS, componentization is required for PP&E. Asset componentization involves breaking down an asset into significant individual components that have different useful lives. Significant parts or components of the PP&E that have useful lives that are significantly different from the asset as a whole, are amortized over their useful lives. There is no impact on the unaudited condensed interim financial statements.

#### **(e) Share Based Payments**

The Company has elected not to apply IFRS 2 to equity instruments granted on or before November 7, 2002 or which vested before the Company's transition date to IFRS. In addition, the Company will elect

## TRI ORIGIN EXPLORATION LTD.

not to apply IFRS 2 to liabilities arising from the share-based payments which were settled before the Company's transition date to IFRS.

### (f) Flow through shares

Under Canadian GAAP, the Company followed the recommendations of the Emerging Issues Committee ("EIC") of the CICA with respect to flow-through shares, as outlined in EIC-146. The application of EIC-146 requires the recognition of the foregone tax benefit on the date the Company renounced the tax credits associated with the exploration expenditures, provided reasonable assurance existed that the expenditures would be made. To recognize the forgone tax benefits to the Company, the carrying value of the shares issued was reduced by the tax effect of the tax benefits renounced to subscribers.

The Company has adopted a policy to allocate the proceeds between the offering of the shares and the sale of the tax benefits when the shares offered. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors. The liability is reduced and the reduction of the premium liability is recorded in other income on a pro-rata basis based on the corresponding eligible expenditures that have been incurred.

The effects of the transitional change are as follows:

- The premium on flow-through shares decreases share capital and deficit at July 1, 2010 by \$Nil.
- The renouncement of flow through tax credits increases share capital and deficit at July 1, 2010 by \$713,555
- The renouncements of flow-through tax credits increase share capital and net income (loss) for the six month period ended December 31, 2010 by \$Nil and for the year ended June 30, 2011 by \$137,588.

Impact on unaudited condensed interim financial statements of financial position

	As at June 30 2011 \$	As at December 31 2010 \$	As at July 1 2010 \$
Recognize the flow-through share premium liability	Nil	Nil	Nil
Increase in deficit	851,143	713,555	713,555
Increase in share capital	851,143	713,555	713,555

There is no impact as a result of the transition on income (loss) and comprehensive income (loss).

### Presentation

Certain amounts in the unaudited condensed interim statements of financial position, statements of loss and comprehensive loss and statements of cash flows have been reclassified to conform to the presentation adopted under IFRS, which are as follows:

Contributed surplus has been reclassified to reserves in the statement of financial position and statement of changes in equity.

Warrants have been reclassified to reserves in the statement of financial position and statement of changes in equity.

## **TRI ORIGIN EXPLORATION LTD.**

The presentation of expenses in the statements of loss and comprehensive loss has been amended to use an analysis based consistently on their function.

### **FUTURE CHANGES IN ACCOUNTING POLICIES**

The IASB has issued a new standard, IFRS 9, "Financial Instruments" (IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and measurement" ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized costs or fair value, replacing the multiple rules in IAS 39. Most of the disclosure requirements in IAS 39 for classification and measurement of financial liabilities were carried forward to IFRS 9. The standard becomes effective January 1, 2013. The company has yet to assess the impact of the new standard.

IFRS 11, 12 and 13 were all issued in May 2010 and are effective for annual periods beginning January 1, 2013, with early adoption allowed.

IFRS 11, Joint Arrangements, introduces new accounting requirements for joint arrangements, replacing IAS 31, Interests in Joint Ventures. It eliminates the option of accounting for jointly controlled entities by proportionate consolidation.

IFRS 12, Disclosure of Interests in Other Entities, requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement.

IFRS 13, Fair value Measurement, replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. It defines and provides guidance on determining fair value and requires disclosures about fair value measurements, but does not change the requirements regarding which items are measured or disclosed at fair value.

### **CONFLICTS OF INTEREST**

Certain of the directors of the Company also serve as directors of other companies involved in natural resource exploration and consequently there exists the possibility for such directors to be in a position of conflict.

### **RISK FACTORS AND UNCERTAINTIES**

The Company is in the business of acquiring, exploring and developing mineral properties and is exposed to a number of risks and uncertainties that are common to other exploration companies in the same business. The industry is capital intensive at all stages and must rely on equity financing to fund exploration and development activities.

The Company's major mineral properties are the Red Lake Extension, the Sky Lake and the North Abitibi properties (the "Properties"). Unless the Company acquires or develops additional material properties, the Company will be mainly dependent upon its existing Properties. If no additional major mineral properties are acquired by the Company, any adverse development affecting the Company's Properties would have a material adverse effect on the Company's financial condition and results of operations.

The ability of the Company to realize and profit from a property development is dependent upon its ability to define and delineate an orebody, to finance development costs, adhere to government and environmental regulations, and/or be able to realize the costs incurred on disposition of a property.

The future prospects of the Company are subject to a variety of risks that may cause actual results to differ materially from projected outcomes. Factors that could cause such differences include: world gold markets, foreign exchange markets, equity markets, access to sufficient working capital, the ability to attract mining partners, the loss of or inability to hire key personnel, as well as government, local communities and native consultation and environmental restrictions. Most of these factors are beyond the control of the Company which consequently cannot guarantee future results, levels of activity or ensure that a mineral discovery can be developed into a profitable mining operation. In addition, prices for the commodities contained in the

## **TRI ORIGIN EXPLORATION LTD.**

Company's mineral resources at its exploration properties have fluctuated significantly over the last few years and may continue to do so. Such volatility may affect the timing and magnitude of funds which the Company may seek to raise to support further exploration and development.

The Company has taken steps to verify the title to its mineral properties, in accordance with industry standards for the current stage of exploration of such properties but these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company's properties are located in northern Ontario and indigenous peoples and native bands in the province have determined that all lands in northern Ontario fall within their territorial lands. In some cases, to achieve harmonious working relationships and guarantee access to properties, certain agreements may be required to be entered into between the Company and native communities. There is no guarantee that these agreements can be successfully entered into or that equitable terms can be reached. This may affect commencement or completion of the Company's projects.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company can be found at [www.triorigin.com](http://www.triorigin.com) or on the SEDAR website at [www.sedar.com](http://www.sedar.com). Complete financial statements for TOR can be viewed at the TOR website at [www.triausmin.com](http://www.triausmin.com) or on SEDAR or obtained by request from TOE.

### **APPROVAL**

The Board of Directors of Tri Origin Exploration Ltd. has approved the disclosure contained in this Management Discussion and Analysis dated February 17, 2012.

## **TRI ORIGIN EXPLORATION LTD.**



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