

BEARCLAW CAPITAL CORP.

(the “Company” or “Bearclaw”)

FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS

For the Six Months Ended June 30, 2012

The following management discussion and analysis (“MD&A”) has been prepared by management as of August 28, 2012, and should be read in conjunction with the unaudited interim financial statements and related notes of the Company for the six month period ended June 30, 2012, and the audited financial statements of the Company and related notes for the year ended December 31, 2011. The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All amounts are stated in Canadian dollars unless otherwise indicated.

FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking information and statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions as at the date of this MD&A. The words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential”, “interprets”, “may”, “will” and similar expressions identify forward-looking statements. Information concerning the interpretation of drill results may also be considered a forward-looking statement; as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed. The forward-looking statements reflect the current beliefs of the management of the Company, and are based on currently available information. Readers are cautioned not to place undue reliance on these statements as they are subject to known and unknown risks, uncertainties and other factors, which could cause the actual results, performance, or achievements of the Company to differ materially from those expressed in, or implied by, such forward-looking statements. The Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

OVERVIEW

Bearclaw was incorporated on August 11, 1999 under the laws of British Columbia, Canada. The Company is primarily engaged in the acquisition, exploration, and development of mineral properties in Canada. The Company’s common shares are listed for trading on the TSX Venture Exchange (“TSX-V”), under the symbol “BRL”. The Company’s common shares also trade on the Frankfurt Stock Exchange, under the symbol “5BQ”.

On January 10, 2012, the TSX-V approved the option agreement signed on December 5, 2011 between the Company and West Cirque Resources Ltd. (“West Cirque”) whereby West Cirque has option to acquire a 100% interest in the Castle property by making cash payments of \$175,000, issuing 500,000 shares, and incurring aggregate exploration expenditures of \$2,000,000 over a three year period. The Company has received the first tranche of option payments of \$50,000 and 100,000 shares of West Cirque. The Company retains a 2% NSR which can be purchased by West cirque for \$4,000,000.

On March 21, 2012, the Company and Weststar entered into an agreement with Xstrata Copper Canada (“Xstrata”), a division of Xstrata Canada Corporation, whereby Xstrata was granted an option to earn up to a 75% interest in the Axe property. To earn an initial 51% interest in the property, Xstrata is required to make cash payments of \$180,000 (\$25,000 subsequently paid) and incur exploration expenditures of \$3,000,000 over a four year period. Upon earning a 51% interest in the property, the parties to the agreement will form a joint venture to fund and manage the property in accordance with their participating interests held, being 51% by Xstrata, 34.3% by Weststar, and 14.7% by the Company. In addition, Xstrata has the option to earn additional 24% interest in the property by completing a feasibility study or incurring additional exploration expenditures of \$15,000,000.

Subsequent to June 30, 2012, Finsbury Exploration Ltd. (“Finsbury”) has agreed to sell its rights and transfer its

obligations to the Gnat pass property under the original purchase agreement to Quartz Mountain Resources Ltd. ("Quartz Mountain"), the parties therefore entered into an amendment on July 27, 2012 to replace the remaining obligations of Finsbury under the Gnat Pass agreement with the following:

- Pay \$50,000 by August 20, 2012 (received);
- Issue 1,000,000 common shares of Quartz Mountain upon the TSX-V approval (received); and
- Issue a convertible debenture note in the amount of \$650,000 at a rate of 8% per annum with a maturity date of October 31, 2013 upon the TSX-V approval (received).

The Company retains a 1% NSR, up to a maximum aggregate amount of \$7,500,000.

EXPLORATION ACTIVITIES

As of June 30, 2012, the Company held several mineral properties in British Columbia and one uranium property in Quebec.

Lov Property, British Columbia

The Company has an option agreement with SG Spirit Gold Inc. ("SG") to acquire up to an 80% interest in 8 mineral claims located in the Fort Steele Mining Division of British Columbia. The Company subsequently acquired additional 3 mineral claims by staking.

The Lov Property occupies an area of 4,449 hectares and is located in south-eastern British Columbia, approximately 35 kilometres west of Cranbrook. The property covers Lower Cambrian sediments intruded by Cretaceous granite intrusions. Prior work identified a 2.5 kilometre long molybdenum copper soil anomaly within which is a tungsten, arsenic, bismuth anomaly. In addition, a more linear gold soil anomaly crosses the property. The geology and geochemistry are indicative of skarn type potential.

In October 2010, the Company completed a work program on the property. The program comprised follow-up geochemistry and mapping to better determine mode and extent of mineralization and included airborne electromagnetic and magnetic surveying. The airborne EM defines numerous anomalies in three areas. One cluster of conductors occurs over the EM/MAG anomaly along the east flank. A second set of linear conductors occur on the west flank of the MAG in an area largely unmapped and untested by soil geochemistry. The third series of conductors cover a large area on the west side of the property which is completely unevaluated.

In August 2011, the Company commenced a summer exploration program consisting of geological mapping, prospecting and soil geochemistry on the property in preparation for drilling. 732 samples including both soil and stream samples over the northern and western portion of the property were collected.

In October 2011, the company completed a helicopter supported drill program on the property. The drill program consisted of three holes on two pads, spaced approximately 500 meters apart on the north eastern slope of the property. A total of 653 meters of core was extracted and was being split and logged by the company. A total of 66 meters of core was sent for assaying last year and the remaining drill core was split and analysed in March and April of 2012. Molybdenite is widespread but only in minor amounts along margins of quartz veins and rarely disseminated in metasediments. The most significant assays recorded were 3.4 metres of 0.045% Mo in Hole 1 and 3.2 metres of 0.034% Mo in Hole 3. The Company is currently considering what work will be conducted on the property.

Aplite, Bam, Castle, and Rey Lake Properties, British Columbia

The Company owns a 100% interest in certain mineral claims in northern British Columbia.

The Aplite property is located 115 kilometres north of the city of Fort St. James. The property is situated 70 kilometres southeast of the Lorraine porphyry copper-gold deposit and 22 kilometres west-northwest of the Chuchi Lake porphyry copper-gold deposit.

The Bam property is located south of Mount Edziza Park, approximately 80 kilometres south of Telegraph Creek. The property is within the “Golden Triangle” of northwestern British Columbia, and is 65 kilometres northwest of the Eskay Creek mine and 20 kilometres south-southeast of Copper Fox’s Schaft Creek porphyry copper-gold deposit. The main exploration target on the Bam is the area of the copper-silver Jan prospect and the geochemical soil anomaly extending to the northeast. In September 2010, a brief exploration program of limited follow-up soil sampling of anomalous gold values in soils and mapping of the Jan prospect area was carried out. The results of the soil survey show the presence of several areas having elevated gold-arsenic-antimony ± copper ±silver signatures.

The Castle property is located on the Kinaskan Plateau, about 15 kilometres west of the village of Iskut and 30 kilometres west of the Red Chris porphyry copper-gold deposit. NGEX’s GJ copper-gold porphyry deposit is about 15 kilometres to the south. Historical data indicated that a large epithermal gold system exists on the Castle property with potential for a low-grade, bulk tonnage deposit, along with somewhat less potential for a high-grade vein deposit. The Company had performed some geological ground work on the Castle property during fiscal 2009.

The Castle property is currently under the option agreement signed between the Company and West Cirque Resources Ltd. (“West Cirque”) whereby West Cirque has option to acquire a 100% interest in the property by making cash payments of \$175,000, issuing 500,000 shares, and incurring aggregate exploration expenditures of \$2,000,000 over a three year period. The Company retains a 2% NSR which can be purchased by West cirque for \$4,000,000.

Rey Lake property is a copper-molybdenum property located in southern British Columbia between Merritt and Logan Lake, approximately 30 kilometres from the Highland Valley copper mine, one of the largest producers in North America.

The Company is currently seeking joint venture partners for further exploration of the other three properties.

Axe Property, British Columbia

The Axe property is located in the Similkameen Mining Division of British Columbia and has a porphyry copper and gold deposit within a northwest trending belt of Triassic rocks that hosts the Copper Mountain, Highland Valley, Afton, Mount Polley and Mount Milligan porphyry deposits. The property is held 30% by the Company and 70% by Weststar Resources Corp. (“Weststar”).

On March 21, 2012, the Company and Weststar entered into an agreement with Xstrata Copper Canada (“Xstrata”), a division of Xstrata Canada Corporation whereby Xstrata was granted an option to earn up to a 75% interest in the property.

Capoose Property, British Columbia

Silver Quest Resources Ltd. (“SQI”) acquired a 100% interest in the property located in the Omineca Mining Division of British Columbia pursuant to an option agreement with the Company. SQI subsequently sold its 100% interest to New Gold Inc. The Company retains a 2.25% NSR.

Man/Prime Property, British Columbia

Candorado Operating Company Ltd. (“CDO”) acquired a 100% interest in the property located in the Similkameen Mining Division of British Columbia by making cash payments of \$350,000, issuing 1,150,000 common shares and incurring \$800,000 in exploration expenditures. The Company retains a 1.25% NSR, which can be purchased by CDO at any time prior to the beginning of commercial production for \$1,250,000.

Wakeham Basin Property, Quebec

During the year ended December 31, 2007, the Company signed an asset purchase and sale agreement to purchase six uranium properties located in the Wakeham Basin in Quebec. The Company purchased a 100% interest in the property by paying the vendors \$350,000 and issuing 2,000,000 common shares of the Company. The property is subject to a 3% royalty and a 2% NSR.

During the year ended December 31, 2009, due to poor economic recoverability of resources the Company wrote off the carrying value of \$444,701 in acquisition and exploration costs incurred on the property. The Company has no plans to undertake any further exploration activities on the property but is currently seeking to option the remaining 70 claims to a third party.

Qualified person

The technical contents in this document have been reviewed and approved by William R. Gilmour, P.Geo., a qualified person as defined by National Instrument (NI) 43-101.

DISCUSSION OF OPERATIONS

Bearclaw is an exploration stage company and has no operating revenue. Expenditures related to mineral exploration are capitalized. During the six months ended June 30, 2012, the Company capitalized \$40,611 of expenditures related to mineral properties and a breakdown was provided in Note 7 to the interim financial statements. Exploration work in the first six months is mainly related to analytical work on the Lov property.

Three month period ended June 30, 2012

During the three months ended June 30, 2012, the Company reported a net loss of \$56,163 compared to a net loss of \$50,522 incurred in the three months ended June 30, 2011. The loss in the 2012 quarter relates primarily to general operating expenses of \$57,724 (2011 - \$52,308). The general operating expenses excluding share-based payment expenses were \$55,237 (2011 - \$47,532). Some of the significant expense items are summarized as follows:

- Consulting fees of \$11,474 (2011 - \$8,886) include mainly fees to a related party consultant on general corporate development work at a monthly fee of \$3,000.
- Management fees of \$18,000 (2011 - \$12,000) relate to fees paid to the Company's CEO. The monthly fees were increased from \$4,000 to \$6,000 effective November 2011.
- Share-based payments of \$2,487 (2011 - \$4,776), a non-cash charge, are the estimated fair value of the vesting portion of stock options granted in fiscal 2009 to 2011. The Company used the Black-Scholes option pricing model for the fair value calculation.

Six month period ended June 30, 2011

During the six months ended June 30, 2012, the Company reported a net loss of \$37,090 compared to a net loss of \$93,466 incurred in the six months ended June 30, 2011. The loss in the 2012 period relates primarily to general operating expenses of \$110,875 (2011 - \$97,153), mitigated by a gain of \$70,551 (2011 - \$nil) from optioning of the Castle property.

The general operating expenses excluding share-based payment expenses were \$104,921 (2011 - \$85,019). Some of the significant expense items are summarized as follows:

- Consulting fees of \$21,600 (2011 - \$11,886) include mainly fees to consultants on corporate development and general geological consulting work. The increase is due to the increase in monthly fees to a related party consultant from \$1,000 to \$3,000 effective November 2011.
- Management fees of \$36,000 (2011 - \$24,000) relate to fees paid to the Company's CEO. The monthly fees were increased from \$4,000 to \$6,000 effective November 2011.
- Share-based payments of \$5,954 (2011 - \$12,134), a non-cash charge, are the estimated fair value of the vesting portion of stock options granted in fiscal 2009 to 2011. The Company used the Black-Scholes option pricing

model for the fair value calculation.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected unaudited financial information for the Company's eight most recent quarters ending with the last quarter for the three months ending on June 30, 2012.

	For the Three Months Ending							
	Fiscal 2012		Fiscal 2011				Fiscal 2010	
	Jun. 30, 2012	Mar. 31, 2012	Dec. 31, 2011	Sept. 30, 2011	Jun. 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sept. 30, 2010
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Total revenues	-	-	-	-	-	-	-	-
Income (loss) from continuing operations	(56,163)	19,073	704,552	10,914	(50,522)	(42,944)	(1,134,800)	74,205
Net income (loss)	(56,163)	19,073	704,552	10,914	(50,522)	(42,944)	(1,134,800)	74,205
Income (loss) from continuing operations per share - basic and diluted	(0.00)	0.00	0.03	0.00	(0.00)	(0.00)	(0.05)	0.00
Net income (loss) per share - basic and diluted	(0.00)	0.00	0.03	0.00	(0.00)	(0.00)	(0.05)	0.00

LIQUIDITY AND CAPITAL RESOURCES

During the six months ended June 30, 2012, the cash and cash equivalent balance decreased by \$69,790. The Company spent \$86,922 in operating activities and \$40,368 on mineral properties. Cash generated from investing activities during the first six month included \$57,500 from optioning of its mineral properties.

As at June 30, 2012, the Company had a cash and cash equivalent balance of \$594,572 compared to \$664,362 as at December 31, 2011. The Company had working capital of \$1,820,590 as at June 30, 2012 compared to working capital of \$1,883,981 as at December 31, 2011.

Management estimates that the general operating costs, excluding stock-based compensation expense, for the next 12 months will be approximately \$250,000. In order to maintain the option on the Lov property, the Company is also committed to spend approximately \$65,000 in exploration expenditures. At present, management believes that the Company has sufficient capital resources to meet its anticipated operating and capital requirements for the next 12 months.

Going Concern

At present, the Company's operations do not generate cash flow and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Company's control. In order to continue as a going concern and to meet its corporate objectives, which primarily consist of exploration work on its mineral properties, the Company will require additional financing through debt or equity issuances or other available means. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control. The annual and interim financial statements do not include any adjustments to the recoverability and classification of reduced asset amounts and classification of liabilities that might be necessary

should the Company be unable to continue operations. These adjustments could be material. The Company is not subject to material externally-imposed capital constraints.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Key management includes directors (executive and non-executive) of the Company. The compensation paid or payable to key management personnel during the six month periods ended June 30 is as follows:

	2012	2011
Short-term employee benefits	\$ -	\$ -
Share-based payments	5,790	10,625
Total	\$ 5,790	\$ 10,625

The Company entered into the following transactions with related parties during the six month period ended June 30, 2012:

- a) Paid or accrued management fees of \$36,000 (2011 - \$24,000) to a company controlled by the President of the Company for management services provided.
- b) Paid or accrued consulting fees of \$nil (2011 - \$4,000) to a company controlled by the Chief Financial Officer of the Company for corporate consulting services provided.
- c) Paid or accrued consulting fees of \$18,000 (2011 - \$2,000) to a close family member of the Chief Financial Officer of the Company for corporate consulting services provided.
- d) Paid or accrued consulting fees of \$3,304 (2011 - \$5,137) and geological consulting fees of \$1,590 (2011 - \$nil) to a company controlled by a director of the Company for general and geological consulting services provided.

These transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

SUMMARY OF OUTSTANDING SHARE DATA

The Company's issued and outstanding share capital as at the date of this report is as follows:

- (1) Authorized: 100,000,000 common shares without par value.
- (2) As at August 28, 2012, the Company has 24,371,991 common shares and 1,850,000 stock options issued and outstanding.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the financial statements in accordance with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported

amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant areas requiring the use of management estimates include:

- (i) Recorded costs of exploration and evaluation assets are not intended to reflect present or future values of these properties. The assessment of indications of impairment loss and the reversal of an impairment loss and the measuring of the recoverable amount when impairment tests have been prepared involve judgment. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that change in future conditions could require a material change in the recognized amount.
- (ii) The determination of the fair value of stock options and warrants using stock pricing models, require the input of highly subjective assumptions, including the expected price volatility. Changes in the subjective input assumptions could materially affect the fair value estimate; therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options and warrants.
- (iii) The determination of deferred income tax assets or liabilities requires subjective assumptions regarding future income tax rates and the likelihood of utilizing tax carry-forwards. Changes in these assumptions could materially affect the recorded amounts, and therefore do not necessarily provide certainty as to their recorded values.
- (iv) The assessment of the Company's ability to continue as a going concern involves judgment regarding future funding available for its exploration projects and working capital requirements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Future accounting changes

- i) New standard IFRS 11 *Joint Arrangements* (IFRS 11) has been issued to replace IAS 31 *Interests in Joint Ventures*. IFRS 11 reduces the types of joint arrangements to two: joint ventures and joint operations. IFRS 11 requires the use of equity accounting for interests in joint ventures, eliminating the existing policy choice of proportionate consolidation for jointly controlled entities under IAS 31. Entities that participate in joint operations will follow accounting much like that for jointly controlled assets and jointly controlled operations under IAS 31. IFRS 11 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.
- ii) New standard IFRS 12 *Disclosure of Interest in Other Entities* (IFRS 12) has been issued to set out the disclosure requirements for entities reporting under IFRS 10 and IFRS 11, and replaces the disclosure requirements currently found in ISA 28, *Investments in Associates*. IFRS 12 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.
- iii) New standard IFRS 13 *Fair Value Measurement* (IFRS 13) has been issued to provide a single source of guidance on how to measure fair value where its use is already required or permitted by other IFRS and enhances disclosure requirements for information about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted.
- iv) Amendments to IAS 32 *Financial Instruments: Presentation* (IAS 32) have been issued to clarify requirements for offsetting of financial assets and financial liabilities. The amendments are applicable for annual periods beginning on or after January 1, 2014, with early adoption permitted.
- v) New standard IFRS 9 *Financial Instruments* (IFRS 9) has been issued by IASB to replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 has two measurement categories: amortized cost and fair value. IFRS 9 is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted.

The Company has not early adopted these revised standards and is currently assessing the impact of these standards on the Company's financial statements.

Reclassification

Certain comparative figures have been reclassified to conform to the presentation of the current period financial statements.

FINANCIAL INSTRUMENTS

The Company classified its financial instruments as follows: cash and cash equivalents and receivable classified as loans and receivables and measured at amortized cost; marketable securities as available-for-sale and measured at fair value; trade and other payables as other financial liabilities and measured at amortized cost. The carrying amount of financial assets and liabilities carried at amortized cost is a reasonable approximation of fair value due to the relatively short period to maturity of these financial instruments.

Fair Value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy based on the degree to which the inputs used to determine the fair value are observable. The three levels of the fair value hierarchy are:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data.

Financial instruments measured at fair value on the statement of financial position are summarized in levels of fair value hierarchy as follows:

	Level 1	Level 2	Level 3	Total
June 30, 2012				
Available-for-sale financial assets				
Marketable securities	\$ 267,530	\$ -	\$ -	\$ 267,530
December 31, 2011				
Available-for-sale financial assets				
Marketable securities	\$ 246,123	\$ -	\$ -	\$ 246,123

A market is regarded as active if quoted prices are readily and regularly available from an exchange. The quoted market prices used for marketable securities are the closing price on the TSX-V at June 29, 2012.

Financial risk management

The Company's financial risks arising from its financial instruments are credit risk, liquidity risk, and interest rate risk. The Company's exposures to these risks and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

Credit risk is the risk of potential loss to the Company if the counter party to a financial instrument fails to meet its contractual obligations. The credit risk of the Company is associated with cash and cash equivalents, marketable securities and receivables. The credit risk with respect to its cash and cash equivalents and marketable securities are minimal as they are held with high-credit quality financial institutions. The Company's receivables consist of

harmonized sales tax (“HST”) and mining exploration tax credit refunds due from the federal and provincial governments of Canada. Management does not expect these counterparties to fail to meet their obligations.

Liquidity risk

Liquidity risk is the risk that the Company will not meet its obligations associated with its financial liabilities as they fall due. The Company performs cash flow forecasting for each fiscal year to ensure sufficient cash available to fund its projects and operations. As at June 30, 2012, the Company had a cash and cash equivalents balance of \$594,572 to settle current liabilities of \$31,262. The Company’s financial liabilities include accrued expenses and trade and other payables which have contractual maturities of 30 days or are due on demand.

At present, the Company’s operations do not generate positive cash flow. The Company's primary source of funding has been the issuance of equity securities through private placements and the exercise of stock options and warrants. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings.

Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash and cash equivalents maintained at the financial institutions. The interest rate risks on cash and cash equivalents are not considered significant due to their short-term nature and maturity.

COMMITMENTS

On September 14, 2011, the Company entered into an office lease agreement for its office premises commencing December 1, 2011 and ending November 30, 2014. The annual minimum lease commitments under the lease are as follows:

2012	\$	3,741
2013	\$	7,709
2014	\$	<u>7,274</u>
	\$	18,724

RISK AND UNCERTAINTIES

Operating Hazards and Risks

Mineral exploration involves many risks. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the conduct of exploration programs.

Environmental Factors

The Company currently conducts exploration activities in the Canadian Province of British Columbia. Such activities are subject to various laws, rules and regulations governing the protection of the environment. In Canada, extensive environmental legislation has been enacted by federal and provincial governments. Such legislation imposes rigorous standards on the mining industry to reduce or eliminate the effects of wastes generated by extraction and processing operations and subsequently deposited on the ground or emitted into the air or water.

All phases of the Company’s operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed properties and a heightened degree of responsibility for companies and their officers, directors and employees. There is no

assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. The cost of compliance with changes in governmental regulations has the potential to preclude entirely the economic development of a property.

The Company is able to conduct its exploration within the provisions of the applicable environmental legislation without undue constraint on its ability to carry on efficient operations. The estimated annual cost of environmental compliance for all properties held by the Company in the exploration stage is minimal and pertains primarily to carrying out diamond drilling, trenching or stripping. Environmental hazards may exist on the Companies properties, which hazards are unknown to the Company at present, which have been caused by previous or existing owners or operators of the properties.

Governmental Regulation

Exploration activities on the Company's properties are affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law reform; (iii) restrictions on production, price controls, and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulation, if any, will not adversely affect the Company's operations. Changes in such regulation could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot be predicted.

The Company is at the exploration stage on all of its properties. Exploration on the Company's properties requires responsible best exploration practices to comply with company policy, government regulations, maintenance of claims and tenure. The Company is required to be registered to do business and have a valid prospecting license (required to prospect or explore for minerals on Crown Mineral Land or to stake a claim) in any Canadian province in which it is carrying out work.

Mineral exploration primarily falls under provincial jurisdiction. However, the Company is also required to follow the regulations pertaining to the mineral exploration industry that fall under federal jurisdiction, such as the Fish and Wildlife Act.

If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protection, mine safety and other matters.

OUTLOOK

The Company's management has instituted a strict cost control program to ensure its ability to continue as a going concern. Management will undertake additional exploration work on the Lov property and seek joint venture partners in connection with its other mineral property interests. The Company is also continuing to evaluate new prospects and opportunities.

DISCLOSURE CONTROLS

In connection with Exemption Orders issued by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificates under National Instrument ("NI") 52-109 (Certification of disclosure in an Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting as defined in NI 52-109.

ADDITIONAL INFORMATION

Additional information concerning the Company and its operations is available on SEDAR at www.sedar.com.

APPROVAL

The Board of Directors of Bearclaw Capital Corp. has approved the contents of this management discussion and analysis on August 28, 2012. A copy of this MD&A together with the Company's audited financial statements for the year ended December 31, 2011 and the unaudited interim financial report for the six month period ended June 30, 2012 will be provided to anyone who requests it.