MKANGO RESOURCES LTD

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the three months ended March 31, 2015 and 2014

The following Management's Discussion and Analysis ("MD&A") of Mkango Resources Ltd. ("Mkango" or the "Company") was prepared in accordance with the requirements of National Instrument 51-102, Continuous Disclosure Obligations, and it should be read in conjunction with the consolidated interim financial statements and accompanying notes for the three months ended March 31, 2015 (the "Financial Statements"). The results reported herein have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are prepared in United States dollars unless otherwise stated. This document is dated May 25, 2015.

The Board of Directors of the Company have reviewed and approved the information contained in this MD&A and the Financial Statements.

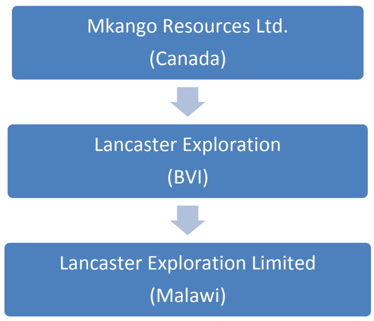
Readers are cautioned that this MD&A contains certain forward-looking statements. Please see the section concerning "Forward Looking Statements" below.

Additional information relating to the Company, including the Company's Filing Statement, can be found on the Canadian System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com. The Company is listed on the TSX Venture Exchange under the symbol MKA.

FORWARD LOOKING STATEMENTS

Certain disclosures set forth in this MD&A constitute forward-looking statements. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believes", "budget", "continue", "could", "estimate", "forecast", "intends", "may", "plan", "predicts", "projects", should", "will" and other similar expressions. All estimates and statements that describe the Company's future, goals, or objectives, including management's assessment of future plans and operations, may constitute forward-looking information under securities laws. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Mkango's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, accuracy of current drill and other exploration results, environmental risks, changes in environmental, tax and royalty legislation, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from internal and external sources. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Mkango's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements or if any of them do so, what benefits that Mkango will derive there from. Mkango disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

COMPANY OVERVIEW



Mkango is a rare earth and associated minerals exploration and development company with properties in the Republic of Malawi, Africa, specifically, the Phalombe exploration license ("Phalombe License") and the Thambani exploration license ("Thambani License"). The Company's headquarters are in Calgary, Alberta, Canada.

Mkango was originally incorporated under the name Alloy Capital Corp. under the laws of the Province of Alberta, Canada. Mkango completed its initial public offering on August 27, 2008 as a Capital Pool Corporation as defined by Policy 2.4 of the TSX Venture Exchange ("Policy 2.4"). On December 20, 2010 Mkango completed its Qualifying Transaction, as defined in Policy 2.4, by acquiring all of the issued and outstanding shares of Lancaster Exploration ("Lancaster") through a reverse-takeover, which closed on December 20, 2010.

Lancaster was incorporated August 3, 2007 by Memorandum and Articles of Association issued pursuant to the provisions of the BVI Companies Act. Lancaster's registered office is located at 56 Administration Drive, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands. Lancaster is a wholly owned subsidiary of Mkango.

Lancaster Exploration Limited ("Lancaster Malawi"), a wholly owned subsidiary of Lancaster, was incorporated under the laws of Blantyre, Malawi on May 19, 2011.

GOING CONCERN

These consolidated interim financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. The Company incurred a net loss of $253,999 for the three months ended March 31, 2015 (2014 - $434,613) and has a deficit of $11,720,666 (December 31, 2014 - $11,466,667). The Company is in the process of acquiring, exploring and developing its mineral interests.

Management has significantly scaled down its administrative and exploration expenditures for 2015 and as such believes that the funds available combined with future equity placements will generate sufficient cash flow to maintain the Company's ability to meet its short and medium term objectives and milestones. The Company is currently funding its operations with equity raised in a non-brokered private placement ("Financing"), which closed in two tranches on March 24, 2014 and April 3, 2014 (Note 7).

In addition to the equity financing, the Company was approved to receive the South African Department of Trade and Industry ("DTI") grant on May 26, 2014 for an amount of Rand 7,967,804 (USD$689,500) under the Capital Projects Feasibility Program. The grant will be dispersed to the Company as the Company meets certain milestones in relation to a number of activities including environmental and social impact studies, mine planning, design of the processing plant and tailings storage facility, flotation and hydrometallurgical optimization and marketing studies.

Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities, which would be necessary if the Company were unable to continue its operations.

HIGHLIGHTS

As of March 31,	2015	2014
Cash used by operations	$ (107,532)	$ (287,744)
Cash from financing activities	-	1,281,904
Total comprehensive loss	(269,569)	(434,613)
Loss per share - basic and diluted	$ (0.00)	$ (0.01)
Weighted average common shares outstanding	73,296,956	51,829,472
Evaluation and exploration spending:		
Malawi – Mineral exploration expenditures	(21,530)	153,583
Current assets	75,827	1,447,555
Current liabilities, excluding revaluation of warrants	(304,883)	(215,176)
Working capital	$ (229,056)	$ 1,232,379

SUMMARY OF QUARTERLY RESULTS

	2015	2014				2013		
Total Operations	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Revenue	$ 5	$ (17)	$ 31	$ 332	$ -	$ 15	$ -	$ -
Expenses	238,229	622,726	611,920	882,203	435,418	765,081	368,331	657,872
Warrant fair value loss (gain)	15,775	(2,656,627)	2,144,504	274,101	(805)	(563,069)	93,039	158,078
Net revenue (loss) for period	(253,999)	2,033,884	(2,756,393)	(1,155,972)	(434,613)	(202,012)	(461,370)	(815,950)
Loss per share - basic and diluted	$(0.00)	$(0.03)	$(0.04)	$(0.02)	$(0.01)	$(0.00)	$(0.01)	$(0.02)
Total assets	75,993	185,678	711,573	1,309,637	1,452,295	507,087	1,133,729	1,516,545
Cash and restricted cash	*63,066*	*161,009*	*523,993*	*1,272,960*	*1,436,668*	*440,319*	*1,068,939*	*1,427,839*

The financial data for the periods reported have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB) and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), in effect on March 31, 2015. The financial data is presented in US dollars.

The Company's principle activities require expenditures which include both exploration and general and administrative expenses.

The Company recognized net loss of ($253,999) compared to a net loss of ($434,613) for the three months ended March 31, 2015 and March 31, 2014, respectively. The net loss was lower by $180,614 for the three months ended March 31, 2015 when compared to the prior year as a result of lower mineral exploration expenditures. The mineral exploration expenditures for the three months ended March 31, 2015 were reduced to a credit of ($21,530) as the result of receiving a $104,728 refund through the DTI grant program. Stock based compensation expense was $63,573 for the three months ended March 31, 2015 (2014 - $73,009) as a result of issuing options on May 30, 2014, whereby the issuance vests and is expensed over a 24 month period. General overhead costs were $180,993 for the three months ended March 31, 2015 (2014 - $243,991) as a result of expenditures related to consulting fees, professional fees and office expenses required to maintain the on-going operation of the Company.

Total expenses for the three months ended December 31, 2014 were $622,726, which was a $142,355 decrease compared to the $765,081 incurred for the three months ended December 31, 2013. Mineral exploration costs were $157,415 for the three months ended December 31, 2014 (2013 - $357,612) as a result of the following activities on the Songwe Hill project: Completing the environmental and social impact studies, flow sheet optimization and metallurgical test work, mining studies and other activities related to the pre-feasibility study. The Company qualified for a reimbursement DTI program for its pre-feasibility expenditures of Rand 1,032,116 (US$89,315) during the three months ended December 31, 2014. The grant was used to offset mineral exploration expenditures.

Stock based compensation expense was $71,225 for the three months ended December 31, 2014 (2013 - $81,370) as a result of issuing options on September 25, 2013 and May 30, 2014, whereby each issuance vests and is expensed over a 24 month period. General overhead costs were $382,722 for the three months ended December 31, 2014 (2013 - $299,207) as a result of expenditures related to consulting fees, professional fees and office expenses required to maintain the on-going operation of the Company.

The Company incurred a net loss of $2,756,393 and $461,370 for the three months ended September 30, 2014 and September 30, 2013, respectively. Total expenses for the three months ended September 30, 2014 were $611,920, which was a $243,589 increase over the $368,331 expenses incurred for the three months ended September 30, 2013. On September 18, 2014, the Company qualified for its first reimbursement from the DTI program for its pre-feasibility expenditures of Rand 1,801,209 (US$159,488). The grant was used to offset mineral exploration expenditures for the period. During the three months ended September 30, 2014, mineral exploration costs were $102,064 higher than the comparative period in 2013, after taking the DTI grant into consideration, as a result of the following activities on the Songwe Hill project: Completing the environmental and social impact studies, flow sheet optimization and metallurgical test work, mining studies and other activities related to the pre-feasibility study. The Company also continued to progress the Thambani project. Stock based compensation expense was $147,113 higher for the three months ended September 30, 2014 as compared to the same period in 2013 as a result of issuing options on September 25, 2013 and May 30, 2014, whereby each issuance vests and is expensed over a 24 month period. General overhead costs were $51,274 lower for the three months ended September 30, 2014 as compared to the same period in 2013 as a result of a decrease in investor relation activities. The increase in expenses was primarily due to the change in the value of the outstanding warrants. The unrealized loss on revaluation of warrants was $2,144,504 and $2,417,800 for the three and nine months ended September 30, 2014 compared to $93,039 and $245,199 for the three and nine months ended September 30, 2013.

The Company incurred a net loss of $1,155,972 and $815,950 for the three months ended June 30, 2014 and June 30, 2013, respectively. Total expenses for the three months ended June 30, 2014 were $870,003, which was a $254,491 increase over the $615,512 expenses incurred for the three months ended June 30, 2013. During the three months ended June 30, 2014, mineral exploration costs were $212,464 higher than the comparative period in 2013, as a result of undertaking activities in relation to the pre-feasibility study for the Songwe Hill project and work related to the Thambani project. Stock based compensation expense was $56,506 higher for the three months ended June 30, 2014 as compared to the same period in 2013 as a result of issuing options on September 25, 2013 and May 30, 2014, whereby each issuance vests over a 24 month period. These increases to expenses were off set by a reduction in general overhead costs ($14,175) and depreciation ($305).

The Company incurred a net loss of $434,613 and $418,576 for the three months ended March 31, 2014 and March 31, 2013, respectively. Total expenses for the three months ended March 31, 2014 were $470,895, which was a $55,606 increase over 2013 total expenses of $415,289. During the three months ended March 31, 2014, mineral exploration costs were $66,744 higher for the three months ended March 31, 2014 as compared to the same period in 2013 as a result of undertaking activities in relation to the pre-feasibility study for the Songwe Hill project and work related to the Thambani project. Stock based compensation expense was $63,682 higher for the three months ended March 31, 2014 as compared to the same period in 2013 as a result of issuing options on September 25, 2013 which vest over a 24 month period. These increases to expenses were off set by a reduction in overhead costs such as travel ($28,000), shareholder compliance and legal expenses ($25,460) and audit and accounting fees ($21,360).

The company's cash balance as at March 31, 2015 was $63,066 (December 2014 - $161,009). The change in the cash resulted from consumption by operating activities during the period ended March 31, 2015 of ($107,532), as a result of the ongoing general and administrative activities required to maintain the on-going operation of the Company.

DISCUSSION OF OPERATIONS

The Company's corporate strategy is to further delineate and develop the rare earth mineralization at Songwe Hill and to secure additional rare earth element and other mineral opportunities in Malawi and elsewhere. Initially, the Company has established the Republic of Malawi as its platform country, focusing primarily on the Phalombe district, where past exploration indicated strong geological potential for rare earth elements ("REE") and other minerals.

As of March 31, 2015, the Company holds a 100% interest in two exploration licenses in Malawi through its ownership of Lancaster. On January 21, 2010 Lancaster was granted the rights to the Phalombe license and on September 10, 2010 Lancaster was granted the rights to the Thambani license. In September 2014, the pre-feasibility study was completed for the Songwe Hill rare earth project, located in the Phalombe license

1. SONGWE HILL

Through its ownership of Lancaster, the Company holds a 100% interest in an exclusive prospecting license over an area of 1,283 km2 in southeast Malawi (the "Phalombe License"). Its main exploration target is the Songwe Hill deposit, which features carbonatite hosted rare earth mineralization and was subject to previous exploration programs in the late 1980s. Lancaster was awarded the license on January 21, 2010.

The Phalombe License runs for a period of three years and is renewable for further periods of two years and two years thereafter if the terms and conditions of the Phalombe License have been met. The license was renewed for a further two years on January 21, 2015. The Company is continuing to meet the terms and conditions of the license and provides updates to Malawi's Ministry of Mining on a regular basis regarding progress on its work program.

Management believes that all necessary permits for Lancaster's current phase of the exploration program have been obtained.

Songwe is accessible by road from Zomba, the former capital, and Blantyre, the principal commercial town of Malawi. Total travel time from Zomba is approximately 2 hours, which will reduce as infrastructure continues to be upgraded in the area. Songwe is a volcanic vent that is expressed as a steep-sided hill rising some 230m above the surrounding plain.

The drilling programs completed in 2011 and 2012, focused on an area measuring approximately 350 by 100 meters comprising rare earth enriched carbonatite, carbonatite breccia and fenite lithologies, largely exposed at surface. A total of 25 holes were completed in the 2012 Stage 2 program for a total of approximately 4,860 meters to a maximum vertical depth of approximately 350 meters. The Stage 2 program was designed to complement the 13 hole, 2,000 meter Stage 1 drilling program and systematic channel sampling completed in 2011.

On November 22, 2012, Mkango filed a Technical Report (the "Report") for its maiden NI 43-101 mineral resource estimate entitled, *NI 43-101 Technical Report and Mineral Resource Estimate for the Songwe Hill rare Earth Element (REE) Project, Phalombe District, Republic of Malawi,* authored by Scott Swinden, PhD, PGeo and Michael Hall, Pr.Sci.Nat., MAusIMM. The Report's mineral resource estimates, as previously announced, are summarized below. For further details of the mineral resource estimates including breakdowns thereof, please refer to the Report, which is available at www.sedar.com.

Cut-off grade	*In-situ* Indicated Mineral Resource estimate	*In-situ* Inferred Mineral Resource estimate
1.0% TREO	13.2 mt grading 1.62% TREO	18.6 mt grading 1.38% TREO
1.5% TREO	6.2 mt grading 2.05% TREO	5.1 mt grading 1.83% TREO

TREO – total rare earth oxides including yttrium. In-situ - no geological losses applied. mt - million tonnes

On July 10, 2013, the Company announced a base case metallurgical flow sheet for the Songwe Hill rare earth project and that proof of concept test work on a bench scale had demonstrated that the flow sheet has potential to produce a high grade mixed rare earth carbonate or hydroxide product.

During the year ending December 31, 2013, the Company was focused on scoping metallurgical test work, environmental studies and commencement of the pre-feasibility study, in addition to regional exploration.

During the year ended December 31, 2014, the Company continued to progress the environmental and social impact studies, flow sheet optimization and metallurgical test work, process plant engineering design work, mining studies and other activities related to the pre-feasibility study. This culminated in the Company announcing the results of the pre-feasibility study on September 23, 2014.

The pre-feasibility Study (the Study) indicates a US$293 million after-tax net present value (NPV), using a 10% nominal discount rate, and 36% after-tax internal rate of return (IRR) for the Songwe Hill Rare Earth Project (the Project), based on rare earth oxide (REO) prices equivalent to a total rare earth basket price for Songwe Hill of US$55.0 per kg REO. The basket price reflects the selective removal of a large proportion of the cerium during the hydrometallurgical process, which enhances the value of the product mix.

Initial capital expenditure (Capex) of US$217m, including a contingency of US$20m, is among the lowest in the rare earth sector.

Cash operating costs average US$13.4 per kg REO[1] for the first 5 years of production and US$17.0 per kg REO[1] for the life of mine. The Study assumes an additional cost of US$10.0 per kg REO[1] to account for the cost or discount associated with toll separation or the sale of a mixed chemical concentrate.

The Study is based on an open pit operation, using contract mining, with a mine life of 18 years commencing in 2017. There is potential to significantly expand production or the mine life and for a lower strip ratio given the large additional Inferred Resource and potential to expand the Mineral Resource.

This first phase of development envisages production of a high grade, critical and heavy rare earth enriched, purified chemical concentrate for toll treatment or sale, with annual production of approximately 2,840 tonnes per year of REO in concentrate.

The Study supports the declaration of a Mineral Reserve Estimate for the Project as summarized below.

Cut-off grade	*Probable* Mineral Resource Estimate
1.0% TREO	8.5 mt grading 1.60% TREO

TREO – total rare earth oxides including yttrium
[1]*Excludes a large proportion of the cerium which will be selectively removed during the hydrometallurgical process*

The following modifying factors were used to convert the Mineral Resource Estimate to the Mineral Reserve Estimate:

Modifying factors used in Mineral Reserve Estimate

Factor	Unit	Quantity	Comment
Cut-off grade	% TREO	1%	Higher than pay limit of 0.57%
Mining recovery	%	95%	5% ore loss expected during mining
Mining dilution	%	5%	Dilution assumed to carry zero grade
Plant recovery	%	34%	Accounts for the portion of cesium which is extracted and is not sold
Product price	US$/kg	$55.01	Average recovered basket price per kg of recovered REO
Operating cost	US$/tonne processed	$96.42	Average Life of Mine operating cost per tonne processed
Operating cost	US$/kg	$16.95	Average Life of Mine operating cost per kg of REO recovered

REO – rare earth oxides

The economic parameters used for calculating the Mineral Reserve Estimate may vary from those used in the economic model for the Study. Indicated Mineral Resources are inclusive of Mineral Reserves. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

On November 6, 2014, Mkango filed a Technical Report (the "Report") in relation to the pre-feasibility study entitled, NI 43-101 Technical Report and NI 43-101 Pre-feasibility Report, prepared by The MSA Group (Pty) Ltd. The Report is available to be downloaded from Mkango's profile on SEDAR (www.sedar.com).

2. THAMBANI, MWANZA DISTRICT

Lancaster was granted an additional exploration license by the Malawi Minister of Natural Resources, Energy and Environment on September 10, 2010 in respect of an area of 468 km² in Thambani, Mwanza District, Malawi. Exploration has identified a number of areas with potential for uranium, zircon, corundum and niobium.

The exploration activities conducted during 2011 and 2012 included acquisition of Landsat7 and ASTER satellite imagery for the license area, systematic ground radiometric surveys to confirm and detail previously-known airborne anomalies, reconnaissance geological mapping and litho-geochemical sampling programs. The work has identified a number of potential uranium targets over the Thambani Massif, which is mainly composed of nepheline syenite gneiss, forming two prominent ridges known as Thambani East Ridge and West Ridge. Historical airborne radiometric surveys and ground radiometric survey programs carried out by Mkango have revealed two distinct uranium anomalies occurring along the two ridges: A strong uranium anomaly, measuring approximately 3 kilometers ("km") by 1.5 km, occurs along the length of the Thambani East ridge with a north-south trend and a second uranium anomaly, measuring approximately 1.5 km by 0.4 km occurs on the West Ridge along the western contact of the nepheline syenite body with the eastern biotite-hornblende gneisses.

Initial results from follow up reconnaissance geochemical sampling conducted in 2013 returned locally anomalous uranium values, ranging up to 1,545 ppm U_3O_8, on both Thambani East and West ridges. During the year ended December 31, 2014, the Company continued to progress the geological exploration studies on the Thambani project area, data analysis and geological modeling.

Mkango completed a trenching program across the Thambani Massif primarily focused on two sites of historical uranium exploration, known as the Chikoleka and Little Ngona targets. An initial set of 9 trenches, selected on the basis of anomalous ground radiometric results, have been re-examined and geochemically sampled across profiles from soil/overburden into bedrock.

The first set of assay results of 142 soil and rock chip samples returned variably anomalous U, Nb and Ta values in most trenches, ranging up to 4.70 % U3O8, 3.25 % Nb2O5 in soil and up to 0.42 % U3O8, 0.78 % Nb2O5 and 972 ppm Ta2O5 in rock chips, notably higher than results from the 2013 reconnaissance surface geochemical sampling program. Results associated with the 10 best U3O8 assays are summarized in the table below.

Preliminary mineralogical studies carried out on six rock samples from the Little Ngona River and Chikoleka targets, using Scanning Electron Microscopy ("SEM") at the Natural History Museum (NHM) London, indicate that pyrochlore group minerals, mainly betafite, are the principal carriers of U, Nb and Ta for these samples.

Assays from the 10 highest- U_3O_8 samples from the Thambani trenching program

Trench No.	Profile	Sample No	From (m)	To (m)	Rock type	U308 ppm	Nb2O5 ppm	Ta2O5 ppm
C3	A	U3622	0.5	1	Soil	47,094	32,462	45
C3	A	U3623	1	1.5	Soil	1,057	735	59
T11	C	U3508	0.5	1	Decomposed Feldspathic	4,231	7,805	743
T11	C	U3509	1	1.5	Decomposed Feldspathic	2,539	6,619	911
T11	B	U3505	0.5	1	Decomposed Feldspathic	2,369	5,424	972
T15	A	U3554	1	1.5	Feldspathic rock	1,657	4,346	67
T15	A	U3553	0.5	1	Feldspathic rock	1,616	3,754	431
T15	E	U3565	0.5	1	Feldspathic rock	1,553	3,525	41
T14	D	U3549	1.5	2	Feldspathic rock	1,432	3,034	434
T19	C	U3604	1	1.5	Feldspathic rock	1,367	5,525	675

The Thambani License runs for a period of three years and is renewable for further periods of two years and two years thereafter if the terms and conditions of the Thambani License have been met. The license was renewed for a further two years on September 10, 2013. The license will be due for renewal on September 10, 2015. The Company is continuing to meet the terms and conditions of the license and provides updates to Malawi's Ministry of Mining on a regular basis regarding progress on its work program.

PROPERTY AND EQUIPMENT

Property and equipment include computer and office equipment and a vehicle that was purchased in Malawi for use in the camp.

	Cost	Accumulated Depreciation	Net Book Value
Balance at December 31, 2013	$ 10,020	$ (4,969)	$ 5,051
Less Depreciation	-	(311)	(311)
Balance at March 31, 2014	10,020	(5,280)	4,740
Less Depreciation	-	(934)	(934)
Balance at December 31, 2014	10,020	(6,214)	3,806
Disposal of asset	(9,733)	6,099	(3,634)
Less Depreciation	-	(6)	(6)
Balance at March 31, 2015	$ 287	$ (121)	$ 166

On February 2, 2015, the Company sold a vehicle used in Malawi.

RELATED PARTY TRANSACTIONS

a) Leo Mining Exploration Ltd. ("Leo Mining") is considered related by virtue of common directors and officers who have an ownership in and exercise significant influence over both companies. The Company and Leo Mining have formalized their relationship with respect to services provided by Leo Mining. A written agreement sets out the types of services, which may be provided and the costs associated with such services. Generally the Company repays the disbursements made by Leo Mining on its behalf. During the three months ended March 31, 2015, the Company had incurred costs of $36,007 (2014 - $3,946) for administrative services. As of March 31, 2015 the Company has an outstanding payable to Leo Mining in the amount of $43,279 (2014 – $6,294). The amount is unsecured and due on demand. Interest of 2% may be incurred on the outstanding amount annually; however this has been waived in 2014 and 2013.

b) Digby Wells Environmental ("Digby"), by virtue of a common director, is considered a related party. During the three months ended March 31, 2015, the Company has incurred costs of $nil (2014 – $12,370) for environmental services. As of March 31, 2015, there was an outstanding payable to Digby for $nil (2014 – $5,248).

c) A partner of Stikeman Elliott (London) LLP ("Stikeman") became a director of the Company in 2014. Stikeman is, therefore, considered a related party. During the three months ended March 31, 2015, the Company has accrued $17,318 (2014 – $91,628) for legal services. As of March 31, 2015, there was an outstanding payable to Stikeman for $102,932 (2014 – $91,628).

d) Included in due to related parties at March 31, 2015, was $66,938 (2013 - $6,705) due to officers of the Company. The amounts owed are unsecured, due on demand and non-interest bearing.

EXPENDITURES

	For the period ended March 31, 2015	2014	*Variance*
General and administrative			
Legal fees	$ 16,005	$ 7,490	***$ 8,515***
Salaries and consulting fees	124,176	177,812	***(53,636)***
Office	5,985	3,667	***2,318***
Travel	-	10,723	***(10,723)***
Shareholder compliance & investor relations	5,521	10,201	***(4,680)***
Malawi office and camp expenses	29,306	34,098	***(4,792)***
Sub total - General and administrative	*180,993*	*243,991*	***(62,998)***
Malawi exploration expenditures			
Environmental studies	3,004	13,535	***(10,531)***
Mineral extraction development	13,723	63,913	***(50,190)***
Ground rental fee	-	30,097	***(30,097)***
Drilling	-	44,791	***(44,791)***
Consulting fees & salaries	29,306	-	***29,306***
DTI Grant refund	(104,728)	-	***(104,728)***
Other	37,165	1,247	***35,918***
Sub total - Mineral exploration	*(21,530)*	*153,583*	***(175,113)***
Stock option expense	63,573	73,009	***(9,436)***
Depreciation and sale of asset	226	311	***(85)***
Foreign exchange (gain) loss	14,967	(35,476)	***50,443***
Warrant revaluation	15,775	(805)	***16,580***
Total Expenses	**$ 254,004**	**$ 434,613**	***$ (180,609)***

The Company's principle activities require expenditures which include both exploration and general and administrative expenses. The following discussion describes the general and administrative expenditures in greater detail.

Total expenses decreased by $180,609 from $434,613 to $254,004 for the period ended March 31, 2014 and March 31, 2015, respectively. The decrease in expenses was primarily due to two factors. First, the DTI grant program refund of $104,728 reduced mineral exploration expenditures to a credit of ($21,530). Secondly, the foreign exchange expense was $50,443 higher for the three months ended March 31, 2015 compared to the same period in 2014.

General and administrative expenses were ($62,998) lower for the three months ended March 31, 2015 compared to the same period ended March 31, 2014 due to a decrease in salaries.

The stock based compensation expense decreased for the three months ended March 31, 2015 as compared to the same period in 2014 by $9,436. Stock options issued on September 25, 2013 and May 30, 2014 and are being expensed over a 24-month vesting period.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2015, the Company had a working capital deficit of ($229,056) (December 31, 2014 - $73,615). The Company completed its Qualifying Transaction on December 20, 2010 and raised gross proceeds of C$7,625,026. The Company raised a further US$2,114,650, net of share issue costs, as of December 31, 2013 through a second equity issue. The Company raised a further US$1,806,075, net of share issue costs, through a third equity issue, which closed in two tranches on March 24, 2014 and April 3, 2014. At March 31, 2015, the Company had a cash balance of $63,066. The original funding and the funding provided by the second equity issue were used to fund metallurgical test work, mine planning, environmental studies and other aspects required to move the Songwe Hill project through the pre-feasibility stage in addition to regional exploration and general corporate purposes. The third equity issue was used to fund completion of the pre-feasibility study. Management has significantly scaled down its administrative and exploration expenditures for 2015 and as such believes that the funds available combined with future equity placements will generate sufficient cash flow to maintain the Company's ability to meet its short and medium term objectives and milestones.

In addition to the equity financing, the Company was approved to receive the South African Department of Trade and Industry ("DTI") grant on May 26, 2014 for an amount of Rand 7,967,804 (USD$689,500) under the Capital Projects Feasibility Program. The grant will be dispersed as the Company meets certain milestones in relation to a number of activities including environmental and social impact studies, mine planning, design of the processing plant and tailings storage facility, flotation and hydrometallurgical optimization and marketing studies.

Since the Company does not expect to generate any revenue in the near future, it must continue to rely upon grants and the sale of its equity and/or debt securities to fund its operations. There can be no assurance that grants or financing, whether debt or equity, will continue to be available to the Company in the amount required at any particular time or for any period or, if available, it can be obtained on terms satisfactory to the Company. The circumstances that could affect the company's ability to secure grants, equity and/or debt financing that are reasonably likely to occur are, without limitation include the state of the capital markets and the prevailing market prices for commodities, in particular the prevailing market prices for REE. The outlook in relation to these factors could change at any time and negatively affect the Company's operations and business. Other than as disclosed herein, the Company is not aware of any trends, uncertainties, demands, commitments or events, which are reasonably likely to have a material effect on the Company's business, financial condition or results of operations.

COMMITMENTS

The Company was granted the Phalombe Licence for the Songwe property on January 21, 2010. The license was issued by the Malawi Government on a three-year basis, originally, and on January 20, 2015 was renewed for an additional two years. The future spending commitments for the exploration rights with the Government of Malawi are 150,000,000 Kwacha (foreign exchange rate MWK438):

Exploration commitments, 2 years	$	342,466
Ground rent, 2 years		19,386
Total commitment, 2 years	$	361,852

On September 10, 2010, the Company was granted an additional exploration licence by the Malawi Minister of Natural Resources, Energy and Environment in respect of an area of 468 km2 in Thambani, Mwanza District, Malawi. The license was issued by the Malawi Government on a three-year basis, originally, and was renewed on September 10, 2013, for an additional two years. The future spending commitments for exploration expenses with the Government of Malawi are 250,000,000 Kwacha (foreign exchange rate MWK438):

Exploration commitments, 2 years	$	570,780
Ground rent, 2 years		21,370
Total commitment, 2 years	$	592,150

The Company is continuing to meet the terms and conditions of its two exploration licenses and provides updates to Malawi's Ministry of Mining on a regular basis regarding progress of its work programs.

ISSUED AND OUTSTANDING SHARE INFORMATION

As at the date of this report, the Company has 73,296,956 Common Shares and 24,019,905 warrants issued. The Company has 6,910,000 stock options issued, of which, 4,190,000 stock options have vested.

OFF BALANCE SHEET ARRANGEMENTS

The Company is not party to any off balance sheet arrangements or transactions.

ACCOUNTING POLICIES AND ESTIMATES

Management is required to make judgments, assumptions and estimates in the application of IFRS that have a significant impact on the financial results of the Company. Details outlining Mkango's accounting policies are contained in the notes to the consolidated financial statements for the year ended December 31, 2014.

BUSINESS RISKS

Readers are cautioned that the following is a summary only of certain risk factors and is not exhaustive and is qualified in its entirety by reference to, and must be read in conjunction with the additional information on these and other factors that could affect Mkango's operations and financial results that are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

The Company is presently pursuing direct investments in international mining projects. There is no assurance that exploration prospects will be granted in foreign jurisdictions where the Company is making applications, nor is there assurance the exploration efforts will be successful. If the Company is successful in obtaining exploration prospects in foreign jurisdictions, additional capital will be required to execute the exploration programs.

Rare earth element and related mineralogy exploration, development, production and marketing operations inherently have a number of business risks and uncertainties, including the uncertainty of finding new reserves, the volatility of commodity prices, operational risks, the cost of capital available to fund exploration and development programs, regulatory issues and taxation, and the requirements of new environmental laws and regulations.

The Company manages these risks by contracting competent professional staff, following sound operating practices and the prudent issuance of equity to fund capital expenditures so that debt does not become a burden. Extensive geological, geophysical, engineering and environmental analyses are performed before committing to the drilling of new prospects. These analyses are used to ensure a suitable balance between risk and reward. The Company conducts its operations in a manner consistent with environmental regulations as stipulated applicable local legislation. Mkango is committed to meeting its responsibilities to protect the environment wherever it may operate and anticipates making increased capital and operating expenditures as a result of the increasingly stringent laws relating to the protection of the environment. Mkango's operations are subject to the risks normally associated with the mining industry. The Company is committed to respecting the safety of its personnel, the environment and the communities where it has operations.

The mining industry has been subject to considerable price volatility, over which companies have little control, and a material decline in the price of rare earth elements could result in a significant decrease in the Company's future anticipated revenues. The mining industry has inherent business risks and there is no assurance that products can continue to be produced at economical rates or that produced reserves will be replaced. Fluctuations in currency and exchange rates and changes in production are daily risks in the mining industry.

FINANCIAL INVESTMENTS AND RISK MANAGEMENT

All financial instruments are initially recognized at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as fair value through profit or loss ("FVTPL"), held for- trading, loans and receivables, financial assets available-for-sale, financial assets held-to-maturity, and other financial liabilities.

Financial assets and financial liabilities classified as FVTPL are measured at fair value with changes in fair value recognized in net earnings or loss. Financial assets available-for-sale are measured at fair value, with changes in fair value recognized in other comprehensive income. Financial assets held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest method of amortization.

Cash and cash equivalents are designated as FVTPL and are measured at carrying value, which approximates fair value due to the short-term nature of these instruments. Accounts receivable are designated as loans and receivables. Accounts payable and accrued liabilities and due to related parties are designated as other financial liabilities.

The fair value of cash and cash equivalents, accounts receivable, accounts payable and amounts due to related party approximates the carrying value. The Company does not hold any other financial instruments. The main financial risks affecting the Company are discussed below:

Fair values
The Company's cash and cash equivalents and accounts receivable and current liabilities are approximated by their carrying values due to the short-term nature of the items.

Concentration risk
The majority of the Company's cash and cash equivalents are held by one major International bank. Deposits held with this bank may exceed the amount of insurance provided on such deposits. Generally these deposits may be redeemed upon demand and bear minimal risk.

Foreign currency rate risk
The functional and reporting currency of the Company is the United States dollar. The Company enters into transactions denominated in the Canadian Dollar, the United Kingdom Sterling, the United States dollar, and the local currency in Malawi (Kwacha). The Company raises its equity in the Canadian dollar and then purchases United Kingdom Sterling, United States dollar and Malawi Kwacha funds to settle liabilities, as required.

As at March 31, 2015 and 2014, the following cash balances were held by the Company:

As at March 31,	2015	2014
Canadian dollar	$ 2,834	$ 1,420,548
United States dollar	60,232	8,000
Malawi Kwacha	-	8,120
	$ 63,066	$ 1,436,668

A 5% reduction in the value of the Canadian dollar in comparison to the United States dollar will have a negligible effect on the Company's cash balance.

Credit risk
The Company has negligible accounts receivable.

Commodity price risk
The Company's operations and financial results may be affected by fluctuations in commodity prices and exchange rates.

Liquidity Risk

Liquidity risk includes the risk that, as a result of the Company's operational liquidity requirements:

- The Company will not have sufficient funds to settle a transaction on the due date;
- The Company will be forced to sell financial assets at a value which is less than what they are worth; or
- The Company may be unable to settle or recover a financial asset at all.

The Company's operating cash requirements, including amounts projected to complete the Company's existing capital expenditure program are continuously monitored and adjusted as input variables change. As these variables change, liquidity risks may necessitate the Company to conduct equity issues or obtain project debt financing.

Capital Risk

The Company's objective when managing capital is to maintain a flexible capital structure which will allow it to execute its capital expenditure program, which includes expenditures in mining activities which may or may not be successful. Therefore, the Company monitors the level of risk incurred in its capital expenditures to balance the proportion of debt and equity in its capital structure. The Company has no externally imposed capital requirements. The Company currently depends on equity financings to remain solvent. Cash from these financings may or may not be available depending on market or other conditions.

DIRECTORS AND OFFICERS AS AT MARCH 31, 2015

William Dawes, Director and Chief Executive Officer
Alexander Lemon, Director and President
Derek Linfield, Chairman of the Board of Directors
David Berg, Audit Committee Chairman, Director and Corporate Secretary
Adrian Reynolds, Director (Audit Committee)
Eugene Chen, Director (Audit Committee)
Sandra Beaulieu, Chief Financial Officer