

Form 51-102F1
Management Discussion and Analysis For
Neodym Technologies Inc.

For the Quarter Ended May 31, 2012

The following management discussion and analysis has been prepared as of July 30, 2012. The selected financial information set out below and certain comments which follow are based on and derived from the management prepared condensed consolidated financial statements of Neodym Technologies Inc. (the “Company” or “Neodym”) for the quarter ended May 31, 2012 and should be read in conjunction with them.

General

Neodym designs and manufactures gas detection products for OEMs, as well as generic detection equipment for industrial, commercial and domestic applications and offers simple, stand-alone gas detectors as well as advanced multi-sensor monitoring systems. Neodym’s equipment is DC-powered making it suitable for use in all countries of the world.

More information on the Company’s products may be obtained on Neodym’s website at NEOSAFE.COM.

Overall Performance

Sales for the quarter were \$43,846 with a gross profit of \$28,098 compared to sales of \$58,006 with gross profit of \$36,787 in the first quarter last year. The net loss for the past quarter was \$11,409 compared to a loss of \$7,089 in the first quarter last year. The reduced sales are attributable to the slow down in the overall economy.

On April 23, 2012 the Company announced the following:

- Subject to regulatory and other approvals, the Company intends to sell its current gas detection equipment business on terms to be agreed.
- Subject to shareholder approval the Company intends to consolidate its common shares on a one (new) for two (old) shares basis and a consequent change of name of the Company.
- The Company announced the appointment of Mr. Gunther Roehlig as a director of the Company.
- The Company announced a non-brokered private placement of up to 25,000,000 units at a price of \$0.06 per unit, each unit consisting of one post-consolidated share of the Company and one warrant to buy one additional post-consolidated share of the Company for \$0.10 for a period of one year from the closing of the placement. Proceeds of the private placement will be used to pay off existing debt and to provide the Company with working capital to enable it to move forward and find a new business. The private placement is subject to regulatory approval. Finder’s fees will be paid in accordance with the policies of the Exchange

The Company’s shareholder meeting is set for August 20 and closing of the above mentioned transactions are expected shortly thereafter.

Results of Operation

Sales for the quarter ended May 31, 2012 were \$43,846. This is a decrease compared of \$14,160 from the first quarter ended May 31, 2011. This decrease in sales is deemed by management to be attributable to continuing effects of the economic downturn.

Gross margin increased to 64.1% in the latest quarter compared to 63.4% a year ago. During the past year, the Company adjusted the prices of its products upwards in March 2011 by between 2% and 8% (depending on product type) to address the drop in value of the US dollar.

First Quarter Compared to Fourth Quarter

Comparing the first quarter ended May 31, 2012 to the fourth quarter ended February 29, 2012, sales increased from \$33,778 to \$43,846.

The administrative expenses were very similar to the prior quarter. The significant change was in the fourth quarter when there was a recovery of sales prepayment related to a forfeited deposit on an order that was cancelled in 2009.

Summary of Quarterly Results

The following table sets forth selected quarterly financial information for each of the last eight (8) quarters prepared in accordance with IFRS with the figures for each quarter in Canadian dollars.

Quarter Ending	Total Gross Sales	Net Loss (Gain)	Net Loss per Share
May 31, 2012	43,846	11,409	0.00
February 29, 2012	33,778	(25,272)	0.00
November 30, 2011	32,544	30,040	0.00
August 31, 2011	52,720	13,408	0.00
May 31, 2011	58,006	7,089	0.00
February 28, 2010	34,958	42,394	0.00
November 30, 2010	41,585	33,573	0.00
August 31, 2010	62,489	26,207	0.01

NOTE: There were no discontinued operations or extraordinary items on the Company's financial statements during the above-mentioned periods. The gain in the February 29, 2012 quarter relates to the recovery of sales prepayment.

Liquidity and Capital Resources

Working capital was (\$1,046,019) (working capital deficiency) as at May 31, 2012 compared to (\$1,034,358) as at February 29, 2012.

The working capital deficiency is manageable due to the fact that a significant portion of the payables are owing to companies controlled by directors of the Company. These accounts will be paid as the Company receives revenues from sales. Until such time, it is anticipated management will continue to fund the Company to ensure that its development and marketing activities will continue. The payables due to third parties are in the ordinary course of business and relate to manufacturing, supplies, inventory, etc. and are financed with cash from sales.

Capital Resources

The Company does not have any capital resource commitments.

Transactions with Related Parties

Related party 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. Amounts due to related parties are unsecured with no specific terms for repayment.

Pursuant to an employment services agreement, the Company was charged \$16,398 (2011: \$16,398) for management and product development services, provided by Stellar J Enterprises Corp., a private company controlled by a director. The same company also charged \$3,338 (2011: \$3,657) for assembly and manufacturing services, and \$750 (2011: \$750) for office rent. The Company was charged \$9,000 (2011: \$9,000) for marketing and product development services, by William McDonald, a director. These costs were allocated to cost of sales, deferred product development costs, research and developments costs, and marketing on the financial statements. The Company reimbursed business expenses as follows: Juraj Krajci - Director \$2,004, and Alica Krajci – Wife of Director \$807.

Related party payables of \$983,996 (February 29, 2012: \$987,259) are owed to directors or companies which have directors in common. They are non-interest bearing and have no fixed terms of repayment.

Critical Accounting Estimates

Revenue from the sale of products is recognized upon shipment, which is when: ownership is transferred, the fee is fixed and determinable, the collection of resulting receivables is probable and any uncertainties with regard to customer acceptance are insignificant. Revenue from the provision of engineering services is recognized upon project/service completion.

Intangible assets acquired separately - Patents are reported at cost less accumulated amortization and impairment losses. Patent costs represent amounts paid to third parties for the registration of patents. Amortization is charged on a straight line basis over a twenty year period. The estimated useful life and amortization method are reviewed each year end, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – Deferred Product Development Costs are recognized only if all of the following conditions are met: an asset is created that can be identified; it is probable that the asset created will generate future economic benefits; the development cost of the asset can be measured reliably; and the product from which the asset arises meets the IFRS criteria for technical and commercial feasibility. Internally-generated intangible assets are amortized on a straight-line basis over their useful lives. Costs meeting the capitalization criteria are recorded as Deferred Product Development Costs. Amortization is provided on a straight-line basis over the estimated three year commercial lives of the products. Where no internally generated intangible asset can be recognized, development expenditure is recognized as an expense in the period in which it is incurred. Capitalized expenses include the cost of material, direct labor, direct overhead and outsourcing costs

Changes in Accounting Policies

The Company's financial statements for the year-ending February 29, 2012 are the first annual financial statements that will be prepared in accordance with IFRS. IFRS 1, First Time Adoption of International Financial Reporting Standards, requires that comparative financial information be provided. As a result, the first date at which the Company has applied IFRS was March 1, 2010 (the "Transition Date"). IFRS 1 requires first-time adopters to retrospectively apply all effective IFRS standards as of the reporting date, which for the Company is February 29, 2012.

a) First-time adoption of IFRS – exemptions applied

IFRS 1, which governs the first-time adoption of IFRS, generally required accounting policies to be applied retrospectively to determine the opening statement of financial position on the Company's transition date. However, IFRS 1 also dictates certain mandatory exemptions and allows certain optional exemptions from full retrospective application on the transition to IFRS.

Share based payments

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

Financial instruments

In preparing its transition date financial statements the Company has elected to apply an exemption to designate its investments classified as held-for-trading under the previous GAAP to fair value through profit or loss under IFRS.

Business combinations

The Company elected under IFRS 1 to not to apply IFRS 3, Business Combinations retrospectively to any business combinations that may have occurred prior to its Transition Date and such business combinations have not been restated.

b) Reconciling items

In preparing the Company's IFRS Transition Date statements management noted that adjustments related to accumulated other comprehensive income were necessary to be made by the Company in its financial statements prepared in accordance with previous Canadian GAAP.

Other comprehensive income: Under previous Canadian GAAP, the unrealized foreign exchange gains and losses were recognized as other comprehensive income and the balance was reported on the balance sheet as accumulated other comprehensive income until realized. Under IFRS, foreign exchange gains and losses resulting from dealing with currency other than the Company's functional currency are reported on the income statement.

The IFRS transition adjustment noted above did not have a material impact on the cash flows statements.

Future Accounting Pronouncements

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

IFRS 9, “Financial Instruments”:

As of January 1, 2013, the Company will be required to adopt IFRS 9, “Financial Instruments”, which is the result of the first phase of the IASB’s project to replace IAS 39, “Financial Instruments: Recognition and Measurement”. The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value. The adoption of this standard should not have a material impact on the Company's Consolidated Financial Statements.

IFRS 10, “Consolidated Financial Statements”:

IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity’s returns. IFRS 10 is effective for annual period beginning on or after January 1, 2013. Earlier adoption is permitted.

IFRS 11, “Joint Arrangements”:

IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the later case account for the arrangement using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

Financial Instruments and Other Instruments

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

The Company’s activities that result in exposure to fluctuations in foreign currency exchange rates consist of the sale of products to customers invoiced in foreign currencies and the purchase of services, materials, and property and equipment from suppliers invoiced in foreign currencies. The Company does not use derivative instruments to hedge its currency risk. A sizable percentage of the Company’s accounts receivable are denominated in U.S. dollars.

Outstanding Share Data

The authorized share capital consists of an unlimited number of common shares. As of May 31, 2012 and the date hereof, an aggregate of 12,151,920 common shares were issued and outstanding.

The Company had no warrants outstanding as of May 31, 2012 and the date hereof.

The Company did not have any options outstanding as of May 31, 2012 and the date hereof.

2,000,000 common shares are restricted and can be released on the basis of cumulative cash flow with one share released for each \$0.087 per share of cumulative cash flow generated.

Investor Relations

Directors and officers of the Company all participate in a limited investor relations program. The Company has no arrangements for external promotional activities.

Forward-Looking Statements

Statements throughout this MD&A that are not historical facts may be considered “forward-looking statements.” Some of the statements contained herein including, without limitation, financial and business prospects and financial outlooks may be forward-looking statements which reflect management’s expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as “may”, “will”, “should”, “could”, “anticipate”, “believe”, “expect”, “intend”, “plan”, “potential”, “continue” and similar expressions have been used to identify these forward-looking statements. These statements reflect management’s current beliefs and are based on information currently available to management.

Readers are cautioned not to place undue reliance on these forward-looking statements as the Company’s actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company’s business, or if the Company’s estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize.

In particular, this MD&A contain forward-looking statements pertaining to the following:

- (i) future sales and revenue projections;
- (ii) future markets for the Company’s products for revenue generation; and
- (iii) identification of direct input costs.

In making these forward-looking statements the Company has relied on management’s ability to identify new markets and expand upon existing ones.

Disclosure Controls and Procedures

Disclosure controls and procedures (“DC&P”) are intended to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized and reported within the time periods specified by securities regulations and that information required to be disclosed is accumulated and communicated to management. Internal controls over financial reporting (“ICFR”) are intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purpose in accordance with Canadian generally accepted accounting principles.

Publicly listed companies are not required to provide representations in the annual filings relating to the establishment and maintenance of DC&P and ICFR, as defined in Multinational Instrument 52-109. In particular, the CEO and CFO certifying officers do not make any representations relating to the establishment and maintenance of (a) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation, and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in their certificates regarding the absence of misrepresentations and fair disclosure of financial information. Investors should be aware that inherent limitation on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in Multinational Instrument 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Additional information relating to the Company can be found on SEDAR at www.sedar.com and also on the Company's website at www.neosafe.com.