YALE RESOURCES LTD

FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS

QUARTER ENDED JANUARY 31, 2013

Date Submitted: MARCH 28, 2013

Introduction

The following discussion and analysis, prepared as of March 26, 2013 is prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's consolidated financial statements for the quarter ended January 31, 2013..

Additional information related to the Company is available for view on SEDAR at www.sedar.com.

All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise.

Adoption of International Financial Reporting Standards

The Company prepares its financial statements in accordance with generally accepted accounting principles as defined in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") and to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. Accordingly, the consolidated interim financial statements have been prepared in accordance with IFRS and interpretations of the International Financial Reporting Interpretations Committee.

Forward Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "designed", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", and similar expressions. These statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward looking statements. Based on current available information, the Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that those expectations will prove to be correct. The forward-looking statements in this MD&A are expressly qualified by this statement, and readers are advised not to place undue reliance on the forward-looking statements.

Description of Business

The Company's principal business activity is the acquisition and exploration of mineral properties for commercial mineral deposits and it is considered to be at the exploration stage. The Company utilizes the project generator business model to maximize its exposure to discovery while minimizing shareholder risk. As a project generator the Company acquires properties with high potential and options a percentage interest in them to other public companies for a combination of cash, shares and exploration commitments over a number of years. If the other company fulfils the terms of the option then that percentage ownership is transferred. Yale currently has six projects in its portfolio of which three are optioned out.

The Company has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties in the consolidated financial statements are dependent on the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to discover and complete the development of those reserves and upon future profitable production. The Company trades on the TSX Venture Exchange under the symbol YLL, the Frankfurt Stock Exchange under the symbol YAB, and over the counter in the United States under the symbol YRLLF.

Performance Summary

During the quarter ended January 31, 2013, the Company incurred $22,947 (2012 - $14,879) in mineral property acquisition costs, mineral property acquisition cost recoveries of $20,000 (2012 - $52,641), and net exploration expenditures of $44,786 (2012 - $7,408) after recoveries of $70,970 (2011 - $147,043).

As at October 31, 2012, the Company had a working capital deficiency of $61,690 (2011 - $124,856 working capital). This is not sufficient to fund the Company's operating expenses and exploration activities in the short term, and additional funds will need to be raised through equity markets to provide additional financing for operating expenses and exploration activities.

Exploration Activities

The Company has six projects in its portfolio: Urique, Carol, La Verde, Dos Naciones, Orofino, and Apache. The Urique, Dos Naciones, and Orofino properties are currently optioned out. The Los Amoles property was sold in March of 2013. A previously owned project, Guadalupe, was sold in the 3rd quarter of 2012.

APACHE PROPERTY

The Apache Property was acquired in December 2010 and is owned 100% by Yale. The property is not optioned.

No work was performed on the Apache Property during the quarter.

LOS AMOLES PROPERTY

The Los Amoles Property was acquired in April 2010 and was owned 100 % by Yale. The property was optioned to Sonora Resources Corp. who had the option to earn a 70% interest in the property by paying Yale US $50,000, spend US $900,000 on exploration expenditures and issue 1,000,000 shares to Yale over three years.

There was no fieldwork performed on the property during the quarter.

On February 20, 2013, the Company reported that it has signed a formal Agreement with Sonora Resources Corp. to sell a 100% interest in Yale's wholly owned Los Amoles Property located in Sonora State, Mexico, for US$ 200,000 and 1,000,000 shares in Sonora Resources. Yale has received US$30,000 upon signing of the agreement and will receive the remaining US$170,000 and the shares upon presentation of transfer documentation.

Yale had previously received US$ 50,000 and 800,000 shares from Sonora, in addition to expenditures of approximately US$230,000 on exploration by Sonora.

On March 26, 2013, the Company reported that with a payment of US$170,000 and the issuance of 1,000,000 shares that it has received full payment from Sonora Resources Corp. for the sale of a 100% interest in the Los Amoles Property located in Sonora State, Mexico.

As announced on February 20, 2013 Yale agreed to convert an option for Sonora Resources to earn a 70 % interest in the Los Amoles property to the sale of a 100% interest in the property for US$200,000 and 1,000,000 shares in Sonora and had received a down payment of US$30,000. Previous to the sale of Los Amoles, Yale had received US$ 50,000 and 800,000 shares from Sonora, in addition to expenditures of approximately US$230,000 on exploration in the property by Sonora.

Formal documents have been filed with the Mining Registry in Mexico and the claims Los Amoles 2 and Los Amoles 3, fracc. 1 have now been transferred to Sonora Resources' Mexican subsidiary.

CAROL PROPERTY

The Carol Property was optioned in October 2007 and acquired in March 2008. It is wholly owned by Yale. The property is currently available for option.

There was no fieldwork performed on the property during the quarter.

OROFINO PROJECT

The Orofino property was optioned in July 2009 and a majority of the project was acquired in May 2011. A portion of the property remains under option.

The Orofino Project is optioned to Overlord Capital Ltd. who have an option to acquire a 70% interest in the property. Overlord will be required to pay Yale $100,000, issue to Yale 1,300,000 shares in Overlord, and incur a total of $2,100,000 in exploration expenditures on the Property over a four year period.

Overlord paid Yale $50,000 and issued 50,000 common shares upon receipt of TSX Venture Exchange approval. Subsequent share issuances of 500,000, 150,000, 350,000 and 250,000 shares on the first, second, third, and fourth year anniversaries will also be due in order to keep the Option Agreement in good standing. The first year's requirement will be $200,000 in exploration expenditures followed by a further $400,000 in the following year, $750,000 in the third year and $750,000 in the final year of the Option Agreement. Yale will be the initial operator and will manage exploration on the property.

There was no fieldwork performed on the property during the quarter.

DOS NACIONES PROPERTY

The Dos Naciones Property was acquired in October 2008 by staking and is owned 100% by Yale. Del Toro Silver Corp. has an option to earn a 70% interest in the property by undertaking a total of $800,000 in exploration expenditures and issuing to Yale 650,000 shares.

There was no fieldwork performed on the property during the quarter.

URIQUE PROPERTY

The Urique Property was originally optioned by Yale in August 2006 and acquired in March 2009. The property is 100% owned by Yale. In March 2009, the Company optioned the property to American Sierra Gold Corp. however that option was terminated in October 2010.

Mammoth Capital Corp., has an option to earn up to a 100% interest in the property. Mammoth can earn an initial 70% interest in the property by paying Yale $50,000 (received), issuing to Yale 1,300,000 shares, and incurring a total of $3,000,000 in exploration expenditures. In order to earn the remaining 30% interest in the Property, Mammoth must issue an additional 500,000 common shares to Yale and must have completed a resource estimate on the Property delineating at least 300,000 equivalent ounces of gold in the measured and indicated categories within an additional three years. Upon completion of the resource estimation Mammoth would then be required to issue an additional share for each equivalent ounce of gold within the measured and indicated categories, subject to a minimum of 300,000 shares and a maximum of 2,000,000 shares.

Pursuant to an agreement dated February 20, 2012, Mammoth Resources Corp. and Yale Resources Ltd. have agreed to amend and restate the terms of the Urique option agreement to reflect the terms of the amending agreement dated October 7, 2011, and further amendments agreed to by the parties.

Pursuant to the amended and restated option agreement, the parties have agreed to the following further amendments:

- Yale has agreed that it may contribute a total of $125,000 (Canadian) toward taxes owing or forfeit a portion of the shares to be issued on concessions comprising the Urique property during the term of the amended and restated option agreement.
- The scheduled issuance of common shares by Mammoth to Yale, deadlines for incurring expenditures and exercising the options granted under the terms of the original Urique option agreement have been changed to align with tax payment deadlines, and certain share issuances have been made conditional upon receipt of such contributions from Yale.
- The first year's expenditures of $300,000 has been combined with the second year's expenditures such that Mammoth must now incur a total of $800,000 in expenditures prior to the second anniversary.

All other material terms of the original Urique option agreement, as amended by the amending agreement, remain unchanged.

There was no fieldwork performed on the property during the quarter.

LA VERDE PROPERTY

The La Verde Property was originally optioned by Yale in June 2007. The project was expanded in 2007 and 2008. The Company owns 100% in a majority of the property, however has not completed the original option on the core La Verde Grande concessions. This agreement has now been dropped and there is no ongoing commitment to the underlying owner.

There was no fieldwork performed on the property during the quarter.

Corporate Events

Moving forward in 2013, the Company anticipates optionee-funded work programs on at least two projects with Yale as the current operator on each of those projects. In addition, the Company will continue to review opportunities to add to its portfolio of projects as well as seek additional optionees for its 3 un-optioned properties.

Results of Operations

The Company currently does not have an operating or producing mineral property. The Company has no earnings from mineral properties and therefore will finance its future exploration activities by the sale of common shares or units. Certain of the key risk factors of the Company’s operating results are the following: the state of capital markets, which affects the ability of the Company to finance its exploration activities; the write-down and abandonment of mineral property interests as exploration results provide further information relating to the underlying value of such properties; and market prices for natural resources as well as the non-viability of its projects.

The Company’s accounting policy as it relates to its acquisition of its mineral property interests is to capitalize all acquisition costs and recognized all other exploration expenditures in the consolidated statement of operations and comprehensive loss in the period in which they are incurred. Once the properties to which acquisition costs relate are placed into production, sold or abandoned or impaired, the capitalized costs are either depleted using the unit-of-production method over the estimated life of the ore-body, following the commencement of production, or written off at the time the property is sold or abandoned. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the mineral property until the payments are in excess of acquisition costs, at which time they are then credited to operations

The Company is not a party to any material legal proceedings and is not in default under any material debt or other contractual obligations other than as disclosed in the consolidated financial statements. No significant revenue generating contracts or cash commitments were entered into or undertaken by the Company during the period other than as set out herein or in the consolidated financial statements of the Company.

Selected Annual Information

The Company's audited consolidated financial statements for the year ended October 31, 2011 (the "Annual Financial Statements") were prepared in accordance with Canadian GAAP ("CGAAP") and subsequently restated in accordance with IFRS. The following selected financial information is taken from the Annual Consolidated Financial Statements and should be read in conjunction with those statements.

	Oct. 31, 2012 (IFRS) $	**Oct. 31, 2011 (IFRS) $**	**Oct. 31, 2010 (Canadian GAAP) $**
Total revenue	Nil	Nil	Nil
Loss for the year	(614,324)	(1,689,071)	(452,523)
Basic and diluted loss per share	(0.01)	(0.02)	(0.01)
Total assets	1,327,773	1,680,255	3,599,199
Total long-term financial liabilities	Nil	Nil	Nil

Summary of Quarterly Results
The table below sets out the quarterly results of the Company for the 8 most recent quarters.

	Jan. 31 2013 (IFRS)	Oct 31 2012 (IFRS)	July 31 2012 (IFRS)	Apr 30 2012 (IFRS)	Jan. 31 2012 (IFRS)	Oct 31 2011 (IFRS)	Jul 31 2011 (IFRS)	Apr 30, 2011 (IFRS)
Revenue	$0	$0	$0	$0	$0	$0	$0	$0
Loss for the period	$115,360	$397,713	$43,969	$121,129	$51,513	$1,206,396	$106,201	$187,940
Basic and diluted loss per share	$0.001	$0.005	$0.001	$0.001	$0.001	$0.015	$0.001	$0.002

Significant variances in the Company's operational results for the quarter ended January 31, 2013, were as follows:

i) Exploration costs, net of recoveries, increased by $37,378 to $44,786 from $7,408 in 2012 due primarily to cost recoveries on the Urique, Dos Naciones, Oro Fino, Los Amoles, and Guadalupe properties in 2012.

ii) Investor relations and promotion decreased by $6,443 to $1,205 from $7,648 in 2012 due to decreasing activity in this area during the current year to date.

iii) Exploration advances recovered increased to $21,405 from $nil in 2012 due to the recovery of the balance of advances on the Guadalupe property.

iv) Other income decreased by $22,429 to $316 from $22,745 in 2012 due to consulting work done in 2012.

Significant variances in the Company's financial position for the quarter ended January 31, 2013, were as follows:

i) Cash decreased by $6,997 to $9,919 from $16,916 due to ongoing exploration and overhead expenses.

ii) Mineral property interests increased by $2,947 to $1,054,603 from $1,051,656 due to cost recoveries approximating option payments made during the quarter.

iii) Accounts payable and accrued liabilities increased by $55,090 to $272,153 from $217,063 due management and consultants agreeing to delayed payment for their services.

Related Party Transactions

(a) Management transactions

Management transactions with related parties during the quarter ended January 31, 2013 and 2012 were as follows:

	January 31, 2013			January 31, 2012		
	Short-term employee benefits	**Other benefits**	**Total**	**Short-term employee benefits**	**Share-based payments**	**Total**
Ian Foreman; President	$ 24,000	$ -	$ 24,000	$ 24,000	$ -	$ 24,000
Ezra Jimenez; CFO	$ 21,000	$ -	$ 21,000	$ 21,000	$ -	$ 21,000
Timeline Filing Services Ltd.[(i)]	$ 6,000	$ -	$ 6,000	$ 6,000	$ -	$ 6,000

i) Timeline Filing Services Ltd.; a private enterprise controlled by the Company's Corporate Secretary; Laara Shaffer.

(b) Directors' transactions

During the quarter ended January 31, 2013, share based compensation for directors, was $nil (2012-Nil).

Liquidity and Capital Resources

As at January 31, 2013 the Company had working capital deficiency of $123,094, as compared to working capital deficit of $61,690 as at October 31, 2012. The Company will require continued financing or outside participation, to undertake additional exploration and subsequent development of its mineral properties.

As at January 31, 2013, the Company had cash of $9,919 ($16,916 at October 31, 2012).

Significant variances in the Company's cash flows for the three months ended January 31, 2013 compared to the three months ended January 31, 2012, were as follows:

i. Cash used in operating activities increased by $12,608 to $39,388 from $26,780 in 2012 due primarily to receipts from consulting fees provided by the Company in 2012 and increased net exploration costs in 2013.

ii. Cash provided by investing activities increased by $53,575 to $32,391 from cash used of $21,184 in 2012 due primarily to the sale of certain marketable securities and lower mineral property acquisition costs net of recoveries in 2013.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral property interests, and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Company's capital consists of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares or debt or acquire or dispose of assets.

To effectively manage its resources and minimize risk, the Company maintains the majority of its capital at the parent company level and funds activities in its operating subsidiaries through a cash call process. The Company prepares annual expenditure budgets that are updated as necessary depending on factors including success of programs and general industry conditions. The budget and any revisions to it are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest any excess cash in liquid short-term interest-bearing instruments callable at any time.

There have been no changes to the Company's approach to capital management during the quarter ended January 31, 2013.

Financial Instruments and Risk Management

The Company's financial assets and liabilities were categorized as follows:

		January 31, 2013		October 31, 2012
Financial assets:				
Fair value through profit and loss				
Cash and cash equivalents	**$**	**9,919**	$	16,916
Loans and receivables				
Amounts receivable*		**5,778**		13,669
Available for sale				
Marketable securities		**120,381**		117,130
Investment in oil and gas interest		**33,611**		33,611
Total financial assets	**$**	**169,689**	$	181,326
Financial liabilities:				
Other financial liabilities				
Accounts payable and accrued liabilities	**$**	**272,153**	$	217,063
Total financial liabilities	**$**	**272,153**	$	217,063

*Excluding sales tax receivable

The fair values of the Company's amounts receivables, accounts payable and accrued liabilities and exploration advances approximate their carrying values due to the short-term nature of these instruments. Where marketable securities are publically traded their value is measured at market value, unless they are

restricted from trading, where they will be measured at cost. The Company's Investment in oil and gas interest is valued at cost, as it does not have a quoted market price in an active market and the fair value cannot be reliably determined.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk.

(a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk with respect to its cash and cash equivalents and amounts receivable.

The Company deposits substantially all of its cash at a Canadian chartered bank.. The Company's amounts receivable consist primarily of Harmonized Sales Tax receivable from the Canadian government and Value Added Tax receivable from the Mexican government. Management considers the risk of non-performance related to cash and cash equivalents and amounts receivable to be minimal.

(b) Liquidity Risk

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

At January 31, 2013 the Company had cash in the amount of $9,919 (October 31, 2012 - $16,916) and accounts payable and accrued liabilities of $272,153 (October 31, 2012 - $217,063). Trade payables are due within twelve months of the financial position date.

The Company ensures, as far as reasonably possible, that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash.

(c) Market Risk

Market risk consists of interest rate risk, foreign currency risk, and other price risk. These are discussed below:

Interest rate risk

Interest rate risk consists of two components:

i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate cash flow risk because of their short-term nature and maturity.

The Company is exposed from time to time to interest rate price risk as a result of holding fixed rate cash equivalent investments of varying maturities. The risk that the Company will realize a loss as a result of a decline in the fair value of these investments is limited as these investments are highly liquid securities with short-term maturities.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities are denominated in foreign currency.

The Company is exposed to foreign currency risk with respect to cash and cash equivalents, amounts receivable and accounts payable and accrued liabilities, as a portion of these amounts are denominated in Mexican Pesos ("MXN") and US Dollars ("USD") as follows:

	January 31, 2013		October 31, 2012	
	MXN	**USD**	MXN	USD
Cash	**$ 18,866**	**$ 802**	$ 41,124	$ 1,742
Amounts receivable	**577,475**	**-**	570,027	-
Accounts payable and accrued liabilities	**(894,352)**	**-**	(730,291)	-
Rate to convert $1 CAD	**0.08**	**1.001**	0.076	0.987

Based on the Company's net exposure, a 2% change (October 31, 2012 – 2%) in the Canadian/Mexican Peso exchange rate, and a 1% change (October 31, 2012 – 1%) in the Canadian/US exchange rate (based on prior year fluctuations in the relative exchange rates) would impact the Company's earnings by approximately $475 (October 31, 2012 –$500). As this sensitivity analysis does not take into account any variables other than foreign currency rate fluctuations, the above information may not fully reflect the fair value of the assets and liabilities involved.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Company is exposed to other price risk related to the fluctuation in the market price of its marketable securities. Although considered available for sale, these investments do not represent core assets of the Company nor are they considered material. However, the Company closely monitors the market values of these investments in order to determine the most appropriate course of action.

(c) Classification of Financial Instruments

IFRS 7 'Financial Instruments: Disclosure' establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

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 (i.e., as prices) or indirectly (i.e., derived from prices); and

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

The Company's cash and cash equivalents and marketable securities are classified at level one of the fair value hierarchy. The Company had no level 2 or 3 financial assets at January 31, 2013 or October 31, 2012. As the carrying values of the Company's remaining financial instruments approximate their fair values, disclosure is not made of their level in the fair value hierarchy.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements

Proposed Transactions

Subsequent to January 31, 2013, the Company has signed a formal agreement with Sonora Resources Corp. to sell their 100% interest in the Los Amoles Property located in Sonora State, Mexico, for US$ 200,000 (received) and 1,000,000 shares in Sonora Resources (received).

Risks

All of the properties in which the Company has an interest are in the exploration stage only and the business of the Company is subject to the following risks:

Exploration and Mining Risks

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, the Company has not discovered a metals or diamond deposit of commercial grade on any of its properties. Unusual or unexpected formations, formation pressures, fires, power outages, labor disruptions, flooding, cave-ins, landslides and the inability of the Company to obtain suitable machinery, equipment or labor are all risks involved in the operation of mines and the conduct of exploration programs. Substantial expenditures are required in order to establish ore reserves through drilling and staged bulk sampling, to develop optimum metallurgical processes to extract the metals or diamonds from the ore and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial mining operations or that funds required for development can be obtained on a timely basis. The economics of developing mining properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in the prices of ore which can be obtained on the metal markets, costs of processing equipment and such other factors as aboriginal land claims and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. There is no certainty that the expenditures to be made by the Company in the exploration and development of the interests described herein will result in discoveries of commercial quantities of ore.

Political Risks

The management and directors of Yale feel that Mexico is a politically stable area of the world that still has significant potential for discoveries.

Mexico is located immediately south of the United States of America and is 1,972,550 square kilometres in size (approximately twice the size of British Columbia). Elections held in July 2000 marked the first time since the 1910 Mexican Revolution that the opposition defeated the party in government, the Institutional Revolutionary Party (PRI). Vicente Fox of the National Action Party (PAN) was sworn in on 1 December 2000 as the first chief executive elected in free and fair elections. Recently Felipe Calderon was sworn in as the new president of Mexico and will be in power for the coming 6 years. Mexico has a free market economy that recently entered the trillion-dollar class. It contains a mixture of modern and outmoded industry and agriculture, increasingly dominated by the private sector. Recent administrations have expanded competition in seaports, railroads, telecommunications, electricity generation, natural gas distribution, and airports. Per capita income is one-fourth that of the US; income distribution remains highly unequal. Trade with the US and Canada has tripled since the implementation of NAFTA in 1994. Mexico has 12 free trade agreements with over 40 countries including, Guatemala, Honduras, El Salvador, the European Free Trade Area, and Japan, putting more than 90% of trade under free trade agreements.

Market Risks

The marketability of metals or diamonds recovered from deposits, which may be acquired or discovered by the Company, will be affected by numerous factors many of which are beyond the control of the Company.

These factors include market fluctuations in the price of metals or diamonds, the capacity of the market, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of metals or minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but any one or a combination of these factors could result in the Company not receiving an adequate return for shareholders.

Uninsurable Risks

Mining operations generally involve a high degree of risk. Hazards such as unusual or unexpected formations, rock bursts, cave-ins, fires, flooding, or other conditions may occur from time to time. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the Company's financial position.

No Assurance of Title or Boundaries, or of Access

While the Company has registered its mining claims with the appropriate mining authorities and has filed all pertinent information to industry standards, this should not be construed as a guarantee of title. In addition, the Company's properties consist of recorded mineral claims, none of which have been legally surveyed, and therefore, the precise boundaries and locations of such claims may be in doubt and may be challenged. The Company's properties may also be subject to prior unregistered agreements or transfers or native land claims and the Company title may be affected by these and other undetected defects.

Government Regulation

The Company's operations are subject to government legislation, policies and controls relating to prospecting, land use, trade, environmental protection, taxation, rates of exchange, return of capital and labor relations.

Although the Company's exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the Company's operations. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent enforcement of such laws and regulations could have a substantial adverse impact on the financial results of the Company.

Environmental Regulation

The Company's operations may be subject to environmental regulations enacted by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition on the Company of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that has lead to stricter standards and enforcement and greater fines and penalties for non-compliance. The cost of compliance with government regulations may reduce the profitability of the Company's operations.

Competition

The exploration and mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition and exploration of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified management and employees.

Management

The success of the Company depends to a large extent on its ability to retain the services of its senior management and members of its board of directors. The loss of their services may have a material adverse effect on the Company.

The Company has no compensatory plans or arrangements in effect with any of its senior officers or members of its board of directors with respect to the resignation, retirement, or other termination of their services, or with respect to a change in their responsibilities following a change in the control of the Company.

Financing Risks

The Company has no source of operating cash flow, limited financial resources, and has no assurance that additional financing will be available to it for further exploration and development of its properties or to enable it to fulfill its obligations under any applicable agreements. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's properties and the possible loss of title to such properties. If such additional financing is raised, it will likely be through the issuance of additional equity securities of the Company, which may have a substantial dilutive effect on shareholders acquiring securities of the Company.

Permits and Licenses

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations on the Company's properties.

Risks Related to Nature of Ownership of Common Shares

Dilution

Shareholders may suffer immediate and/or future dilution with respect to future private and or public offerings of common shares currently being contemplated in order to secure needed capital to facilitate Company growth.

Market Volatility

The trading price of the common shares may be subject to wide fluctuations in response due to variations in operating results, and other events and factors. In addition, the stock market may experience price and volume fluctuations, which may adversely affect the market price of the common shares of the Company

Critical Accounting Estimates

The preparation of the condensed consolidated interim financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. The preparation of the condensed consolidated interim financial statements also requires management to exercise judgment in the process of applying the accounting policies.

Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key

estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

Impairment of assets
When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. No impairments of non-financial assets have been recorded for the three months ended January 31, 2013 (three months ended January 31, 2012 – $nil).

Useful life of property, plant and equipment
Property, plant and equipment is depreciated over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of depreciation recorded during the year and the carrying value of property, plant and equipment. Total carrying value of property, plant and equipment at January 31, 2013 was $27,377 (October 31, 2012 - $27,116).

Share-based compensation
Management is required to make certain estimates when determining the fair value of share option awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's condensed consolidated interim statement of operations and comprehensive loss. For the three months ended January 31, 2013 the Company recognized share-based compensation of $nil (January 31, 2012 - $nil).

Critical judgements used in applying accounting policies
In the preparation of these condensed consolidated interim financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the condensed consolidated interim financial statements.

Mineral properties interests
Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its mineral property interests. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from mineral properties to property, plant and equipment, and subject to different accounting treatment. As at January 31, 2013 and October 31, 2012, management had determined that no reclassification of mineral property interests was required.

Income taxes
The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the condensed consolidated interim financial statements.

New accounting standards and interpretations

The IASB has issued a number of new and revised standards and interpretations which are not yet effective for the relevant reporting periods.

IFRS 9 Financial Instruments
In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 as a first phase in its ongoing project to replace IAS 39*: Recognition and Measurement*. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities. Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's consolidated financial statements.

IFRS 10 Consolidated Financial Statements
In May 2011, the IASB issued IFRS 10, which is to be applied retrospectively, and is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 10 replaces Standing Interpretations Committee ("SIC") 12 *Consolidation – Special Purpose Entities* and IAS 27 *Consolidated and Separate Financial Statements*. IFRS 10 eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The standard provides guidance on how to apply the control principles in a number of situations, including agency relationships and holding potential voting rights. Management has not yet determined the potential impact that the adoption of IFRS 10 will have on the Company's consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities
In May 2011, the IASB issued IFRS 12, which is to be applied retrospectively, and is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 12 outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements. Management has not yet determined the potential impact that the adoption of IFRS 12 will have on the Company's consolidated financial statements.

IFRS 13 Fair Value Measurement
In May 2011, the IASB issued IFRS 13, which is to be applied prospectively, and is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 13 defines fair value, provides a framework for measuring fair value and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement. Management has not yet determined the potential impact that the adoption of IFRS 13 will have on the Company's consolidated financial statements.

Other
In June 2011, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* to revise the way in which other comprehensive income is presented. The Company does not believe the changes resulting from the
amended standard will have an impact on its consolidated financial statements. The amended standard is effective for annual periods beginning on or after July 1, 2012.

In June 2011, the IASB issued amendments to IAS 19 *Employee Benefits* with revised requirements for pensions and other post-retirement benefits, termination benefits and other changes. The Company does not believe the changes resulting from these amendments are relevant to its consolidated financial statements. The amended standard is effective for annual periods beginning on or after January 1, 2013.

In June 2011, the IASB issued amendments to IFRS 7 *Financial Instruments: Disclosures*. The Company does not believe the changes resulting from these amendments are relevant to its consolidated financial statements. The amended standard is effective for annual periods beginning on or after July 1, 2011.

In May 2011, the IASB issued IFRS 11 *Joint Arrangements*, in addition to IFRS 10 and IFRS 12 discussed above. The Company does not believe the changes resulting from this new standard are relevant to its consolidated financial statements. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

In October 2011, the IASB issued IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*. The Company does not believe the changes resulting from this new standard are relevant to its consolidated financial statements. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013.

FIRST-TIME ADOPTION OF IFRS

The guidance for the first time adoption of IFRS is set out in IFRS 1. Under IFRS 1 changes in accounting policies resulting from the adoption of IFRS are applied retrospectively at the transition date with all adjustments taken to retained earnings unless certain optional and mandatory exemptions are applied. The Company has applied the following optional exemptions to its opening consolidated statement of financial position dated November 1, 2010 (the "transition date"):

Business combinations
IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and will apply IFRS 3 to business combinations that occur on or after November 1, 2010.

Share-based payments
IFRS 1 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 date of transition to IFRS. The Company has elected not to apply IFRS 2 to awards that vested prior to November 1, 2010.

Borrowing costs
IFRS 1 allows first-time adopters to apply IAS 23 *Borrowing Costs* prospectively from the date of transition to IFRS. The Company has elected to apply IAS 23 prospectively from November 1, 2010. IAS 23 requires the capitalization of borrowing costs directly attributable to the acquisition, production or construction of certain assets.

Deemed cost
IFRS 1 allows first-time adopters to elect to measure oil and gas interests at the date of transition to IFRS at the amount as determined under the adopter's previous GAAP. The Company has therefore elected to measure its oil and gas interest at the amount as determined under Canadian GAAP at November 1, 2010.

The Company has applied the following mandatory exemption:

Estimates
In accordance with IFRS 1, an entity's estimates under IFRS for the comparative periods must be consistent with estimates made for the same date under previous Canadian GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates for the comparative periods are consistent with its Canadian GAAP estimates for the same date.

Changes in accounting policies

The Company has changed certain accounting policies to be consistent with IFRS. The changes to accounting policies as required by IFRS have not resulted in any significant changes to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its consolidated financial statements.

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

Impairment of (non-financial) assets
IFRS requires a write-down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Canadian GAAP required a write-down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

IFRS also requires the reversal of any previous impairment losses, with the exception of goodwill, where circumstances have changed such that the level of impairment in the value of the assets has been reduced. Canadian GAAP prohibits the reversal of impairment losses.

The Company has changed its accounting policies related to impairment of assets to be consistent with the requirements under IFRS. The changes in accounting policies related to impairment did not have an impact on the consolidated financial statements.

Share-based payments
In certain circumstances, IFRS requires a different measurement of share-based compensation than Canadian GAAP. In particular, IFRS requires that each tranche (that vests separately) must be treated as a separate grant and that an estimate of forfeitures be included in the determination of the expense associated with share option grants.

Due to the terms of the Company's share options, these changes in accounting policy did not have an impact on the consolidated financial statements.

Functional currency
IFRS requires that the functional currency of each company within the consolidated group be assessed individually, while under Canadian GAAP the functional currency of an integrated operation was the same as the reporting company. Under IFRS, where a company's functional currency differs from the presentation currency of the consolidated financial statements, all foreign exchange gains and losses arising on translation to the presentation currency are recognized in the consolidated statement of operations and comprehensive loss as other comprehensive income.

As the functional currency of the Company and its subsidiary has been assessed as the Canadian dollar, this change in policy has no impact on the Company's consolidated financial statements.

Mineral property assets
IFRS allows a company to develop an accounting policy for the recognition of exploration and evaluation assets, including mineral properties.

The Company has elected to change its accounting policy for mineral property interests, whereby only acquisition costs are capitalized and all other exploration expenditures are recognized in the consolidated statement of operations and comprehensive loss in the year in which it is incurred. This change in policy had a significant impact on the consolidated financial statements.

Investment in oil and gas interest
IFRS requires that an investor in a joint venture that does not have joint control shall account for that investment as a financial instrument, while under Canadian GAAP the Company followed the full cost method of accounting for oil and gas interests. The change in accounting policy did not have a significant impact on the consolidated financial statements.

Management's Report on Internal Controls Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards.

Because of its inherent limitations, internal control over financial reporting may not detect misstatements. Therefore, even those systems determined to be effective can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Disclosure Controls and Procedures

The Company's management is responsible for establishing and maintaining disclosure controls and procedures to provide reasonable assurance that material information related to the Company, including its consolidated subsidiaries, is made known to senior management. Senior management has evaluated the Company's disclosure controls and procedures and have concluded that they are effective as of January 31, 2013.

Disclosure of Outstanding Share Data

As at March 26, 2013, the Company had the following common shares, stock options and warrants outstanding:

Common shares	81,039,156
Stock options (vested and unvested)	2,800,000
Warrants	Nil
Fully diluted shares outstanding	83, 839,156

The Company's ongoing exploration is dependent on raising additional capital to develop its properties and the Company is continually assessing overall market conditions to ensure this need is fulfilled to the benefit of the Company and its shareholders.