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VIKING GOLD EXPLORATION INC.
(A Development Stage Enterprise)
FORM 51-102F1: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2013

A) GENERAL:

This Management Discussion and Analysis ("MD&A") document prepared as of April 30, 2014, should be read together with the annual financial statements of **Viking Gold Exploration Inc.** (hereafter "**the Company**") for the year ended December 31, 2013, including the related notes. The annual financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts herein are expressed in Canadian dollars, and are based on the Company's IFRS accounting policies, unless otherwise indicated.

The address of the Company's registered head office is #2B – 2900 John Street, Markham, Ontario, Canada, L3R 5G3. Additional information about Viking Gold is available on the SEDAR website at www.sedar.com and on the Company's website at www.vikinggold.ca.

B) OVERVIEW AND CONTINUANCE OF OPERATIONS:

Overview

Viking Gold Exploration Inc. is incorporated under the laws of the Province of Ontario and is a junior exploration company engaged in mineral exploration in Canada. It is a reporting issuer in the Provinces of Ontario, Newfoundland and Labrador, British Columbia and Alberta, and is a Tier-2 listed company on the TSX Venture Exchange (hereafter the "TSX-V"), trading under the symbol **VGC**.

There has been no determination whether the Company's properties contain mineral reserves that are economically recoverable. The Company has not earned significant revenue and is considered to be an exploration stage entity. Further details of the Company's projects and underlying properties are set out in the MD&A section "G) Exploration and Evaluation Assets".

Continuance of Operations

During the year ended December 31, 2013, the Company had an annual operating loss of $301,956 and a net loss of $1,272,513, and an accumulated deficit of $8,747,768 as at December 31, 2013. As at December 31, 2013, the Company also had a working capital deficiency of $652,081, which included a $400,000 provision for indemnification of flow-through share subscribers – see MD&A section "F) Flow-through Shares – Commitments, Contingencies and Subscriber Indemnifications" (page 4).

Accordingly, continuing operations of the Company are dependent on its ability to generate future cash flows, settle debts using share-based payments, or obtain additional financing. Management anticipates that sufficient working capital will be obtained from external financing and debt settlements to meet the Company's current and future liabilities and commitments as they become due, though there is a significant risk that additional financing may not be available on a timely basis or on terms acceptable to the Company.

See also MD&A section "K) Liquidity and Capital Resources" (page 17) for details concerning the Company's "Forward-looking Strategy". The Company also outlines in that section, details of a $99,693 debt settlement effective June 30, 2013 and also a $47,500 private placement of convertible debentures in late April 2014.

C) RISKS AND UNCERTAINTIES:

The Company's financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. Such adjustments could be material. As a result of the financial matters discussed in the preceding paragraph, there is significant doubt regarding the ultimate applicability of the Company's going concern assumption.

The Company is primarily involved in gold exploration, an inherently high-risk activity. Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, unregistered claims, aboriginal claims and non-compliance with regulatory and environmental requirements.

Exploration is also capital intensive and the Company has no funding mechanism other than equity financings (including private placements and exercises of common share purchase warrants and common share purchase options) and potential financial arrangements with other mineral exploration companies.

Market risk and environmental risk are additional risks the Company faces. Market risk is the risk of depressed metals prices, particularly gold. The Company is dependent on capital markets to fund exploration, development and general working capital requirements and a period of depressed gold prices might make access to investment capital more difficult. Environmental regulations affect the cost of exploration and development as well as future mining operations.

The skills of management and staff in mineral exploration and raising capital serve to mitigate these risks. The ability of the Company to continue operations into the future is dependent upon continuing to obtain favourable results from its exploration activities, which will affect its ability to raise funds and to attract potential exploration partners. In addition, there is also a risk that existing exploration partners may be unable to meet their financial obligations, which could delay resource projects and possibly place additional stress on the Company's cash resources.

D) FORWARD-LOOKING STATEMENTS:

This MD&A may contain certain forward looking statements relating to, but not limited to, the Company's operations, exploration plans, anticipated equity financing, business prospects and strategies. Forward looking information typically contains statements with words such as "anticipate", "believe", "expect", "plan" or similar words suggesting future outcomes. Such forward-looking statements are subject to risks, uncertainties and other factors as identified under "Risks and Uncertainties" above, which could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements. Such factors include financial market conditions and economic, competitive, regulatory and business conditions.

The Company updates its forward-looking statements at future dates based on outcomes not presently known and as such, readers should not place undue reliance on forward-looking statements.

E) GOVERNANCE:

The Company held its Annual General and Special Meeting on February 26, 2014. At that meeting, the Company's shareholders approved the following three items: a) the re-election of Messrs David Brace, Mark Edwards, Garfield Mitchell and Lawrence Smith as directors; b) the re-appointment of McGovern, Hurley, Cunningham LLP as auditors; and c) the re-approval of the rolling 10% stock option plan.

On March 13, 2014, the Company announced that John Hansuld was retiring as a director and chairman of the Company's Board of Directors. Dr. Hansuld, a 2012 inductee into the Mining Hall of Fame, will continue his relationship with the Company as a member of its Advisory Committee. On April 8, 2014, the Company announced that the Company's Board of Directors appointed three new directors. The newly appointed directors are Messrs Jonathan George, John McCleery and Simon Meredith.

Biographies of Newly Appointed Directors

Mr. Jonathan George is a consulting geologist and entrepreneur, involved in international mineral exploration and development for over 25 years. Jonathan has raised more than $60 million for projects throughout the world. As the past President and CEO of Alpha Minerals Inc. (formerly ESO Uranium), he was instrumental in assembling one of the largest land packages in the Athabasca Basin, Saskatchewan. Alpha and its partner Fission Energy have recently made one of the most significant uranium discoveries in recent history on their Patterson Lake South joint venture. Jonathan was the President and Co-founder of Creston Moly Corp, which acquired Mexico's largest molybdenum deposit. Creston merged with Mercator Minerals in 2011 in a transaction valued at more than $176 million. Jonathan George is also a director of Tosca Mining Corporation.

Mr. John McCleery is a private businessman who has raised in excess of $50 million in capital for public companies in various stages of development, exploration and commercialization. For the last 25 years, John has been the catalyst for various start-up companies and he has taken many private and public businesses to full implementation and commercialization. John was a founding director of Creston Moly Corp in 2000, growing the business to develop the largest molybdenum deposit in all of Mexico and facilitating a $40+ million financing to drive the business forward. More recently, he participated in a multi-million dollar merger with Tenajon Resources. John McCleery is also the President & CEO and a director of Pedro Resources Ltd.

Mr. Simon Meredith, FCA-UK, is an experienced accounting executive with more than 25 years of experience in strategic financial management for multiple industries. Simon specializes in working with venture companies listed on both the Toronto Venture and Bermuda Exchanges. He understands acquisitions, mergers and divestitures, banking and investor relations, and the creation of sound financial infrastructures to support the continuing movements of emerging and established businesses alike. Simon Meredith will assume the role of Chairman of the Company's Audit Committee.

In connection with their appointment to Viking Gold's Board of Directors, each of the new directors was conditionally issued 250,000 common shares of the Company (total 750,000 common shares), subject to receiving the required approval of the TSX-V. As at the date of this MD&A, these shares had not yet been issued. Concurrently, the Board also accepted the resignations of Messrs David Brace, Garfield Mitchell and Larry Smith. These outgoing directors hold an aggregate total of 1,675,000 of the Company's common share purchase options. These options, which are presently out-of-the-money, will expire on July 4, 2014 and have an aggregate grant date fair value of $171,122.

F) FLOW-THROUGH SHARES – COMMITMENTS, CONTINGENCIES & SUBSCRIBER INDEMNIFICATIONS:

As at December 31, 2012, the Company was committed to incur $566,880 in qualifying Canadian exploration expenditures prior to January 1, 2014, pursuant to two 2012 private placements for which flow-through share proceeds had been received by the Company and then renounced to Ontario and Quebec subscribers effective December 31, 2012.

The Company incurred actual qualifying expenditures of $6,444 in 2012 and $7,608 in 2013, leaving a shortfall of $552,828 as at December 31, 2013. Accordingly, effective December 31, 2013, the Company has recorded (in other expense and current liabilities) a $400,000 provision for the estimated cost to indemnify flow-through share subscribers for their expected personal income tax reassessments by Canada Revenue Agency ("CRA") and Revenu Québec ("RQ"), attributable to each subscriber's proportionate share of the shortfall. The indemnifications are provided for in the underlying subscription agreements for the private placements. The governmental audit/reassessment process may be lengthy; therefore, it may be several months or longer before the Company's final liability is exigible.

The Company has made the following assumptions in estimating its subscriber indemnification provision:

- Ontario subscribers have a combined personal income tax rate of 47.97% and are eligible for both the federal 15% and provincial 5% investment tax credits;
- Quebec subscribers have a combined personal income tax rate of 48.22% and are eligible for the federal 15% investment tax credit and the 150% CEE "super-allowance";
- Of the $552,828 shortfall, $73,329 applies to Ontario subscribers and $479,499 applies to Quebec subscribers; and
- Subscribers will be assessed one year's interest on reassessed amounts.

As at December 31, 2013, the Company has also accrued in trade and other payables, the estimated Federal Part XII.6 tax and similar Quebec tax for 2013 and prior years of approximately $100,000.

As at December 31, 2012, the Company had a $69,000 flow-through share premium liability. Of this amount, $3,800 was transferred (on a 2013 interim basis) to the deferred tax provision in recognition of the $14,052 of qualifying exploration expenditures incurred. The $65,200 balance was transferred to the deferred tax provision effective December 31, 2013, in recognition of the Company's indemnification accrual, which effectively converted the remaining 2012 flow-through expenditure commitment into an equivalent subscriber indemnification liability.

The Company believes that it has incurred sufficient qualifying expenditures to satisfy its December 31, 2011 and prior flow-through share commitments in respect of Ontario and Quebec subscribers, though such expenditures and the Company's related tax returns are subject to potential audit and reassessment by CRA/RQ.

The Company does not currently have the financial resources to pay the combined estimate of approximately $500,000 of amounts accrued to the CRA/RQ and to its flow-through share subscribers as at December 31, 2013. See MD&A section "B) Overview and Continuance of Operations" (page 1) for information about the Company's ability to continue its operations. See also MD&A section "K) Liquidity and Capital Resources" (page 17) for details of the Company's "Forward-looking Strategy".

G) EXPLORATION AND EVALUATION ASSETS:

Description of Properties

During the year ended December 31, 2013, the Company acquired one mineral property interest in Quebec (Vent d'Or) and wrote off two such interests – one in Ontario (Venton Lake) and one in Quebec (Guyenne). In 2012, the Company acquired one mineral property interest in Quebec (Guyenne). Below is a summary of the Company's five exploration properties as at December 31, 2013.

Properties	Year Acquired	Current Mineral Tenure	# of Claims/ Leases
Larose, Ontario	2011	Claims, under option by the Company to a third party which may earn up to a 50% interest	16
Total Ontario properties			16
Verneuil, Quebec			
Verneuil Central	2011	Claims; 70% undivided working interest	22
Verneuil West	2011	Claims; 100% interest	20
Verneuil East	2011	Claims; 100% interest	9
			51
Vent d'Or, Quebec	2013	Claims, under option to the Company which may earn a 100% interest	29
Total Quebec properties			80
Total properties			96

Accounting for Mineral Property Agreements With Other Parties

A portion of the Company's activities is conducted jointly with other parties wherein the Company enters into agreements that provide for specified percentage interests in mineral properties. Once the parties have earned their respective interests and undertake to conduct further acquisition, exploration or development through a joint venture or other legal arrangement, the Company determines the proper accounting treatment for its continued interest in the mineral property.

Where the property is subject to the shared joint control of the parties (i.e. unanimous consent is required to make decisions), the Company discloses this relationship as a joint arrangement. A joint arrangement may be either a joint operation or a joint venture. In a joint operation, the parties ("joint operators") have rights to the assets, and obligations for the liabilities, relating to the arrangement. As such, each joint operator records its share of any assets, liabilities, revenues and expenses of the joint operation. In a joint venture, the parties ("joint venturers") have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method.

Where shared joint control is not present, the Company discloses this relationship as being one of "undivided working interests" and instead recognizes its assets, liabilities, revenue and expenses and/or its relative shares thereof related to the property.

In either case, costs incurred during earn-in periods remain capitalized and are added to amounts recorded thereafter, subject to any overriding impairment tests. The Company currently has no joint arrangements and one undivided working interest.

G) EXPLORATION AND EVALUATION ASSETS (Continued):

Description of Properties (Continued)

A continuity schedule of the Company's exploration and evaluation (E&E) assets for the years ended December 31, 2012 and 2013 follows. Additional information about the Company's properties is presented thereafter.

	Balance, January 1, 2012	Expenditures for 2012	Balance, December 31, 2012	Expenditures for 2013	Write-offs for 2013	Balance, December 31, 2013
Acquisition costs						
Venton Lake, ON	$ 112,536	$ 79,250	$ 191,786	$ -	$ (191,786)	$ -
Larose, ON	93,028	7,000	100,028	5,000	-	105,028
Verneuil, QC						
Verneuil Central	137,372	-	137,372	-	-	137,372
Verneuil West	93,926	-	93,926	-	-	93,926
Verneuil East	65,615		65,615	-	-	65,615
Guyenne, QC	-	62,675	62,675	-	(62,675)	-
Vent d'Or, QC	-	-	-	35,590	-	35,590
Active properties	502,477	148,925	651,402	40,590	(254,461)	437,531
Inactive properties						
Morris Lake, NT	5	-	5	-	(5)	-
Total properties	502,482	148,925	651,407	40,590	(254,466)	437,531
Deferred expl'n expenditures						
Venton Lake, ON	-	85,654	85,654	-	(85,654)	-
Larose, ON	179	-	179	-	-	179
Verneuil, QC						
Verneuil Central	718,829	14,011	732,840	2,349	-	735,189
Verneuil West	164,214	247,735	411,949	1,000	-	412,949
Verneuil East	98,177	20,279	118,456	-	-	118,456
Guyenne, QC	-	361,352	361,352	3,330	(364,682)	-
Vent d'Or, QC	-	-	-	929	-	929
Active properties	981,399	729,031	1,710,430	7,608	(450,336)	1,267,702
Inactive properties						
Morris Lake, NT	1	-	1	-	(1)	-
Total properties	981,400	729,031	1,710,431	7,608	(450,337)	1,267,702
Total expenditures						
Venton Lake, ON	112,536	164,904	277,440	-	(277,440)	-
Larose, ON	93,207	7,000	100,207	5,000	-	105,207
Verneuil, QC						
Verneuil Central	856,201	14,011	870,212	2,349	-	872,561
Verneuil West	258,140	247,735	505,875	1,000	-	506,875
Verneuil East	163,792	20,279	184,071	-	-	184,071
Guyenne, QC	-	424,027	424,027	3,330	(427,357)	-
Vent d'Or, QC	-	-	-	36,519	-	36,519
Active properties	1,483,876	877,956	2,361,832	48,198	(704,797)	1,705,233
Inactive properties						
Morris Lake, NT	6	-	6	-	(6)	-
Total properties	$ 1,483,882	$ 877,956	$ 2,361,838	$ 48,198	$ (704,803)	$ 1,705,233

ON = Ontario; QC = Quebec; NT = Northwest Territories

G) EXPLORATION AND EVALUATION ASSETS (Continued):

Description of Properties (Continued)

i) Venton Lake

On April 12, 2011, the Company signed a letter agreement in which it was granted an option to earn a 100% undivided interest in 13 mining claims located near Thunder Bay, Ontario known as “Venton Lake”. The agreement provides that the Company (as optionee) will earn a 100% interest in the property by making an initial $75,000 cash payment followed by three additional annual cash payments of $75,000 each from the “Effective Date” (of the transaction) which is defined as the date the TSX-V approves the transaction plus 10 days. Each respective cash payment is also to be accompanied by the issuance of the Company’s common shares to the optionor, as follows – 150,000 shares (initial – completed), 50,000 shares (after the first year – completed), 50,000 shares (after the second year) and 100,000 shares (after the third year), for a total of 350,000 shares.

Upon the exercise of the option, the optionor will retain a 2.5% net smelter return royalty (“NSR”) on output from the properties following the commencement of commercial production. For the period commencing on the date that is 60 months following the Effective Date and ending on the commencement of commercial production, the Company is required to pay an advance minimum royalty of $15,000 per year to the optionor within 30 days of the start of each year, which aggregate amounts shall be deducted from the subsequent 2.5% NSR payments. The Company may buy back up to one-fifth of the 2.5% NSR at a price of $500,000, for a period of 20 years from the Effective Date. The Company may abandon the option granted to it by giving 30 days notice prior to abandonment, provided that the mineral rights will be in good standing for at least six months following the date of abandonment.

The TSX-V approved the Venton Lake transaction on April 26, 2011 and the transaction closed on September 19, 2011.

On April 26, 2012, the Company issued 50,000 common shares as a share-based option payment for the Venton Lake property. The fair value of the shares issued was $4,250. On May 24, 2012, the Company also paid $30,000 towards its first annual $75,000 cash option payment, and was granted an extension by the optionor to pay the $45,000 balance by August 31, 2012. On August 27, 2012, the Company completed the necessary payment.

In 2013, the Company did not make its scheduled option payment and was unsuccessful in its attempts to renegotiate its Venton Lake option agreement under more favourable terms. On December 18, 2013, the optionor informed the Company that the option was being terminated. Accordingly, the Company recorded a $277,440 write-off of the Venton Lake property effective December 31, 2013.

ii) Verneuil and Larose

On May 10, 2011, the Company signed a property sale agreement with Freewest Resources Canada Inc. (“Freewest”), a wholly owned subsidiary of Cliffs Natural Resources Inc. (NYSE: CLF), in which it agreed to acquire a 70% undivided working interest in the Verneuil property (“Verneuil Central”) and a 100% undivided interest in the Larose property (“Larose”), in exchange for a combined share-based payment of 1,000,000 common shares (valued at the $200,000 fair value of the shares issued) and a 0.5% NSR on each property.

G) EXPLORATION AND EVALUATION ASSETS (Continued):

Description of Properties (Continued)

ii) Verneuil and Larose (Continued)

Verneuil Central is comprised of 22 claims in Verneuil Township in the Abitibi region of Quebec. The other 30% interest in Verneuil Central is held by Golden Tag Resources Ltd. ("Golden Tag"). Larose is comprised of 16 claims in Moss Township in Northwestern Ontario. Verneuil Central is subject to an existing 1% NSR and Larose to an existing 3% NSR. The NSR's described herein apply to all minerals in perpetuity.

On June 7, 2011, the Company signed a letter agreement with other parties in which it agreed to acquire "Verneuil East", a 100% undivided interest in 9 mining claims located immediately east of Verneuil Central, in exchange for cash of $20,000 (paid), a share-based payment of 200,000 common shares (issued) and a 2% NSR in perpetuity. The Company may re-purchase half of the 2% NSR for $1,000,000 at any time.

On June 13, 2011, the Company signed a letter agreement with other parties in which it agreed to acquire "Verneuil West", a 100% undivided interest in 20 mining claims located immediately west of Verneuil Central, in exchange for cash of $30,000 (paid), a share-based payment of 300,000 common shares (issued) and 150,000 warrants (issued and exercisable at a price of $0.30 for 2 years), and a 2% NSR in perpetuity. The Company may re-purchase half of the 2% NSR for $1,000,000 at any time.

The TSX-V approved the Verneuil/Larose transaction on May 27, 2011 and the Verneuil East and West transactions on June 21, 2011. These three transactions closed on June 28, July 20 and June 29, 2011, respectively.

The Company and Golden Tag agreed that Golden Tag was not required to contribute financially towards deferred exploration expenditures incurred on the Verneuil Central property prior to January 1, 2012. For the year ended December 31, 2012, the parties further agreed that Golden Tag's share of the Verneuil Central exploration expenditures was $100,000. As at December 31, 2012, this amount had been received and was therefore recorded as a reduction of deferred exploration expenditures (i.e. included in the $14,011 net deferred exploration expenditure for Verneuil Central in the continuity schedule for 2012).

On December 8, 2011, the Company entered into an option agreement with Golden Share Mining Corporation ("Golden Share") whereby Golden Share may earn up to a 50% interest in the Larose property. Under the terms of the agreement, Golden Share agreed to issue: (i) 100,000 shares to the Company on the later of execution of the agreement and TSX-V approval (received with an assigned value of $8,500) and (ii) an additional 100,000 shares on the first anniversary date of the agreement (received with an assigned value of $3,000 on December 13, 2013). Golden Share also agreed to spend $200,000 in the first year of the agreement on exploration of the property (completed) plus another $150,000 in each of years two and three of the agreement. The parties agreed that at the time they become 50/50 owners in the property, they would enter into a joint venture agreement with Golden Share as the operator.

On December 18, 2012, the parties amended the December 8, 2011 option agreement to allow Golden Share to extend the second year commitment by one year (i.e. to December 8, 2014), and move the third year commitment into a fourth year (i.e. which ends on December 8, 2015). Golden Share also agreed to pay $5,000 of a June 2013 $10,000 advance royalty payment (both completed), which the Company is responsible for.

G) EXPLORATION AND EVALUATION ASSETS (Continued):

Description of Properties (Continued)

ii) Verneuil and Larose (Continued)

On April 2, 2014, Golden Share informed the Company that it was terminating the Larose option that the Company had granted to it.

iii) Guyenne

On August 29, 2012, the Company entered into an option agreement with Globex Mining Enterprises Inc. (TSX:GMX, hereafter "Globex") to earn a 50% interest in the 7 claims known as the Guyenne Property. The claims are situated approximately 40 kilometres northwest of Amos, Quebec, which is northwest of Val-d'Or in the Abitibi Mining District.

Under the terms of the option agreement, the Company agreed to pay a total of $105,000 cash and issue 550,000 common shares to Globex as follows – (i) an initial payment of $20,000 and 150,000 shares, representing the minimum commitment (completed), (ii) $25,000 and 150,000 shares on or before the first anniversary date, and (iii) $60,000 and 250,000 shares on or before the second anniversary date. In addition, the Company agreed to spend a minimum of $1,500,000 exploring the claims, as follows – $250,000 in the first year (completed), $250,000 in the second year, and $1,000,000 in the third year.

The TSX-V approved the Guyenne transaction on September 18, 2012. The transaction closed on September 19, 2012. The Company also agreed to issue 100,000 common shares as a finder's fee on the closing of the option agreement. These shares were issued on October 3, 2012 at an assigned value of $10,500.

After reviewing exploration results, the Company informed Globex on August 7, 2013 that it was terminating the option. The Company recorded a $427,357 write-off of this E&E asset effective June 30, 2013.

iv) Vent d'Or

On March 4, 2013, the Company entered into an option agreement to earn a 100% undivided interest in the Vent d'Or Property. Vent d'Or, which consisted of 44 mineral claims (reduced to 29 claims as at December 31, 2013), is located southwest of the town of Chibougamau in the Druillettes and Hazur Townships in Central Quebec.

Under the terms of the option agreement, the Company will pay a total of $90,000 cash and issue 1,000,000 common shares to the optionor as follows – (i) an initial payment of $15,000 and 400,000 shares (completed on March 4 and 21, 2013, respectively); (ii) $30,000 and 300,000 common shares on or before June 1, 2014; and (iii) $45,000 and 300,000 common shares on or before June 1, 2015. In addition, the Company has agreed to grant a 2% NSR royalty to the optionor. The Company may acquire 50% of the NSR by making a payment of $1,000,000.

The TSX-V approved the Vent d'Or transaction on March 18, 2013 and the transaction closed on March 25, 2013.

G) EXPLORATION AND EVALUATION ASSETS (Continued):

Description of Properties (Continued)

v) Uruguay – Agreement Terminated

On November 15, 2012, the Company signed a non-binding letter of intent to acquire Trilogy Mining Corporation ("Trilogy"), a privately owned Canadian mineral explorer active in Uruguay. The Company proposed a share-for-share exchange with the shareholders of Trilogy, whereby the Company would issue 15,000,000 common shares from treasury in exchange for 100% of the shares of Trilogy.

The parties intended to execute a definitive agreement after the completion of all necessary due diligence. The agreements and transactions contemplated were subject to the final approval of the TSX-V. The transaction was originally scheduled to close on January 31, 2013 assuming all conditions in the agreement were satisfied. Thereafter, the parties extended the planned closing date to April 30, 2013. On May 2, 2013, the Company announced that the parties had jointly agreed to allow their non-binding letter of intent to lapse. Investigation of new properties expense and professional and regulatory fees expense includes approximately $11,000 (expensed in 2012) and $25,000 (expensed in 2013), respectively, attributable to this cancelled transaction.

This transaction is excluded from the Acquisition Costs Summary presented below.

vi) Acquisition Costs Summary

Acquisition costs of exploration and evaluation assets for the years ended December 31, 2012 and 2013 are summarized below. The values assigned to the common shares issued by the Company were based on the closing share price on the respective dates of issuance.

Properties	# of common shares issued	Value of common shares Issued	Cash payments made	Option payments rec'd	Legal and other	Totals
Year ended December 31, 2012:						
Venton Lake, ON	50,000	$ 4,250	$ 75,000	$ -	$ -	$ 79,250
Larose, ON	-	-	(1) 10,000	(2) (3,000)	-	7,000
Guyenne, QC	(3) 250,000	30,000	20,000	-	12,675	62,675
Acquisition costs for year	300,000	$ 34,250	$ 105,000	$ (3,000)	$ 12,675	$ 148,925
Year ended December 31, 2013:						
Larose, ON	-	$ -	(1) $ 10,000	(4) $ (5,000)	$ -	$ 5,000
Vent d'Or, QC	400,000	18,000	15,000	-	2,590	35,590
Acquisition costs for year	400,000	$ 18,000	$ 25,000	$ (5,000)	$ 2,590	$ 40,590

Comments:

(1) = Advance royalty payment made pursuant to an existing 3% NSR
(2) = Issue date fair value of shares of Golden Share received as option payments (see Notes 3b and 5)
(3) = Includes finder's fee of 100,000 common shares (see Note 3c)
(4) = Recovery of 50% of advance royalty payment from Golden Share (see Note 3b)

G) EXPLORATION AND EVALUATION ASSETS (Continued):

Description of Properties (Continued)

Quebec Exploration Activities

<u>HISTORICAL INFORMATION – VERNEUIL</u>

In the early 1990's, Freewest Resources Canada Inc. estimated, based on 10 drill holes intersecting the Toussaint Shear Zone (TSZ), historical gold reserves of approximately 188,000 tonnes with an average grade of 7.1 g/t Au. *(A qualified person has not done sufficient work to classify the historical estimate as current mineral resources; the Company is not treating the historical estimate as current mineral resources and the historical estimate should not be relied upon.)*

From 1991 to 1995, Freewest carried out a series of extensive exploration programs resulting in the discovery of several gold-bearing shear zones. These programs consisted of prospecting, geophysics, trenching and diamond drilling. Six mineralized zones were uncovered by trenching with several significant gold values. Freewest completed a series of 35 diamond drill holes intersecting the TSZ. The results and location of these zones are posted on the Company's website.

<u>2011 SUMMER EXPLORATION PROGRAM – VERNEUIL</u>

In June 2011, the Company commenced a summer exploration program on its newly acquired Verneuil properties (Central, East and West) situated in Verneuil Township in the Abitibi area of Quebec. The purpose of the program at Verneuil was to generate new exploration targets. The program included line cutting, followed by geological and geophysical surveys, stripping, trenching and channel sampling and finally diamond drilling. Assay results for the Company's Verneuil summer exploration program were presented in the Company's September 13, 2011 and November 15, 2011 press releases, copies of which may be found on the Company's website.

<u>2011 FALL-WINTER EXPLORATION PROGRAM – VERNEUIL</u>

On October 28, 2011, the Company commenced a planned 4500 m, 25-hole fall-winter drilling program at Verneuil. On February 14, 2012, the Company announced that it had completed this drilling program distributed between 20 new drill holes and 2 holes from previous programs that were deepened. The objective of the Company's fall-winter program was to verify certain new exploration targets revealed by its summer 2011 induced polarization (IP) survey, and to expand and better define the structure of the Toussaint mineralized zone. Sampling of drill core was completed by mid-January 2012 and most of the assay results were received by the end of February.

As explained in the Company's MD&A for the year ended December 31, 2011, over 500 samples were submitted in Q1-2012 for re-assay by metallic sieve method (SCR) due to the coarse-gold nature of the mineralization as observed in several places. The Company received these re-assays in Q2-2012 and disclosed the assay results in a press release dated June 26, 2012. The Company confirmed that the original assay and the re-assay results were mutually consistent. Several instances were also noted where the gold content increased significantly under SCR when compared to the original atomic absorption spectroscopy (AAS) method.

G) EXPLORATION AND EVALUATION ASSETS (Continued):

Quebec Exploration Activities (Continued)

2012 FALL EXPLORATION PROGRAM – VERNEUIL WEST

On November 20, 2012, the Company announced that it had commenced a 1000 m, 7-hole, exploratory drill program on its wholly owned Verneuil West claim group. The purpose of this program was to explore the area west of the known Toussaint gold zone. This area had only seen limited exploration in the past.

The 2012 fall exploration drill program was completed prior to December 31, 2012 at a cost of approximately $208,000. On February 13, 2013, the Company announced that this work had produced no significant assay results. The Company plans to perform data compilation of the three Verneuil properties in 2014, with a view to developing a follow-up exploration program for 2015.

2015 EXPLORATION PROGRAM – VENT D'OR

A program of line-cutting, geophysical surveys (electromagnetic and magnetometer), plus geological mapping and prospecting is planned for the first phase. The second phase of exploration would consist of mechanical trenching and diamond drilling. Some advanced planning may be undertaken in 2014.

QUALIFIED PERSON

Mr. Pierre Poisson, P.Geo., is the Company's independent "Qualified Person" for its Quebec properties, as that term is defined in NI 43-101, and he has reviewed and approved the technical disclosures in this MD&A. In July and December 2012, Mr. Poisson's company, Muroc Inc., produced two detailed studies of the work completed to date on the Quebec properties along with recommendations for follow-up exploration. The Company's management is currently assessing these recommendations.

Ontario Exploration Activities

PREVIOUSLY OPTIONED PROPERTY – LAROSE

The Company is presently seeking a new exploration partner for this property.

Mineral Properties Advisory Committee

The Company identifies new exploration properties for acquisition through its Property Advisory Committee, whose members are presently Messrs Mackenzie Watson (Committee Chairman), and Rejean Gosselin and John Hansuld. These members are investors of the Company, and are experienced and successful prospectors/geologists who are well known in the Canadian mining industry. In exchange for their participation on the Committee, these members periodically receive stock options. Background information on the members is presented on the Company's website.

H) SELECTED ANNUAL INFORMATION:

Selected annual financial information for the Company for the past three years, prepared under IFRS, is as follows:

Year Ended December 31	2013	2012	2011
Financial Results			
Additions to E&E assets - acquisition	$ 40,590	$ 148,925	$ 502,477
Additions to E&E assets - exploration	7,608	729,031	1,005,290
Write-downs of E&E assets	(704,797)	-	(3,635,489)
Net (decrease) increase in E&E assets	(656,599)	877,956	(2,127,722)
Stock-based compensation	17,000	10,000	566,000
Deferred income tax (recovery)	(165,000)	20,000	(377,049)
Net (loss) and comprehensive (loss)	(1,272,513)	(420,763)	(4,253,785)
Basic and diluted (loss) per share	(0.016)	(0.006)	(0.067)
Dividends	-	-	-
Financial Position			
Working capital (deficiency)	$ (652,081)	$ (40,555)	$ 564,139
E&E Assets	1,705,233	2,361,838	1,483,882
Total assets	1,724,472	2,983,293	2,612,315
Deferred income tax liability	-	-	-
Share capital and reserve	9,805,203	9,916,840	9,294,708
Deficit	(8,747,768)	(7,586,074)	(7,229,646)

I) QUARTERLY RESULTS:

Summarized quarterly results for the Company for the past eight quarters, prepared under IFRS, are as follows:

Quarter ended	December 31, 2013 (Q4)	September 30, 2013 (Q3)	June 30, 2013 (Q2)	March 31, 2013 (Q1)
Additions to E&E assets (a)	$ -	$ 3,278	$ 7,100	$ 37,820
Deferred income tax (recovery)	(163,700)	-	(1,300)	-
Net loss	(606,099)	(76,276)	(459,917)	(130,221)
Basic and diluted loss per share	(0.007)	(0.001)	(0.006)	(0.002)

Quarter ended	December 31, 2012 (Q4)	September 30, 2012 (Q3)	June 30, 2012 (Q2)	March 31, 2012 (Q1)
Additions to E&E assets (a)	$ 528,176	$ 129,133	$ 118,737	$ 101,910
Deferred income tax (recovery)	20,000	-	-	-
Net loss	(159,613)	(72,865)	(106,476)	(81,809)
Basic and diluted loss per share	(0.002)	(0.001)	(0.002)	(0.001)

(a) Net of recoveries, but excluding write-downs (see below)

I) QUARTERLY RESULTS (Continued):

The Company is involved in mineral exploration and has no operating revenues. The fluctuations in the quarterly loss are mainly due to the normal timing of expenditures, however, certain additional non-cash items may also have a significant impact. Examples include share-based compensation expense, write-downs of exploration and evaluation assets, indemnification provisions and deferred income tax provisions.

Share-based compensation expense was recorded in the following quarterly periods: Q2-2013 – $15,000; Q1-2013 – $2,000; Q4-2012 – $4,000; Q2-2012 – $6,000.

Write-downs of exploration and evaluation assets were recorded in the following quarterly periods: Q4-2013 – $277,440 (Venton Lake); Q2-2013 – $427,357 (Guyenne); Q1-2013 – $6 (Morris Lake); as further explained in MD&A section "E) Exploration and Evaluation Assets".

In Q4-2013, a $400,000 flow-through share subscriber indemnification provision was recorded in other expense – see MD&A section "F) Flow-through Shares – Commitments, Contingencies & Subscriber Indemnifications" (page 4).

Income tax (recovery) for each quarter is also disclosed above. In Q4-2013, the Company recorded a $96,000 tax benefit of capital losses applied and a $67,700 flow-through share premium adjustment, for a total $163,700 deferred tax recovery. Tax provisions recorded in Q2-2013 ($1,300 flow-through share adjustment) and Q4-2012 ($20,000 expense) represented smaller quarterly deferred tax adjustments.

J) RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2013:

Net Loss

Net loss of $1,272,513 for 2013 was $851,750 higher than the 2012 net loss of $420,763. The $851,750 increase in the annual net loss was due to: i) a decrease in operating expenses of $122,705; plus ii) an increase in other expense, net, of $1,159,455; less iii) an increase in deferred income tax recovery of $185,000, as outlined below.

Total Expenses and Operating Loss

Total expenses and operating loss of $301,956 in 2013 was $122,705 (29%) lower than the 2012 total expenses and operating loss of $424,661. The decrease in total expenses and operating loss is further explained below:

Components of expenses, under IFRS		% change	Year ended December 31, 2013	Year ended December 31, 2012	Increase (decrease)
Management fees	a)	- 19	$ 130,250	$ 160,733	$ (30,483)
Professional and regulatory fees	b)	- 22	86,486	110,332	(23,846)
Office and administration	c)	- 34	62,254	94,445	(32,191)
Depreciation		- 38	1,000	1,600	(600)
Claims management		+ 53	4,600	3,012	1,588
Investigation of new properties	d)	- 99	366	44,539	(44,173)
Sub-totals before share-based compensation		- 31	284,956	414,661	(129,705)
Share-based compensation	e)	+ 70	17,000	10,000	7,000
Total expenses and operating loss		- 29	$ 301,956	$ 424,661	$ (122,705)

J) RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2013 (Continued):

Total Expenses and Operating Loss (Continued)

Some key explanations follow:

a) Lower management fees in 2013 of $30,483. Approximately 70% of this reduction was attributable to lower fees charged by the CEO's company. The 30% balance related to the CFO's company. The reductions were related to lower activity levels in 2013 and the Company's weaker financial situation.
b) Lower audit fees in 2013 of $11,640 primarily due to a $3,500 credit adjustment relating to 2012 and an $8,000 lower anticipated fee for the 2013 audit. Lower legal and regulatory fees in 2013 of $12,206 reflecting lower general corporate activity levels.
c) Lower office and administration expense in 2013 of $32,191 – due to the following items: a reduction of rent from related parties of $9,128 ($12,952 in 2013 vs. $22,080 in 2012); lower AGM costs of $5,000 ($Nil in 2013 vs. $5,000 in 2012); lower website development and maintenance costs of $9,777 ($3,342 vs. $13,119 for 2012); lower other administrative expenses of $13,286 ($30,960 in 2013 vs. $44,246 in 2012); and higher investor relations expenses of $5,000 ($15,000 in 2013 vs. $10,000 in 2012).
d) Fewer new properties investigated in 2013.
e) Options granted/vested in 2013 were 950,000 (2012 - 150,000). The induced options granted in 2013 results in the increased compensation expense in 2013.

Other Expense

Other expense, net of $1,135,557 in 2013 was $1,159,455 higher than 2012 other income, net of $23,898. The increase in other expense, net is further explained below:

Components of other income (expense), under IFRS		% +Increase -decrease in expense	Year ended December 31, 2013	Year ended December 30, 2012	$ (Increase) decrease in expense
Interest income	f)	+ 100	$ -	$ 1,680	$ (1,680)
Part XII.6 tax (expense) recovery	g)	+ 691	(66,065)	11,176	(77,241)
Loss on disposal of equipment	h)	- 100	-	(4,208)	(4,208)
Unrealized loss on investment	i)	+ 20	(4,200)	(3,500)	700
Realized gain on investment	j)	+ 100	-	18,750	18,750
Gain on settlements of debt	k)	N/A	39,511	-	39,511
Sub-totals before the following		+ 229	(30,754)	23,898	(54,652)
Write-down of E&E assets	l)	N/A	(704,803)	-	(704,803)
Provision for indemnification of flow-through subscribers	m)	N/A	(400,000)	-	(400,000)
Other (expense) income, net		N/A	$ (1,135,557)	$ 23,898	$ (1,159,455)

Some key explanations follow:

f) Investment in flexible GIC's – N/A in 2013.
g) Large expense of $66,065 in 2013 primarily due to failure to make required flow-through commitments. See MD&A section "F) Flow Through Shares – Commitments, Contingencies and Indemnifications" (page 4). Recovery of Part XII.6 tax in 2012 ($11,176) consists of tax and related amounts for 2012 ($10,172), less a recovery of prior years' tax ($21,348).
h) N/A in 2013. Disposal loss ($4,208) of NWT field equipment in 2012 (nil proceeds); disposal loss ($3,233) of NWT all-terrain-vehicle (ATV) in 2011 ($nil proceeds).
i) Unrealized write-down of held-for-trading investment $4,200 in 2013 ($3,500 in 2012).

J) RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2013 (Continued):

Other Expense (Continued)

j) N/A in 2013. Sale of unquoted equity investment in 2012 for gross proceeds of $20,000, less carrying value of $1,250.
k) Gain on settlement of debt of $39,511 – see MD&A section "K) Liquidity and Capital Resources" (page X). N/A in 2012.
l) Write-offs in 2013 of $704,803 – see MD&A section "I) Quarterly Results" (page 14).
m) Provision for indemnification of flow-through subscribers – see MD&A section "F) Flow-through Shares – Commitments, Contingencies and Subscriber Indemnifications" (page 4). N/A in 2012.

Deferred Tax (Recovery)

In 2013, the Company recorded a $96,000 tax benefit of capital losses applied and a $69,000 flow-through share premium adjustment, for a total $165,000 deferred tax recovery. A $20,000 deferred tax provision was recorded in 2012 as an offset to a $20,000 deferred tax benefit (i.e. for share issue costs) recorded in equity. See also Note 8 to the Company's audited financial statements for 2013 and also MD&A section "I) Quarterly Results" (page 14) for additional information.

K) LIQUIDITY AND CAPITAL RESOURCES:

Liquidity

The Company has available cash and working capital resources as outlined below. The Company also has a flow-through expenditure commitment to be satisfied from available resources.

Under IFRS, as at	December 31, 2013	December 31, 2012	December 31, 2011
Cash and cash equivalents	$ 6,733	$ 500,124	$ 1,008,105
Working capital deficiency	(1) (652,081)	(40,555)	564,139
Flow-through expenditure commitment	-	560,436	722,000

(1) Incudes effect of $400,000 flow-through share subscriber indemnification accrual as at December 31, 2013.

Forward-looking Strategy

Management has identified that the Company's strategy for 2014 will be to attempt to raise additional capital of approximately $500,000 through private placements of common shares and investor warrants, in order to fund, on a balanced basis, existing exploration commitments, property option and other payments, share issue costs, Part XII.6 tax and related liabilities, operating activities and the replenishment of working capital.

The Company's planned 2014 funding does not presently include providing for the $400,000 flow-through share subscriber indemnification accrual, which is expected to take an extended period of several months to a year, or possibly longer, to move through the CRA/RQ audit process.

Given the current weakened state of the capital markets and the lower price of gold, the Company may not be able to exercise its desired strategy for 2014, as was the case in 2013. This could lead to, for example, the Company recording additional write-offs of E&E assets, which can no longer be supported financially. Alternatively, the Company could attempt to renegotiate an extension for a given property option agreement. In addition, the replenishment of working capital may take longer than planned.

It is also possible for the Company to raise additional monies through warrant and option exercises, if the price of its publicly traded common shares improves significantly. In this case, less funds would need to be raised through private placements. This scenario is presently judged to be unlikely by the Company's management.

The Company could also seek to use additional share-based payments to settle debts, as it did successfully in 2013 to the extent of eliminating $99,693 of debt (discussed later in this section).

The Company will likely require additional private placements of common shares and warrants in the second half of 2014 or in the first-half of 2015, in order to successfully finance its objectives for the next twelve months. Potential investors may not be receptive to subscribing for new issuances of the Company's flow-through units due to the current indemnification problem. Accordingly, the Company may be forced to issue new units strictly on a non-flow-through basis until such time as investor confidence has been restored.

K) LIQUIDITY AND CAPITAL RESOURCES (Continued):

Capital Resources

Shares Issued to Acquire Assets

Details of common shares issued by the Company in 2013 and 2012 to acquire exploration and evaluation assets, are disclosed in MD&A section "G) Exploration and Evaluation Assets" (page 10).

Net Capital Resources Raised

In 2013, the Company raised total capital resources of $Nil (2012 – $691,217) from private placements and common share purchase warrant/option exercises. This amount is net of issue costs paid/payable in cash (but excludes the effect of other warrants issued and recorded as transaction costs, and also deferred tax benefits). Further details follow.

Private Placements

The Company participates in capital resource transactions with investors and others to raise funds for exploration and working capital purposes. This may include private placements and exercises of share purchase warrants and stock options.

On October 26/31, 2012, the Company completed a first non-brokered private placement of 656,000 units at a price of $0.60 each for total gross proceeds of $393,600. Each unit consisted of four flow-through and one non-flow-through common shares and two and one-half common share purchase warrants, each whole warrant entitling the holder to purchase one additional non-flow-through common share at a price of $0.17 per share for a period of 24 months from the closing of the offering. The 3,280,000 common shares and 1,640,000 investor warrants issued were subject to a 4-month restricted period.

Of the common shares issued in this first 2012 private placement, 2,624,000 (i.e. 80%) were flow-through shares. Issue costs were $42,753 and 212,100 broker warrants were also issued in connection with this offering. The $8,000 value assigned to these broker warrants was calculated using the Black-Scholes pricing model, and recorded as a transaction cost reducing both share capital and deficit.

On December 31, 2012, the Company completed a second non-brokered private placement of 525,000 units at a price of $0.60 each for total gross proceeds of $315,000. Each unit consisted of four flow-through and one non-flow-through common shares and two and one-half common share purchase warrants, each whole warrant entitling the holder to purchase one additional non-flow-through common share at a price of $0.17 per share for a period of 24 months from the closing of the offering. The 2,625,000 common shares and 1,312,500 investor warrants issued are subject to a 4-month restricted period.

Of the common shares issued in this second private placement, 2,100,000 (i.e. 80%) were flow-through shares. Issue costs were $33,430 and 183,750 broker warrants were also issued in connection with this offering. The $9,000 value assigned to these broker warrants was calculated using the Black-Scholes pricing model, and recorded as a transaction cost reducing both share capital and deficit.

K) LIQUIDITY AND CAPITAL RESOURCES (Continued):

Capital Resources (Continued)

Private Placements (Continued)

On December 31, 2012, the Company completed a third non-brokered private placement of 500,000 units at a price of $0.10 each for total proceeds of $50,000. Each unit consisted of one non-flow-through common share and one common share purchase warrant, each warrant entitling the holder to purchase one additional non-flow-through common share at a price of $0.15 per share for a period of 24 months from the closing of the offering. The 500,000 common shares and 500,000 investor warrants issued are subject to a 4-month restricted period.

Debt Settlements

On June 21, 2013, the Company announced that it had agreed to settle an aggregate amount of $99,693 of debt owed to three suppliers, through the issuance of 1,993,860 units at an assigned value of $0.05 per unit (in accordance with TSX-V minimum pricing requirements). Each unit consisted of one common share plus one-half of one common share purchase warrant, for a total of 1,993,860 common shares and 996,930 warrants. Each full warrant entitles the holder to acquire one common share of the Company at a price of $0.10 for a period of 24 months from the date of closing.

On June 30, 2013, the Company recorded a reduction of trade and other payables of $99,693, an increase in equity of $60,182 (representing the fair value of the securities to be issued), and a gain on debt settlements of $39,511. The $60,182 value was determined using a trading price of $0.025 per common share (total $49,847), and an estimated fair value of warrants issued of approximately $0.0104 each (total $10,335). Weighted-average Black-Scholes assumptions used for valuing these warrants were as follows: expected dividend yield – 0%; expected volatility – 135%; risk-free interest rate – 1.13%; expected life – 2.0 years.

The TSX-V approved the debt settlement transactions on July 2, 2013. The Company issued the applicable securities on July 5, 2013, at which time it transferred $60,182 from securities to be issued to share capital.

Other Warrants Issued

An aggregate of 212,100 other warrants were issued to brokers in connection with the October 2012 private placements, and assigned an issue date aggregate fair value of $8,000 ($0.038 per warrant issued) based on the Black-Scholes option-pricing model. Weighted-average Black-Scholes assumptions used for valuing these other warrants were as follows: expected dividend yield – 0%; expected volatility – 100%; risk-free interest rate – 1.07%; expected life – 2.0 years.

An aggregate of 183,750 other warrants were issued to brokers in connection with the first December 31, 2012 private placement, and assigned an issue date aggregate total fair value of $9,000 ($0.049 per warrant issued) based on the Black-Scholes option-pricing model. Weighted-average Black-Scholes assumptions used for valuing these other warrants were as follows: expected dividend yield – 0%; expected volatility – 111%; risk-free interest rate – 1.17%; expected life – 2.0 years.

K) LIQUIDITY AND CAPITAL RESOURCES (Continued):

Capital Resources (Continued)

Warrants Exercised

On October 23, 2012, the Company received proceeds of $6,000 from the exercise of 75,000 other warrants at $0.08 per share. On November 2, 2012, the Company received proceeds of $2,800 from the exercise of 35,000 other warrants at $0.08 per share.

No warrants were exercised in 2013.

Investor Warrant Extensions and Acceleration

In October 2012, the Company applied for and received TSX-V approval for the six-month extension of 3,750,000 warrants from November 2, 2012 to May 2, 2013 (“E1”). In December 2012, the Company applied for and received TSX-V approval for the six-month extension of 3,000,000 warrants from December 31, 2012 to June 30, 2013 (“E2”), and 13,654,000 warrants from January 25, 2013 to July 27, 2013 (“E3”).

Expired Warrants

The aggregate issue date fair value of the 24,701,501 (2012 – 4,091,500) warrants expiring during the year ended December 31, 2013 was $718,000 (2012 – $72,000).

Stock Options Granted

On February 9, 2012, the Company granted 150,000 options to a consultant. The new options, which vested immediately, have a five-year term and an exercise price of $0.175 each.

On February 7, 2013, the Company granted 50,000 options to an officer. The new options, which vested immediately, have a five-year term and an exercise price of $0.12 each. On May 1, 2013, the Company granted an aggregate total of 900,000 options to directors, officers and a consultant. These options, which vested immediately, have a five-year term and an exercise price of at $0.10 each.

Options Exercised

No options were exercised in either 2012 or 2013.

Options Expired

On January 26, 2012, 150,000 vested options expired unexercised. The grant date fair value of these options was $14,857. On May 28, 2012, 200,000 vested options expired unexercised due to the resignation of a consultant. The grant date fair value of these options was $32,478.

On January 8, 2013, 50,000 options expired unexercised. The grant date fair value of these options was $5,000. On April 9, 2013, an aggregate total of 550,000 options expired unexercised. The grant date fair value of these options was $45,833. On September 12, 2013, 100,000 options expired unexercised. The grant date fair value of these options was $5,000. On July 29, 2013, 450,000 options expired unexercised due to the resignation of a director. The aggregate grant date fair value of these options was $54,986.

The aggregate grant date fair value of all options expiring in 2013 was $110,819 (2012 – $47,335).

K) LIQUIDITY AND CAPITAL RESOURCES (Continued):

Capital Resources (Continued)

Off-Balance Sheet Arrangements

The Company has no off-balance sheet financing arrangements.

Recent Private Placement of Convertible Debentures

On April 15, 2014, the Company commenced a private placement for a maximum of $150,000 of 10% unsecured convertible debentures (the “Debentures”). The Debentures bear interest at the rate of 10% per annum which interest will accrue and be paid on the June 30, 2015 maturity date. The Debentures will be issued with principal in denominations of $1,000 and multiples thereof.

The Debentures (plus any unpaid and accrued interest) are convertible, at the option of the holder, into units (each a “Unit”) at a conversion price (the “Conversion Price”) of $0.01 per Unit over the term of the Debenture, subject to the TSX-V minimum pricing requirement of $0.05 for the first 12 months and $0.10 thereafter until maturity. In the event of a share consolidation by the Company, the Conversion Price will be adjusted proportionately, though it will still be subject to the same $0.05 and $0.10 TSX-V minimum pricing requirements on a post-consolidation basis.

Each Unit will consist of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire one common share of the Company at the Conversion Price for a period of 36 months from the date of issuance of the warrant.

Assuming that: i) the Company closes $150,000 of the Debentures, ii) this amount is subsequently converted by the holders at a $0.05 conversion price, and iii) there is no share consolidation, this would result in the issuance of 3,000,000 Units, representing the equivalent of 3,000,000 common shares and 3,000,000 warrants (or a combined potential 6,000,000 common shares if all the warrants were subsequently exercised).

The TSX-V conditionally approved this transaction on April 16, 2014. The TSX-V’s final approval is subject to the Company meeting its documentation filing requirements on or before May 19, 2014. The TSX-V, in its discretion, may refuse to provide final acceptance in regard to the subscription of one or more subscribers.

As at April 30, 2014, the Company had closed a total of $47,500 of the Debentures, including $10,000 with a related party.

L) SHARE DATA:

The Company's share data as at December 31, 2013 with a roll-forward to April 30, 2014, the date of this MD&A, is as follows:

Share data, under IFRS	As at December 31, 2013	Transactions after Dec. 31, 2013	As at April 30, 2014
Common shares outstanding	79,778,229	-	79,778,229
Potential issuance of common shares			
Warrants (see schedule below)	4,845,280	-	4,845,280
Stock options issued to directors, officers and others (see schedule below)	6,650,000	-	6,650,000
Fully diluted number of common shares outstanding	91,273,509	-	91,273,509

Potential Issuances of Common Shares

The schedule above excludes the planned issuance of 750,000 common shares to new directors and the potential expiry of 1,675,000 stock options on July 4, 2014. – see MD&A section "E) Governance" (page 3).

The schedule above also excludes the effects of the potential issuance of 600,000 common shares that the Company may issue in future periods, in respect of an existing property option agreement as explained in MD&A section "G) Exploration and Evaluation Assets" (page 9).

Finally, the schedule above excludes the potential issuance of up to 6,000,000 common shares through the issuance and conversion of a maximum of $150,000 of convertible debentures – see MD&A section "K) Liquidity and Capital Resources" (page 21).

Outstanding Common Share Purchase Warrants

The Company's outstanding common share purchase warrants are as follows:

Expiry date(s)	Term (yrs)	Exercise price	As at December 31, 2013	Transactions after Dec. 31, 2013	As at April 30, 2014
October 2014	2 *	$0.17	1,640,000	-	1,640,000
October 2014	2 **	$0.12	212,100	-	212,100
December 31, 2014	2 *	$0.17	1,312,500	-	1,312,500
December 31, 2014	2 **	$0.12	183,750	-	183,750
December 31, 2014	2 *	$0.15	500,000	-	500,000
July 5, 2015	2 ***	$0.10	996,930	-	996,930
Total warrants			4,845,280	-	4,845,280

* = investor warrants
** = other warrants (i.e. issued to non-investors)
*** = issued in debt settlements

The 4,845,280 outstanding warrants have a weighted-average exercise price of $0.149 each.

L) SHARE DATA (Continued):

Outstanding Common Share Purchase Options

The Company's outstanding and exercisable common share purchase options are as follows:

Expiry date	Exercise price	As at December 31, 2013	Transactions After Dec. 31, 2013	As at April 30, 2014
February 4, 2015	$0.11	650,000	-	650,000
October 6, 2015	$0.125	1,000,000	-	1,000,000
November 15, 2015	$0.17	700,000	-	700,000
May 17, 2016	$0.24	300,000	-	300,000
September 12, 2016	$0.17	1,525,000	-	1,525,000
December 8, 2016	$0.20	1,375,000	-	1,375,000
February 9, 2017	$0.175	150,000	-	150,000
February 7, 2018	$0.12	50,000	-	50,000
May 1, 2018	$0.10	900,000	-	50,000
Total options		6,650,000	-	6,650,000

The 6,650,000 outstanding options have a weighted-average exercise price of $0.157 each.

M) RELATED PARTY TRANSACTIONS:

The Company considers its related parties to consist of: i) the Company's key management personnel (namely officers and directors) and those companies subject to their control or significant influence; and ii) advisory committee members and consultants providing services to the Company on a basis similar to employees.

a) Summary of Related Party Transactions

Details of the Company's transactions with related parties for the years ended December 31, 2012 and 2013, are as follows:

		2013		2012
Statements of Financial Position				
Evaluation and exploration assets – capitalized during year				
Legal fees – officer's law firm, capitalized as acquisition costs	$	2,590	$	12,675
Geology fees – advisory committee members, capitalized to deferred exploration expenditures		2,000		20,235
	$	4,590	$	32,910
Statements of Equity				
Legal fees – officer's law firm, included in issue costs	$	-	$	20,605
Statements of Loss and Comprehensive Loss				
Management fees – officers' companies	$	130,250	$	160,733
Office and administration				
Website development fees – officer's company		-		3,995
Rent – officers' and directors' companies		12,952		22,080
Professional and regulatory fees – fees from officer's law firm		53,409		74,176
Investigation of new properties – advisory committee members		-		29,425
		196,611		290,409
Share-based compensation				
Common share purchase options granted to employees				
Officers		5,333		-
Non-executive directors		7,917		-
Advisory committee members and consultants		3,750		10,000
Total (Note 7f)		17,000		10,000
Total expense	$	213,611	$	300,409

The Company's officers receive fees through their companies pursuant to fee-for-service arrangements in lieu of salaries. The Company's Board of Directors approves these fees and the share-based compensation.

b) Related Party Balances

Amounts receivable as at December 31, 2012 included $10,000 due from the President's company. This amount, which was non-interest bearing and without fixed terms of repayment, was repaid in 2013.

As at December 31, 2013, amounts payable to related parties of $88,681 (2012 – $69,306) represents fees owed/accrued to officers and their companies/law firm and also to advisory committee members. These liabilities are unsecured, non-interest bearing and due within 30 days.

N) FINANCIAL INSTRUMENTS:

The Company's financial instruments primarily consist of cash (classified as loans and receivables), cash equivalents (classified as fair value through profit or loss), amounts receivable (classified as loans and receivables), investments (classified as either held for trading or as an unquoted equity instrument), and accounts payable and accrued liabilities (classified as other financial liabilities).

The Company's investor warrants are equity instruments and not financial liabilities or financial derivatives.

As at December 31, 2013 and 2012, the carrying values and fair values of the Company's financial instruments are approximately the same because of the limited term of these investments. In addition, the Company's financial instruments that are carried at fair value consist of cash equivalents, classified as "Level 2", and a FVTPL investment, classified as "Level 1", within the fair value hierarchy.

The Company has not used any hedging or financial derivatives.

See Note 14 in the Company's audited financial statements for 2013 for additional information concerning financial instruments and related risks.

O) COMMITMENTS AND CONTINGENCIES:

Flow-through Shares

The Company believes that it has incurred sufficient qualifying expenditures to satisfy its December 31, 2011 and prior flow-through share commitments in respect of Ontario and Quebec subscribers, though such expenditures and the Company's related tax returns are subject to potential audit and reassessment by Canada Revenue Agency and Revenu Québec. The Company has agreed to indemnify the subscribers of its flow-through shares for tax-related amounts that become payable by them, if the Company fails to meet it expenditure commitments.

The Company's original December 31, 2012 flow-through share commitment is discussed in MD&A section "F) Flow-Through Shares – Commitments, Contingencies and Subscriber Indemnifications" (page 4).

Environmental Contingencies

The Company's exploration activities are subject to various federal, provincial and international laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company believes its operations are materially in compliance with all applicable laws and regulations and has made, and expects to make in the future, appropriate expenditures to comply with such laws and regulations.

P) NEW IFRS ACCOUNTING STANDARDS:

The Company has adopted nine new IFRS accounting standards, including amendments and interpretations to existing standards, as of January 1, 2013. The adoption of these new accounting standards did not affect any of the amounts or disclosures presented in these financial statements. The newly adopted IFRS standards are described below, along with other proposed standards yet to be adopted. Each new standard applies to annual periods beginning on or after the stated effective date.

New IFRS standards	Description	Effective dates
• Amendments to IFRS 7 – Financial Instruments: Disclosures (December 2011 and November 2013)	The 2011 amendments improve offsetting rules and related disclosures for financial instruments. The 2013 amendments result from the introduction of a hedge accounting chapter in IFRS 9.	January 1, 2018
• Amendments to IFRS 9 – Financial Instruments (October 2010 and November 2013)	The 2010 amendments provide guidance on the classification and measurement of financial liabilities. The 2013 amendments contain a hedge accounting chapter and permit the early application of presenting certain items in other comprehensive income.	January 1, 2018
• IFRS 10 – Consolidated Financial Statements (issued May 2011, amended June 2012)	The new standard and related amendments provide a new definition of control, which is intended to provide more consistent guidance in the determination of whether control exists to justify consolidation of investees.	January 1, 2013 (adopted #1)
• IFRS 11 – Joint Arrangements (issued May 2011, amended June 2012)	The new standard and related amendments address inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities.	January 1, 2013 (adopted #2)
• IFRS 12 – Disclosure of Interests in Other Entities (issued May 2011, amended June 2012)	The new standard and related amendments set out disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-statement-of-financial-position vehicles.	January 1, 2013 (adopted #3)
• IFRS 13 – Fair Value Measurement (issued May 2011, amended December 2013)	The new standard and related amendments provide guidance on measuring fair value when required by other IFRSs.	January 1, 2013 (adopted #4) and July 1, 2014
• Amendments to IAS 1 – Presentation of Financial Statements (May 2012)	The amendments deal with the reporting of comparative information.	January 1, 2013 (adopted #5)

P) NEW IFRS ACCOUNTING STANDARDS (Continued):

New IFRS standards	Description	Effective dates
• Amendments to IAS 19 – Employee Benefits (June 2011 and November 2013)	The 2011 amendments result from the post-retirement and termination benefits projects. The 2013 amendments deal with contributions from employees and third parties that are linked to service.	January 1, 2013 (adopted #6) and July 1, 2014
• Amendments to IAS 27 – Separate Financial Statements (May 2011)	The amendments address accounting and disclosure for investments in subsidiaries, joint ventures and associates in separate financial statements.	January 1, 2013 (adopted #7)
• Amendments to IAS 28 – Investments in Associates and Joint Ventures (May 2011)	The amendments establish accounting principles for investments in associates under significant influence and also set out the equity method of accounting for investments in associates and joint ventures.	January 1, 2013 (adopted #8)
• Amendments to IAS 32 – Financial Instruments: Presentation (December 2011 and May 2012)	The 2011 amendments (effective January 1, 2014) improve offsetting rules and related disclosures for financial instruments (see IFRS 7 amendments above). The 2012 amendments (effective January 1, 2013) deal with the tax effect of equity distributions.	January 1, 2013 (adopted #9) and January 1, 2014
• Amendments to IAS 36 – Impairment of Assets (May 2013)	The amendments deal with recoverable amount disclosures for non-financial assets.	January 1, 2014
• Amendments to IAS 38 – Financial Instruments (December 2013)	The amendments deal with the proportionate restatement of accumulated depreciation on revaluation.	July 1, 2014
• Amendments to IAS 39 – Financial Instruments (June 2013)	The amendments deal with the novation of derivatives and continuation of hedge accounting.	January 1, 2014

The new IFRS accounting standards listed above exclude any applicable to investment entities, since they do not apply to the Company. Management is currently assessing the impact of adopting the eight remaining new IFRS accounting standards on the Company's financial reporting.