<u>TAKU GOLD CORP.</u>

FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Management Discussion and Analysis (MD&A) Form 51-102F1</u>

OVERVIEW:

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Taku Gold Corp. (the "Company" or "Taku") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months and year ended December 31, 2012. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion is dated April 23, 2013. This MD&A should be read in conjunction with the audited annual financial statements of the Company for the year ended December 31, 2012, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The audited annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Information contained herein is presented as at April 23, 2013, unless otherwise indicated.

The Company is currently engaged in exploration and development of mineral properties and does not have any source of revenue or operating assets. The recoverability of the amounts shown for mineral properties is dependent upon the ability of the Company to obtain necessary financing to complete exploration, technical studies and, if warranted, development and future profitable production or proceeds from the disposition of properties. The amounts shown as mineral properties represent costs to date and do not necessarily represent present or future values.

The Company is currently engaged in exploration and development of mineral properties and does not have any source of revenue or operating assets. The recoverability of the amounts shown for mineral properties is dependent upon the ability of the Company to obtain necessary financing to complete exploration, technical studies and, if warranted, development and future profitable production or proceeds from the disposition of properties. The amounts shown as mineral properties represent costs to date and do not necessarily represent present or future values.

The Company is a reporting issuer under applicable securities legislation in the provinces of Alberta and British Columbia and its outstanding common shares ("Common Shares") are listed on the TSX Venture Exchange (the "TSX.V") under the symbol "TAK.V".

Further information about the Company is available on SEDAR at www.sedar.com.

Adoption of International Financial Reporting Standards ("IFRS")

The Company's financial statements and the financial data included in the MD&A have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee.

Cautionary Note Regarding Forward-Looking Statements

All statements made in this MD&A, other than statements of historical fact, are forward-looking statements. The Company's actual results may differ significantly from those anticipated in the forward-looking statements and readers are cautioned not to place undue reliance on these forward-looking statements. Except as required by securities regulations, the Company undertakes no obligation to publicly release the results of any revisions to forward-looking statements that may be made to reflect events or circumstances after the date of this MD&A or to reflect the occurrence of unanticipated events. Forward-looking statements include, but are not limited to, statements with respect to the future metal prices, success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of pending litigation.

In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to the integration of acquisitions; future price of metals; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

MINERAL PROPERTIES:

The Company’s principal business activities include acquiring and developing mineral properties. At September 30, 2012, the Company’s principal mineral interests are located in Canada as follows:

TAG Gold-Silver Property within the Atlin mining division of British Columbia

The TAG Gold-Silver property consists of 26 claims (2,429ha) and is located 35km due west of Atlin on Taku Arm of Tagish Lake. The lake provides good access by barge and float plane. A winterized, 16-man camp has been built on the property.

The property covers 6.2km of the 025 Fault Zone (“025FZ”). The 025FZ is a highly deformed interval of shearing, quartz veining, stockwork and breccia with disseminated to stringer sulphide mineralization that cuts calcareous sedimentary rocks. Sediment-hosted, structurally controlled gold deposits are some of the world's most significant gold resources. The TAG property shows all the features that characterize these deposit types.

Between 2006 and 2008, Taku completed airborne geophysical, soil geochemical and prospecting surveys as well as extensive surface trenching and 11,476m of drilling in 69 drill holes. Taku has completed a 43-101 initial mineral resource estimate from 28 holes drilled on the Main Zone at the far south end of the 025FZ.

The Tag property remains wide open for further exploration. A new surface showing was discovered in 2008. This showing is located on the south margin of a quartz diorite intrusion that is well outlined by the airborne magnetic survey. The area underlain by the quartz diorite will be the focus for Taku’s future exploration efforts.

White Gold District Properties, Yukon

In March 2010, Taku optioned the Dan and Rosebute properties from Dawson based prospector, Shawn Ryan. Together the properties cover 1,022 claims (21,258 hectares) of prospective rock types and structures similar to Kinross' Golden Saddle project 35km due south and Kinross's JP Ross project 10km due east. The Dan block covers 27.6km of a prospective, well-defined, linear, thrust fault system that is the possible northern extension of the gold-bearing trend found on the JP Ross property. On the Rosebute block, four distinct gold targets were discovered by the Vendor. The Bute block covers two creek drainages that are considered extremely anomalous in gold for this area with Geological Survey of Canada silt samples of 17 and 26 ppb Au.

Due to limited exposure of bedrock, large scale soil sampling has been the most successful exploration tool in the White Gold area.

Additionally, Taku acquired the following five properties in August 2010:

Sulphur Property (11,344 hectares) covers a southeast-trending ridge where significant placer gold has occurred and is ongoing.

Quartz Property (3,022 hectares) includes the section of Quartz Creek where significant placer gold has been and continues to be produced.

Montana Property (5,548 hectares) connects to Kinross' JP Ross property and includes the lower end of Steele Fork, where magnetic data and limited geological mapping indicate a thrust fault prospective for gold mineralization.

Wounded Moose Property (5,796 hectares) covers a series of circular airborne magnetic highs that parallel Wounded Moose Creek where placer gold production has been recorded.

AM Property (5,796 hectares) includes Australia and Melba Creek headwaters where placer gold production has occurred, and also features a prominent airborne magnetic low that continues from Gold Run Creek, which is one the most productive creeks in the Klondike goldfields.

In October 2010, Taku acquired the Portland Property (1,552 hectares) which covers a historical showing known as the Gold Run which was discovered in 1910 and has about 30 metres of shafting, 23 meters of adits and extensive hand trenching. This work was done along several hundred metres of an exposed sulphide-bearing quartz-breccia vein found on the ridge crest and trending northwest into the headwaters of Portland Creek.

Also in October, 2010, Taku acquired the Bishop Property (4,658 hectares) that includes a large area where previous work by the property vendors Tom Morgan and Vern Matkovich outlined a strong, southeast trending conductor on the margin of a magnetic high. Mechanical auger drilling done by the property vendors to test for placer gold found unusual gold grains in bedrock samples collected across the geophysical anomaly. The gold grains are angular, dark yellow in colour and often attached to quartz fragments. Generally they are atypical and do not resemble placer gold produced in the immediate area.

At December 31, 2010, Taku had completed the first phase of the Company's exploration program. Taku completed a high resolution, multi-sensor, airborne geophysical survey over nine of Taku's properties. The goal of the airborne geophysical surveys was to provide a framework for planning soil geochemical surveys in the 2011 season. A total of 558 line kilometres of magnetic and radiometric data was collected over the Montana property located 55km southeast of Dawson City. The survey outlined a number of northwest-trending, linear magnetic structures that may represent fault zones. A total of 673 line kilometres of magnetic and radiometric data was collected over the Wounded Moose property located 64km southeast of

Dawson City. The survey outlined a number of circular magnetic and radiometric features that may represent intrusive bodies. These features are cut by numerous linear magnetic structures at various orientations that may represent fault zones. A total of 1292 line kilometres of magnetic and radiometric data was collected over the Sulphur property located 47km southeast of Dawson City. The survey shows three distinct northwest-trending magnetic zones that likely represent three different lithologies. The survey also outlined a series of distinct north-trending magnetic lows that may represent faults or dykes. In general, the airborne geophysical surveys have generated numerous target areas to be investigated by soil sampling, prospecting and trenching with the objective of generating solid drill targets.

The Company also completed deep-auger geochemical surveys on the Quartz Property, the Rosebute Property and the Dan Property.

A 901-sample, deep auger-type, soil geochemical survey and 340 line km airborne geophysical survey was completed over the 146-claim (3022ha) Quartz property in mid-September 2010. The soil sampling was done at 50m intervals on lines spaced approximately 450m apart and is therefore very preliminary. However a cluster of seven anomalous gold-in-soil values was identified in the northwest corner of the property. This cluster occurs at the south margin of a very strong magnetic high identified by the airborne geophysical survey.

On the Rosebute property, 5158 soil samples were collected on two grids based on 50m sample intervals on lines spaced approximately 100m apart, and 1107 line kilometers of airborne geophysical readings were collected. Geochemical results were obtained from the first grid located in the northwestern part of the property and an anomalous area approximately 550ha in size was identified. Within this area there are three distinct, east trending linear anomalies. The first anomaly is well defined over 2200m. The second anomaly is well defined over 400m long. The third anomaly is intermittently defined over 1100m. These three east-trending geochemical features all appear to crosscut the regional geological fabric that, as indicated by the airborne magnetic data, is generally northwesterly. The second grid, covering roughly 1500ha in the central part of the property, returned only a few individual anomalous values.

On the Dan property, 2316 soil samples were collected on one main grid and three smaller grids based on 50m sample intervals on lines spaced approximately 100m apart, and 1091 line kilometers of airborne geophysical readings were collected. The Dan property covers approximately 27km of a prospective, well-defined, linear, thrust fault system that is the possible northern extension of the gold-bearing structure found on Kinross's JP Ross property located 5km southwest. The soil sampling was focused on the northwestern part of the property where the thrust fault system appears to be more complex according to the airborne magnetic data. The soil geochemical results were generally low.

A strongly anomalous gold zone roughly 550ha in area has been identified in the northwestern part of the Rosebute property with three clearly defined linear gold trends. Soil sampling in the central part of the property returned several spot anomalies but generally is less prospective for gold mineralization. Roughly 60% of the property was not covered by the soil sampling work in 2010 and remains to be tested. The soil sample results from the Dan property did not outline any gold trends. However, 18km of the prospective thrust fault system was not covered by the soil sampling work in 2010 and remains to be tested.

Taku also completed a mechanical trenching program on the Portland Property. The trenching was completed at the historical Gold Run showing (Yukon Minefile No. 115O 063). Nine trenches were dug at 50m intervals along a strike length of 250m of a poorly exposed sulphide-bearing quartz-breccia vein that makes up the showing. A total of 22 chip samples were systematically collected across the mineralized structure at 1.0m intervals. The best values were obtained in Trench No. 4.

A total of 691.9m of drilling in 5 holes was completed on the Bishop property in late October 2010. The goal of the drilling was to test a strong, southeast trending conductor on the margin of a magnetic high associated with unusual placer gold grains found in bedrock samples collected by mechanical auger drilling. In four of the five holes, the drilling intersected a zone marked by shearing, quartz veins, stockworks and breccias, and weak sulphide mineralization. The structure generally follows an ultramafic, metasediment contact. Assay results from the zone were generally low.

Subsequent to the release of the results, Taku outlined an exploration program for 2011 including soil sampling, trenching and drilling.

In May 2011, Taku announced it had staked an additional 660 claims (13,662 hectares) in the White Gold District of Yukon. The claims form one continuous block known as the Burnham Property approximately 35km long that covers the headwaters of Australia, Melba, Rob Roy, Burnham, Arkansas, Kentucky and Jensen Creeks. These creeks are all tributaries of Dominion Creek where significant placer gold production has been documented dating back to the Klondike Gold Rush of 1898. The block is located about 20km northwest of the Company’s main camp that was completed in late May. Taku intends to complete reconnaissance deep auger-type soil geochemical and airborne geophysical surveys over the Burnham block in 2011.

In July 2011, Taku announced results from deep auger soil sampling on the Sulphur property. A total of 2262 soil samples were collected along ridges and spurs at 50m sample intervals. Three anomalous gold areas were identified. The first area, located in the south-central part of main block, the second area, located in the north-central part of the main block, and the third area, located at the north end of the east block. Three spot anomalies scattered in the central part of the property were also identified.

Also in July, results from deep auger soil sampling on the Montana property were announced. A total of 1608 soil samples were collected along ridges and spurs at 50m intervals. Three anomalous gold areas were identified. The first area was located on the west side of the property. The second area was located in the southwest corner of the property and the third area was located in the southeastern corner of the property. Detailed sampling is planned at 50m stations on lines spaced 100m apart in order to follow up these results.

On August 2, 2011 Taku announced final results from a preliminary deep auger-type, soil geochemical survey completed over the Wounded Moose property in mid to late June 2011. The goal of the survey was to identify areas prospective for detailed soil geochemical, prospecting and sampling work.

A total of 2068 soil samples were collected along ridges and spurs at 50m intervals. An anomalous area was identified at the northwest end of the property. This area also shows moderate to high values for arsenic, antimony and silver. There are three other areas located in the western and southern parts of the property that returned moderate to strong gold values. Detailed sampling is now underway on small grids with sample stations every 50m on lines spaced 100m apart in order to follow up these results.

On August 9, 2011 Taku announced final results from a preliminary deep auger-type, soil geochemical survey completed over the 227-claim (4,699 hectare) Bishop property in late June 2011. A total of 838 soil samples were collected along ridges and spurs at 50m intervals. Two clusters of anomalous gold, silver, arsenic and antimony were identified by the sampling. The first area is located in the north-central part of the property and shows gold-in-soil values over a continuous distance of 800m. The second area is located 2km west and shows gold-in-soil anomalies over a continuous distance of 600m. Both areas also show consistent moderate to strong silver, arsenic and antimony values. Detailed sampling is now underway over these areas with sample stations every 50m on lines spaced 100m apart in order to follow up the encouraging initial results.

On September 12, 2011 Taku announced results from detailed deep auger-type soil sampling completed over a grid established in the northern part of the Rosebute property. Sample results in 2011 are well above the 2010 results and confirm the gold potential over an area covering approximately 9 claims (189ha). Sample density on this area is now at 50m sample stations on lines spaced at 50m apart and three distinct anomalies are delineated. The first anomaly is located in the northern part of the gridded area. It is well defined over an east trending length of 900m. The second anomaly is located in the southern part of the gridded area. It is well defined over an east trending length of 500m. The third anomaly is located in the eastern part of the property. It is well defined over an east trending length of 450m. The first and third anomalies line up in a west to east trend and may in fact identify one gold-bearing zone up to 1.8km long. More work will have to be done to establish if this is a valid interpretation.

On September 28, 2011 Taku announced results from detailed deep auger-type soil sampling completed over a number of grids established throughout the Sulphur property. The detailed grid sampling was completed over prospective areas identified by “ridge and spur” sampling completed in May and June 2011. The grid sampling was done at 50m sample stations on lines spaced 100m apart. The first zone is located in the south-central part of the property. It is well defined over an east-trending length of 1,200m. The second zone is located in the north-central part of the property. It is well defined over a southeast-trending length of 1,600m. The third zone is located in the southeastern corner of the property. It is well defined over a southeast-trending length of 600m. The fourth zone is located in the northeastern part of the property. The orientation and dimensions of this zone are unclear. It appears to be three parallel, northeast-trending subzones. The first, most northerly subzone, is well defined over a length of 100m. The second, located 400m southeast of the first, is poorly defined over a length of 600m. The third, located 450m southeast of the second, is well defined over a length of 400m.

Mechanical trenching, prospecting and detailed sampling were later completed on the four gold zones described above.

On October 25, 2011 Taku announced follow-up deep auger-type, soil geochemical survey results completed over the Montana property in mid-August 2011. A total of 1,760 soil samples were collected from seven grids at 50m intervals on grid lines spaced at 100m apart in order to follow up positive gold results obtained by ridge and spur sampling as previously announced.

The most significant results were obtained from an area located in the north central part of the property on a low ridge south of Bismarck Creek where two highly anomalous samples were collected. This area also shows highly anomalous arsenic results. A second area located on a ridge south of the junction of Montana Creek and Steele Fork in the northeast corner of the property shows a strong arsenic anomaly covering 85 hectares. Two other areas with highly anomalous arsenic values were identified at the headwaters of Steele Fork. Finally the sampling identified an antimony rich area in the south central part of the property that returned several strong gold-in-soil results.

On December 12, Taku announced the results from a drill program done in August 2011 Portland property located at the headwaters of Portland Creek, some 45km southeast of Dawson City, Yukon. The work included 1,075m of drilling in seven holes. The goal of the work was to test the continuity of a gold-bearing structure identified historically as the Gold Run showing.

The Gold Run structure was intersected in holes PT11-01, 02, 05 and 06. The highest gold value found in the zone was 2.3 grams per tonne gold (gpt Au) over 1.0m in hole PT11-02 from 46.3m within a wider interval of 0.5gpt Au over 3.0m from 45.3m. Hole PT11-07 intersected a parallel zone grading 0.22gpt Au over 3.0m from 41.2m. Although this zone is narrow and low-grade, it does provide direct evidence for the existence of gold-bearing zones parallel to the Gold Run structure. Notable gold intersections are listed as follows:

Hole No.	From (m)	Interval (m)	Au g/t
PT11-01	29.4	3.6	0.55
PT11-01	54.9	3.0	0.61
PT11-02	45.3	5.0	0.56
PT11-02	59.3	2.0	0.52
PT11-05	96.0	3.0	0.17
PT11-07	41.2	3.0	0.22
PT11-07	78.7	1.0	0.67

The drill program met its primary goal of testing the continuity of the gold-bearing structure exposed at the historical Gold Run showing. The structure appears to be narrow and discontinuous with a global average gold grade that is low. The drill results did not reflect the high-grade values obtained from the trenches done in the previous season. Visible gold has been noted in the surface trenches suggesting that the gold in the structure is relatively coarse-grained and subject to a nugget effect. Taku intends to continue surface exploration on the Portland property in 2012 with the goal of locating additional gold-bearing targets suitable for drilling.

Taku completed over 30,000 soil samples, trenching and limited drilling on its Yukon properties for the 2011 work season.

On February 2, 2012 Taku announced it will be concentrating exploration efforts on the Rosebute Property on the Norwest zone. It is anticipated that the three gold-rich areas within the Norwest zone will be mapped, trenched and sampled, and then drilled. Detailed soil sampling and possibly trenching will also be undertaken at the two new zones mentioned above. A preliminary budget of $600,000 has been proposed for the project and it is expected that work will begin in early June 2012.

On August 14, 2012 Taku announced results from a seven hole, 1,033 metre core drilling program completed on the Sulphur Property.

The following table summarizes all the gold-bearing intervals encountered by the drilling:

Hole	**UTM mE***	**UTM mN***	**Azimuth**	**Dip**	**Depth m**	**Area**	**From m**	**Length m**	**Wt. Avg. gpt Au**
SU12-01	611313	7065529	90°	-50°	148.0	Lions	50.0	2.0	0.31
SU12-02	611370	7065445	55°	-50°	148.0	Lions	58.0	5.0	0.12
SU12-03	611461	7065312	55	-50°	129.0	Lions	-	-	-
SU12-04	611210	7065385	55°	-50°	152.0	Lions	75.0	2.0	0.14
SU12-05	611150	7065718	55°	-50°	155.0	Lions	-	-	-
SU12-06	611030	7065957	55°	-50°	149.0	Lions	56.0	2.0	0.14
SU12-07	604564	7069568	45°	-50°	152.0	Blues	39.0	3.0	0.32
						Blues	50.0	6.0	0.19
						Blues	72.0	1.0	0.72

* UTM Zone WGS Zone 7N

On August 22, 2012 Taku released results from a four hole, 963 metre core drilling program completed on the Norwest Zone on the Rosebute Property.

The first hole intersected 0.95 grams per tonne gold (gpt Au) over 23.4 metres (m) from 22.6m in an area where soil geochemical sampling returned up to 1.3gpt Au within an anomalous trend at least 500m long. The second hole intersected 1.58gpt Au over 1.0m from 19.0m in an area where a strong arsenic-in-soil anomaly was identified in 2011. The fourth hole intersected 0.88gpt Au over 3.0m from 66.0m where soil geochemical sampling returned up to 0.3gpt Au within an anomalous area at least 450m long. The third hole, drilled to test 900m long gold-in-soil trend with values up to 0.2gpt Au, did not intersect any notable gold-bearing intervals.

The following table summarizes all the gold-bearing intervals encountered by the drilling:

Hole	UTM mE*	UTM mN*	Azimuth	Dip	Depth m	From m	Length m	Wt. Avg. gpt Au
RO12-01	570282	7043134	130°	-50°	243.0	23.4	22.6	0.952
RO12-02	570267	7044463	150°	-50°	231.0	19	1	1.576
RO12-03	570909	7044086	215°	-50°	231.0	-	-	-
RO12-04	569493	7043960	305°	-50°	258.0	66	3	0.884

** UTM Zone WGS Zone 7N*

On August 28, 2012 Taku announced that it had outlined a large gold-in-soil anomaly in the western part of the Rosebute property named the Hudbay Zone. Reconnaissance ridge and spur soil samples taken by the Company in 2011 identified a small cluster of anomalous gold results with maximum values up to 0.5 grams per tonne (gpt Au) approximately 2.4 kilometers southwest of the Norwest zone. In June 2012, a total of 1,356 follow up grid samples were collected over this cluster at 50m sample stations on lines spaced 50m apart. A very strong gold-in-soil zone trending northwest over a length of at least 1000m was identified by the grid sampling. The “Hudbay” zone varies from 150 to 350m wide and shows a maximum value of 0.9 gpt Au. The southern end of the zone is especially strong with almost every sample showing strongly anomalous gold values greater than 60 parts per billion (ppb Au) within an area 500m long by 350m wide.

The detailed grid sampling also identified a second anomalous gold-in-soil zone approximately 750m southeast of the Hudbay zone. This second zone trends northwest over a length of 650m, varies from 50 to 250m wide and shows maximum gold values up to 96ppb Au.

On September 12, 2012 Taku announced results of a recently completed trenching program on the Hudbay Zone.

A total of 1,341 metres (m) of trenching was done in seven trenches to test the southern end of the Hudbay zone where strongly anomalous gold values up to a maximum value of 0.90 grams per tonne gold (g/t Au) were obtained earlier this year from an area 500m long by 350m wide (Taku Press Release – August 28, 2012). Broken bedrock in the trenches was sampled systematically at five metre sampling intervals and a number of parallel, north-trending gold zones were identified. Highlights of the sampling include 6.17g/t Au over 5m from 35.0m in Trench 12-02 and 1.50g/t Au over 20.0m from 130.0m in Trench 12-04. The trenching results are summarized as follows:

Trench	From (m)	Length (m)	Wt. Avg. g/t Au	Max. g/t Au
12-01	70.0	20.0	0.26	0.42
	210.0	36.0	0.18	0.55
12-02	35.0	5.0	6.17	6.17
	125.0	5.0	0.70	0.70
	160.0	20.0	0.31	0.72
12-03	30.0	60.0	0.16	0.63

	145.0	5.0	0.62	0.62
12-04	10.0	50.0	0.18	1.08
	130.0	20.0	1.50	4.22
12-05	60.0	30.0	0.21	0.75
	115.0	81.0	0.35	2.07
12-06	55.0	25.0	0.16	0.24
12-07	25.0	5.0	0.52	0.52
12-08	80.0	27.0	0.21	0.63

On October 11, 2012 Taku announced that it had expanded the Rosebute property by staking an additional 151 claims to bring the total number of claims to 695 (14,387 hectares).

Mark Fekete, P.Geo is the designated “qualified person” as defined in Section 1.2 in and for the purposes of National Instrument 43-101 responsible for the technical content. Mark Fekete is a Company Director.

SUMMARY OF QUARTERLY RESULTS

The Company is an exploration stage entity engaged in the acquisition, exploration, evaluation and development of principally gold resource properties. At this time, any issues of seasonality or commodity market fluctuations have no direct impact on the Company’s results or operations. The Company currently defers its exploration expenditures to mineral exploration properties. A summary of selected information for each of the eight most recent quarters is as follows:

The Company is an exploration stage entity engaged in the acquisition, exploration, evaluation and development of principally gold resource properties. At this time, any issues of seasonality or commodity market fluctuations have no direct impact on the Company’s results or operations. The Company currently defers its exploration expenditures to mineral exploration properties. A summary of selected information for each of the eight most recent quarters is as follows:

	31 Dec-12	**30 Sept-12**	**30 June-12**	**31 Mar-12**	**31 Dec-11**	**30 Sept-11**	**30 Jun-11**	**31 Mar-11**
	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Net Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Net Earnings (loss)	(382,734)	(176,256)	(181,752)	(217,625)	(2,487,226)	38,874	10,937	(516,122)
Loss per share	($0.00)	($0.01)	($0.01)	($0.01)	($0.03)	$0.00	$0.00	$(0.01)

In general, overall spending levels have varied commensurate with the changes in the Company’s exploration, development and corporate activities

RESULTS OF OPERATIONS

Three months and year ended December 31, 2012, compared with three months and year ended December 31, 2011

	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011
EXPENSES				
Consulting	$ 90,400	$ 94,950	$ 340,489	$ 329,139
Directors fees	7,500	15,000	45,000	60,000
Investor relations	-	9,000	3,000	36,000
Management fees	22,500	22,500	90,000	90,000
Office and miscellaneous	45,572	39,463	138,030	148,941
Professional fees	38,762	40,529	98,594	106,618
Research funding	-	-	-	35,000
Transfer agent, filing fees	2,033	3,132	17,635	27,307
Stock-based compensation	-	200,884	-	1,022,514
Travel and promotion	31,953	28,194	95,020	155,277
Website development	119	450	1,585	4,617
	238,839	452,102	829,353	2,015,413
OTHER ITEMS				
Impairment of exploration and evaluation asset	466,232	804,863	466,232	804,863
Interest income	(16,119)	(44,983)	(31,000)	(44,983)
LOSS BEFORE INCOME TAXES	688,952	1,211,982	1,264,585	2,775,293
Income tax expense (recovery)	(306,218)	1,275,244	(306,218)	178,244
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ 382,734	$ 2,487,226	$ 958,367	$ 2,953,537
BASIC AND FULLY DILUTED LOSS PER SHARE	$ 0.00	$ 0.04	$ 0.01	$ 0.04

The Company's loss totaled $382,734 for the three months ended December 31, 2012, which compares with a loss of $2,487,226 for the three months ended December 31, 2011. The decrease in loss of $2,104,492 was principally due to:

- Income tax recovery during the three months ended December 31, 2012, was $306,218 compared to tax expense of $1,275,244 during the three months ended December 31, 2010. This increase of $1,581,462 is attributed to increased flow through expenditures incurred in Year 2011.
- During the three months ended December 31, 2012, the management of the Company decided not to exercise an option on two of its properties and wrote off $466,952, compared to $804,863 written off in Year 2011.

The Company's net loss totaled $958,367 for the year ended December 31, 2012, with basic and diluted loss per share of $0.01. This compares with a net loss of $2,953,537 with basic and diluted loss per share of $0.04 for the year ended December 31, 2011. The decrease in loss of $1,995,170 was principally due to:

- During the year ended December 31, 2012, the management of the Company decided not to exercise an option on two of its properties and wrote off $466,952, compared to $804,863 written off in Year 2011.

- Income tax recovery during the year ended December 31, 2012, was $306,218 compared to tax expense of $178,244 during the year ended December 31, 2011. This increase of $484,462 is attributed to increased flow through expenditures incurred in Year 2011.
- Stock-based compensation expense decreased by $1,022,514 as during the year ended December 31, 2012 no options were granted.

Selected Quarterly Information for three months ended December 31:

	2012	**2011**	**2010**
	IFRS	***IFRS***	***IFRS***
Consulting fees	90,400	94,950	75,750
Management fees	22,500	22,500	154,500
Professional fees	38,762	40,529	49,559
Stock-based compensation	-	200,884	306,435
Impairment of exploration and evaluation assets	466,232	804,863	-
Income tax expense (recovery)	(306,218)	1,275,244	(174,289)
Net income (loss) for period	(382,734)	(2,487,226)	(540,295)
Mineral property and deferred costs	11,034,967	9,878,127	7,020,079
Shareholder equity	12,135,932	13,081,299	14,371,072

LIQUIDITY, CAPITAL RESOURCES AND BUSINESS PROSPECTS

The Company has no operating revenue and therefore must utilize it current cash reserves and rely on external financing to generate capital to maintain its capacity to meet working capital requirements and ongoing discretionary exploration programs. As a result, the Company continues to incur net losses. As of December 31, 2012, the Company had $1,463,259 in cash, 70,465,139 common shares issued and outstanding and 5,306,000 options outstanding.

During the year ended December 31, 2012, the Company spent $463,408 in operations and $1,639,901in mineral property acquisitions and exploration activities.

The Company's management believes that the Company has sufficient funds for the next six months to meet the ongoing obligations as they become due. The Company recognizes that it will require additional funding which the Company will raise through the market and debt instruments but there can be no assurance the management can raise the required capital.

To the date of this MD&A, the cash resources of the Company are held in cash with a major Canadian financial institution. The Company continues to have no debt and its credit and interest rate risk is minimal. Accounts payable and accrued liabilities are short-term and non-interest bearing. The Company's liquidity risk with financial instruments is minimal. In addition, accounts receivable are composed mainly of sales tax receivable from government authorities in Canada.

SUBSEQUENT EVENTS

On March 27, 2013, the Company completed its fourth option payment on the Rose Bute Property by issuing 200,000 common shares and cash payment of $75,000.

SHARE CAPITAL:

Issued and outstanding as at April 23, 2013, there were:

a. 70,665,139 common shares outstanding.
b. 5,306,000 stock options outstanding.

TRANSACTIONS WITH RELATED PARTIES

The Company had the following transactions in the normal course of operations with directors and companies with common directors:

	Year ended	
	December 31, 2012	**December 31, 2011**
Consulting (b)	$ 60,000	$ 59,000
Director fees (c)	45,000	60,000
Management fees (a)	90,000	90,000
Mineral property – exploration expenditures (a)	97,500	145,700
Professional fees (a)	60,000	69,500
Office rent and supplies (d)	42,741	38,600
Stock-based compensation	-	599,420
	$ 395,241	$ 1,062,220

a. The Company paid $90,000 (2011 - $90,000) in management fees to the President of the Company; $60,000 (2011 - $69,500) in professional fees to the CFO of the Company; and $97,500 (2011 - $145,700) in mineral property exploration consulting to the VP of Exploration.

b. $60,000 (2011 - $59,000) in consulting fees for administration to a private company controlled by two directors of the Company;

c. $45,000 (2011 – $60,000) to the directors of the Company as director fees;

d. $42,000 (2011 - $38,600) in rent to a private company controlled by two directors of the Company

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

OFF-BALANCE SHEET ARRANGEMENT

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

SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING POLICIES

On January 1, 2011, with the adoption of IFRS, the Company prepared its dated financial statements in accordance with International Financial Reporting Standards, and made estimates and assumptions that affect its reported amounts of assets, liabilities, revenue and expenses, and the related disclosures of contingent liabilities. The Company based its estimates on historical experience and other assumptions that it believes are reasonable in the circumstances. Actual results may differ from these estimates.

A detailed summary of the Company's significant accounting policies is included in note 2 of the Company's unaudited financial statements for the year ended December 31, 2012.

CRITICAL ACCOUNTING ESTIMATES

The Company is a development stage company. The financial statements have been prepared using accounting principles applicable to a going concern which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. There are conditions which may raise doubt regarding this assumption. The financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern. These adjustments could be material.

The amounts recorded for capitalized exploration and evaluation assets, stock based compensation and future income taxes are based on estimates. By their nature, these estimates are subject to measurement uncertainty and changes in these estimates may impact the financial statements for future periods. Amounts recorded for exploration and evaluation assets represent costs incurred to date and are not intended to reflect present or future values. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves and future production or proceeds from the disposition thereof.

FINANCIAL INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

The Company's exposure to financial risk factors is detailed in Note 12 to the financial statements. While the Company is a development stage company and has no production or sales revenues, it bears commodity price risk in that commodity prices may influence investors and thus impact the outcome of the Company's future equity financings. The Company considers that supply and demand fundamentals for gold remain strong.

CAPITAL DISCLOSURE

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components 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 its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents. As at December 31, 2012, the Company has not entered into any debt financing.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects.

The Company is not subject to any capital requirements.

INVESTOR RELATIONS ACTIVITIES

Investor Relations activities of the Company consisted of the dissemination of news releases by officers and directors. In addition, management of the Company responded to requests by shareholders and investment dealers for information, and disseminated financial information as required by applicable laws. The Directors of the Company have been actively contacting interested parties. The Company has engaged an IR company during the period under review and intends to engage in significant public relations and investor relations activities in the future in order to achieve its long-term goals.

RISK FACTORS

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

The Company's business, operating and financial condition could be harmed due to any of the following risks. The risks described below are not the only ones facing the Company. Additional risks not presently known to us may also impair business operations.

Exploration and Mining Risks

The Company is engaged in mineral exploration and development activities. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. There is no assurance that a mineral deposit will ever be discovered and economically produced.

The long-term profitability of our operations will be in part directly related to the cost and success of our exploration programs, which may be affected by a number of factors beyond our control. Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral resources, any of which could result in work stoppages, damage to property, and possible environmental damage.

Hazards such as unusual or unexpected formations and other conditions such as formation pressures, fire, power outages, labour disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable machinery, equipment or labour are involved in mineral exploration, development and operation. We may become subject to liability for pollution, cave-ins or hazards against which we cannot insure or against which we may elect not to insure. The payment of such liabilities may have a material, adverse effect on our financial position. The Company relies upon consultants and others for exploration and development expertise. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, 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 mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, allowable production, importing and exporting of minerals and environmental protection.

History of losses:

The Company has historically incurred losses as evidenced by its audited financial statements for the years ended December 31, 2012 and December 31, 2011. The Company has financed its operations principally through the sale of its equity securities. The Company does not anticipate that it will earn any revenue from its operations until its properties are placed into production, if ever. If the Company is unable to place its properties into production, the Company may never realize revenues from operations, will continue to incur losses and you may lose the value of your investment.

Unexpected delays:

The Company's minerals business will be subject to the risk of unanticipated delays including permitting its contemplated projects. Such delays may be caused by fluctuations in commodity prices, mining risks, difficulty in arranging needed financing, unanticipated permitting requirements or legal obstruction in the permitting process by project opponents. In addition to adding to project capital costs (and possibly operating costs), such delays, if protracted, could result in a write-off of all or a portion of the carrying value of the delayed project

Trends

The mineral exploration industry goes through difficult period with low prices for both precious and base metals. Lack of interest may lead to low market capitalizations. Environmental groups have successfully lobbied for more wilderness areas and parks where exploration and mining activities are not allowed. Native groups are actively pursuing land claims and there is a rise of militant national and religious groups in many parts of the world. These issues tend to restrict the areas where mineral exploration and development of new mines can occur.

Financing Risks

The Company is limited in both financial resources, and sources of operating cash flow and has no assurance that additional funding will be available to us for further exploration and development of our projects or to fulfill our obligations under any applicable agreements. There can be no assurance that we will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of our projects with the possible loss of such properties. Also see the Company audited financial statements.

Cash flows and additional funding requirements

The Company has not commenced operations as yet. If any of the Company's exploration programs are successful and optionees of properties complete their earn-in, the Company would have to provide its share of ongoing exploration and development costs in order to maintain its interest in the projects. Additional capital would be required to put a property into commercial production. Although the Company presently has sufficient financial resources to undertake all of its currently planned exploration programs, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be advantageous to the Company.

Environmental Regulations

The Company's operations may be subject to environmental regulations promulgated 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 imposition 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 which will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect our operations.

Failure to comply may result in enforcement actions causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures.

Laws and regulations

The Company's exploration activities are subject to extensive federal, provincial, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters in all the jurisdictions it operates in. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. The Company applies the expertise of its management, its advisors, its employees and contractors to ensure compliance with current laws in Canada.

Title to mineral properties

While the Company has investigated title to its mineral properties, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. Unresolved native land claim issues in British Columbia may affect the Company's properties in these jurisdictions in the future.

Possible Dilution to Present and Prospective Shareholders

The Company's plan of operation, in part, contemplates the financing of the conduct of its business by the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued shares of common stock, or securities convertible into common stock, would result in dilution, possibly substantial, to present and prospective holders of common stock. The Company may seek a joint venture partner to fund in whole or in part exploration projects. This dilutes the Company's interest in properties it has acquired. This dilution of interest in properties is done to spread or minimize the risk and to expose the Company to more exploration plays but means that any profit that might result from a possible discovery would be shared with the joint venture partner. There is no guarantee that the Company can find a joint venture partner for any property.

Competition

The mineral industry is intensely competitive in all its phases. We compete with many companies possessing greater financial resources and technical facilities than the Company for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees. In addition, there is no assurance that a ready market will exist for the sale of commercial quantities of ore. Factors beyond the control of the Company may affect the marketability of any substances discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or losing our investment capital.

Conflict of Interest

Some of the Company's directors and officers are directors and officers of other natural resource or mining-related companies. These associations may give rise from time to time to conflicts of interest. As a result of which, the Company may miss the opportunity to participate in certain transactions and may have a material, adverse effect on its financial position.

Markets for Securities

There can be no assurance that an active trading market in our securities will be established and sustained. The market price for our securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of our peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the mining sector, which have often been unrelated to the operating performance of particular companies.

The relatively low trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares.

Reliance on Key Individuals

Our success depends to a certain degree upon certain key members of the management. It is expected that these individuals will be a significant factor in our growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Company

DISCLOSURE OF INTERNAL CONTROLS

In the light of the Company's small size, controls and procedures for financial reporting and public disclosure are affected by limited segregation of duties. To mitigate potential control weaknesses, the Chief Executive Officer ('CEO') is actively involved in the day to day business of the Company, the CEO and Chief Financial Officer ('CFO') jointly review all payments, and the Company has implemented accounting data review procedures to assist the integrity of reports. It is not economically feasible, at the Company's current size and with the limited number of staff available, to achieve optimum or complete segregation of duties. Also, the Company does not have a sufficient number of finance personnel with the required technical knowledge to address all complex and non-routine accounting transactions that may arise. These weaknesses in internal controls raise the possibility that a material misstatement may not be prevented or detected. Management and the Board of Directors work towards mitigating the risk of material misstatements: the integral role of the CEO in day to day operations provides a direct connection to source data, the review and approval by the Board of all material transactions and the use of accounting data review procedures, all provide a further level of assurance. The Company has no plans to remediate the above weaknesses which are linked with its current size and nature of operations.

Although the British Columbia Securities Commission exempted Venture Issuers from the requirement to certify disclosure controls and procedures, Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that

(i) the unaudited interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim financial statements; and

(ii) the unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

There have been no significant changes in the Company's disclosure controls and processes during the year ended December 31, 2012.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the most recently completed fiscal year, is available on SEDAR at www.sedar.com.