Montana Gold Mining Company Inc.

Condensed Interim Consolidated Financial Statements

(Expressed in United States Dollars)

(unaudited)

For the Three Months Ended March 31, 2013

Management’s Responsibility for Interim Financial Statements

The accompanying unaudited condensed interim financial statements of Montana Gold Mining Company Inc. (the “Company” or "Montana") are the responsibility of management.

The unaudited condensed interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34, "Interim Financial Reporting", using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated 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 condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated 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 by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

"Edward Ellwood"	**"Eric Plexman"**
(signed)	(signed)

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of these unaudited condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of condensed interim financial statements by an entity’s auditor.

Montana Gold Mining Company Inc.
Interim Condensed Consolidated Statement of Financial Position
(Expressed in United States Dollars)
As at
(unaudited)

	March 31 2013	December 31 2012
Assets		
Current		
Cash	$ 28,250	$ 16,273
HST receivable	13	2,602
Prepaid expenses	6,324	1,206
	34,587	20,081
Mining claims and deferred exploration expenditures (Note 3)	468,198	450,804
Reclamation bonds (Note 5)	40,271	40,271
	$ 543,056	$ 511,156
Liabilities		
Current		
Accounts payable and accrued liabilities (Notes 4 and 9)	$ 710,369	$ 643,303
Restoration liabilities (Note 5)	22,000	22,000
Warrants denominated in a foreign currency (Note 7)	39,900	18,500
	772,269	683,803
Shareholders' Deficiency		
Capital stock (Note 6)	7,733,895	7,652,666
Contributed surplus	1,502,612	1,502,612
Deficit	(9,465,720)	(9,327,925)
	(229,213)	(172,647)
	$ 543,056	$ 511,156

Montana Gold Mining Company Inc.
Interim Condensed Consolidated Statement of Loss and Comprehensive Loss
(Expressed in United States Dollars)
For the Three Months Ended March 31,
(unaudited)

	2013	2012
Expenses		
Office and administrative costs	**$ 113,511**	$ 108,250
Professional fees	**22,852**	7,287
	136,363	115,537
Other income (expense)		
Gain (loss) on foreign exchange	**(1,399)**	4,890
Loss (gain) on revaluation of warrants denominated in a foreign currency (Note 7)	**2,831**	(54,051)
	1,432	(49,161)
Net loss and comprehensive loss	**$ (137,795)**	$ (66,376)

Loss per share (Note 8)		
Basic and diluted	**$ (0.004)**	$ (0.003)

Weighted average number of common shares outstanding (Note 8)		
Basic and diluted	**31,519,896**	24,796,392

Montana Gold Mining Company Inc.
Interim Condensed Consolidated Statement of Changes in Equity
(Expressed in United States Dollars)
As at
(unaudited)

	Number of Shares	Capital Stock (Note 6)	Contributed Surplus	Net loss	Total
Balance, December 31, 2011	**23,981,007**	**$ 7,459,856**	**$ 1,424,034**	**$ (8,935,660)**	**$ (51,770)**
Net loss and comprehensive loss	-	-	-	(66,376)	(66,376)
Units issued for cash	1,400,000	70,273	-	-	70,273
Allocated to warrants	-	(20,058)	-	-	(20,058)
Balance, March 31, 2012	**25,381,007**	**$ 7,510,071**	**$ 1,424,034**	**$ (9,002,036)**	**$ (67,931)**
Net loss and comprehensive loss	-	-	-	(325,889)	(325,889)
Stock-based compensation	-	-	78,578	-	78,578
Units issued for cash	5,250,000	244,764	-	-	244,764
Allocated to warrants	-	(102,169)	-	-	(102,169)
Balance, December 31, 2012	**30,631,007**	**$ 7,652,666**	**$ 1,502,612**	**$ (9,327,925)**	**$ (172,647)**
Net loss and comprehensive loss	-	-	-	(137,795)	(137,795)
Units issued for cash	2,000,000	99,798	-	-	99,798
Allocated to warrants	-	(18,569)	-	-	(18,569)
Balance, March 31, 2013	**32,631,007**	**$ 7,733,895**	**$ 1,502,612**	**$ (9,465,720)**	**$ (229,213)**

Montana Gold Mining Company Inc.

Interim Condensed Consolidated Statement of Cash Flows
(Expressed in United States Dollars)
For the Three Months Ended March 31,
(unaudited)

	2013	2012
Cash provided by (used in)		
Operations		
Net loss	**$ (137,795)**	$ (66,376)
Items not affecting cash		
Loss (gain) on revaluation of warrants denominated in a foreign currency	**2,831**	(54,051)
	(134,964)	(120,427)
Net changes in non-cash working capital		
HST receivable	**2,589**	(768)
Prepaid expenses	**(5,118)**	2,189
Accounts payable and accrued liabilities	**67,066**	51,775
	(70,427)	(67,231)
Investing		
Mining claims and deferred exploration expenditures	**(17,394)**	(88,796)
Reclamation bonds	**-**	22,906
	(17,394)	(65,890)
Financing		
Proceeds from share issuances, net	**99,798**	70,273
Proceeds received in advance of shares issued	**-**	50,125
	99,798	120,398
Net change in cash	**11,977**	(12,723)
Cash, beginning of period	**16,273**	76,059
Cash, end of period	**$ 28,250**	$ 63,336

1. NATURE OF OPERATIONS AND GOING CONCERN

Montana Gold Mining Company Inc. ("the Company" or "Montana") was incorporated under the Ontario Business Corporations Act on December 21, 2000. The Company has four wholly-owned subsidiary corporations, Gold Reef of Nevada, Inc., a United States corporation, Montana Gold Subsidiary Corporation, a United States corporation, Celerity Mineral Corporation, a Canadian corporation and Celerity Subsidiary Corporation, a United States corporation. The Company is engaged in the business of locating and exploring mineral properties. Substantially all of the efforts of the Company are devoted to these business activities. To date, the Company has not earned significant revenues and is considered to be in the exploration stage. The head office and principal address of the Company is 380 Wellington Street, 6th Floor, London City Centre, Tower B, London, Ontario, N6A 5B5.

While these condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis that presumes the realization of assets and discharge of liabilities in the normal course of business, there are material uncertainties related to adverse conditions and events that cast significant doubt on the Company's ability to continue as a going concern.

During the period ended March 31, 2013, the Company incurred a net loss of $137,795 (December 31, 2012 - $392,265) and, as of that date, the Company had accumulated a deficit of $9,465,720 (December 31, 2012 - $9,327,925), a working capital deficiency of $675,782 (December 31, 2012 - $623,222) and negative cash flows from operations of $70,427 (December 31, 2012 - $250,818). These factors create material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

As is common with exploration companies, the Company is dependent upon obtaining necessary equity financing from time to time to finance its on-going and planned exploration activities and to cover administrative costs.

Recovery of the carrying value of the mining claims and the related deferred exploration expenditures are dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain necessary financing to continue exploration and development, the ability of the Company to resolve the outstanding litigation (Note 13), the ability of the Company to secure and maintain title and beneficial interest in the properties, entering agreements with others to explore and develop the properties and upon future profitable production or proceeds from disposition of such properties.

These condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations. Such adjustments would be material.

(Expressed in United States Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These unaudited condensed interim consolidated financial statements present the Company's financial results of operations and financial position under International Financial Reporting Standards ("IFRS") as at and for the three month period ended March 31, 2013. These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB").

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2012, prepared in accordance with IFRS. The accounting policies adopted in these unaudited condensed interim consolidated financial statements are consistent with those disclosed in the Company's audited financial statement for the year ended December 31, 2012, refer to these audited financial statements for significant accounting policies and future changes in accounting policies which remained unchanged as at March 31, 2013.

These unaudited condensed interim consolidated financial statements were approved by the Board of Directors on May 30, 2013.

Basis of Consolidation

The unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Gold Reef of Nevada, Inc. (United States) Celerity Mineral Corporation (Canada), Celerity Subsidiary Corporation (United States) and Montana Gold Subsidiary Corporation (United States). The functional currency and presentation currency of each entity is the United States dollar. The financial statements of the subsidiaries are included in the unaudited condensed interim consolidated financial statements from the date that control commences until the date that control ceases. Unaudited condensed interim consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

All transactions and balances between the Company and its subsidiaries are eliminated on consolidation.

3. MINING CLAIMS AND DEFERRED EXPLORATION COSTS

	December 31, 2012	Additions	Write-offs	March 31, 2013
Silver Bell St. Lawrence Claims, MT [(a)]	$ 416,786	$ 17,394	$ -	$ 434,180
Golden Trail Claims, NV [(b)]	34,018	-	-	34,018
	$ 450,804	$ 17,394	$ -	$ 468,198

(Expressed in United States Dollars)

3. MINERAL CLAIMS AND DEFERRED EXPLORATION COSTS (Cont'd)

	December 31, 2011	Additions	Write-offs	December 31, 2012
Silver Bell St. Lawrence Claims, MT [(a)]	$ 301,652	$ 115,134	$ -	$ 416,786
Golden Trail Claims, NV [(b)]	2,240	31,778	-	34,018
	$ 303,892	$ 146,912	$ -	$ 450,804

(a) Silver Bell St. Lawrence

On September 1, 2011, the Company entered into an agreement to acquire a 100% working interest in the Silver Bell St. Lawrence ("SBSL") property consisting of 10 claims (December 31, 2012 - 10) by paying $85,000 on signing and $85,000 by March 1, 2012, for total consideration of $170,000, by issuing 200,000 common shares of the Company and granting a 2% Net Smelter Royalty to the arms-length vendor. Title to the properties will be registered in the name of the Company after the last $85,000 payment is made, at which time the vendor shall provide to the Company all forms necessary to effect registration in the name of the Company including quit claim deeds. The Company paid $85,000 on September 9, 2011 and issued 200,000 common shares on September 15, 2011. The Company paid the last $85,000 on February 24, 2012 at which time the title to the properties was transfered to the Company.

On October 27, 2011, the Company staked 15 additional mining claims adjacent to the northern and eastern boundaries of the SBSL property. The newly staked claims are called the Roar claims and bring the total size of the SBSL property to approximately 394 acres.

To maintain the staked claims, the Company must pay annual maintenance fees to the Department of the Interior (Bureau of Land Management - BLM Nevada State Office) and the local counties in the cumulative approximate amount of $140 per claim.

(b) Golden Trail

As at December 31, 2012, the Company holds 16 (December 31, 2012 - 16) contiguous unpatented mining claims in the Elko County region of Nevada totaling approximately 320 acres.

To maintain the staked claims, the Company must pay annual maintenance fees to the Department of the Interior (Bureau of Land Management - BLM Nevada State Office) and the local counties in the cumulative approximate amount of $140 per claim.

(Expressed in United States Dollars)

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following is a breakdown of the amounts included in accounts payable:

	March 31, 2013	December 31, 2012
Trade payables	**$ 165,257**	$ 154,758
Accrued liabilities:		
Management and director fees	**507,530**	450,963
Audit and accounting	**37,582**	37,582
	$ 710,369	$ 643,303

5. RESTORATION LIABILITIES

As at March 31, 2013, management estimated site restoration costs relating to exploration work completed to date on the Rimrock property, a former property of the Company, to be $22,000 (December 31, 2012 - $22,000) which has been accrued. These costs are estimated by management and approved by the Nevada State Office of the Bureau of Land Management ("BLM"). The Company is required to issue reclamation bonds to cover these estimated restoration costs. The reclamation bonds issued relating to this property is $25,000 (December 31, 2012 - $25,000). The reclamation bonds will be returned to the Company upon the BLM being satisfied with the site restoration work performed.

Included in the reclamation bond balance is a bond in the amount of $15,271 (December 31, 2012 - $15,271) for an exploration program on the Golden Trail property for which the site restoration work has been performed. During the year ended December 31, 2012, the BLM released a reclamation bond in the amount of $22,907 to the Company which reduced the reclamation bonds by this amount. However, the Company may be liable for additional amounts if the BLM determines that the site restoration work was deficient and the amount of the bond is not sufficient to cover the cost of the additional work required to fully return the site to its original condition.

(Expressed in United States Dollars)

6. CAPITAL STOCK

Authorized
Unlimited common shares

Issued and outstanding - common shares

	Number of Shares	Value
Balance, December 31, 2011	**23,981,007**	**$ 7,459,856**
Units issued for cash	6,650,000	315,037
Allocated to warrants	-	(122,227)
Balance, December 31, 2012	**30,631,007**	**$ 7,652,666**
Units issued for cash (i)	2,000,000	99,798
Allocated to warrants (i)	-	(18,569)
Balance, March 31, 2013	**32,631,007**	**$ 7,733,895**

(i) On February 20, 2013, the Company issued 2,000,000 units with an ascribed value of $0.05 CDN per unit for proceeds of $100,000 CDN ($99,798 USD). Each unit consists of one common share and one share purchase warrant exercisable for 2 years. Each warrant entitles the holder to purchase one share at a price of $0.10 CDN up to February 20, 2014 and then at a price of $0.20 CDN up to February 20, 2015.

The fair value of these warrants was estimated at the grant date based on the Black Scholes pricing model, using the following weighted average assumptions:

Share price	$0.03 CDN
Expected dividend yield	Nil
Exercise price	$0.10 - $0.20 CDN
Risk free interest rate	1.02%
Expected life	2.0 years
Expected volatility (based on historical prices)	194%

The Company determined the amount relating to the warrants in the unit issuance to be $18,569 ($18,890 CDN).

These warrants are not in the Company's functional currency.

(Expressed in United States Dollars)

7. STOCK OPTIONS AND WARRANTS

(a) Stock Options

The Company has a Stock Option Plan (the "Plan") to provide options for the benefit of employees, directors and third parties. The maximum number of shares allocated to and made available to be issued under the Plan shall not exceed 10% of the common shares issued and outstanding (on a non-diluted basis) at any time. The exercise price of options granted under the Stock Option Plan will be determined by the directors, but will be at least equal to the closing trading price for the common shares for the last trading day prior to the grant and otherwise the fair market price as determined by the Board of Directors. The term of any option granted shall not exceed five years. Except as otherwise provided elsewhere in the Stock Option Plan, the options shall be cumulatively exercisable in installments over the option period at a rate to be fixed by the Board of Directors. The Company will not provide financial assistance to any optionee in connection with the exercise of options.

The Company issued stock options to acquire common shares as follows:

	March 31, 2013		December 31, 2012	
	Number of Options	**Weighted Average Exercise Price (CDN)**	Number of Options	Weighted Average Exercise Price (CDN)
Outstanding, beginning of period	**2,600,000**	**$0.10**	20,000	$7.00
Granted	**-**	**$ -**	2,600,000	$0.10
Expired	**-**	**$ -**	(20,000)	$7.00
Outstanding, end of period	**2,600,000**	**$0.10**	2,600,000	$0.10
Exercisable, end of period	**2,600,000**	**$0.10**	2,600,000	$0.10

The Company had the following stock options outstanding at March 31, 2013:

Number of Options	**Exercise Price**	**Expiry Date**
2,600,000	CDN $0.10	May 1, 2017

(Expressed in United States Dollars)

7. STOCK OPTIONS AND WARRANTS (Cont'd)

(b) Warrants

Warrants denominated in a foreign currency different from the functional currency of the Company meet the definition of a financial liability and accordingly are presented as such on the Company's unaudited condensed interim consolidated statement of financial position and are fair valued at each period end using the Black-Scholes option pricing model.

The following summarizes the change in warrants denominated in a foreign currency:

	March 31, 2013	December 31, 2012
Balance, beginning of period	**$ 18,500**	$ 90,464
Fair value of warrants issued - February 8, 2012	**-**	20,058
Fair value of warrants issued - April 24, 2012	**-**	28,052
Fair value of warrants issued - June 19, 2012	**-**	74,117
Fair value of warrants issued - February 20, 2013 (Note 6(i))	**18,569**	-
Fair value adjustment	**2,831**	(194,191)
Balance, end of period	**$ 39,900**	$ 18,500

(i) At March 31, 2013, the fair value of the 2,800,000 warrants issued on September 12, 2011 was estimated at $1,216 ($1,236 CDN) using the Black Scholes pricing model with the following assumptions:

Share price	$0.035 CDN
Expected dividend yield	Nil
Exercise price	$0.20 - $0.30 CDN
Risk free interest rate	1.02%
Expected life	0.452 years
Expected volatility (based on historical prices)	161%

These warrants were valued at $312 ($310 CDN) at December 31, 2012.

(ii) At March 31, 2013, the fair value of the 1,400,000 warrants issued on February 8, 2012 was estimated at $1,925 ($1,955 CDN) using the Black-Scholes pricing model with the following assumptions:

Share price	$0.035 CDN
Expected dividend yield	Nil
Exercise price	$0.10 - $0.20 CDN
Risk free interest rate	1.02%
Expected life	0.860 years
Expected volatility (based on historical prices)	128%

These warrants were valued at $2,595 ($2,670 CDN) at December 31, 2012.

(Expressed in United States Dollars)

7. STOCK OPTIONS AND WARRANTS (Cont'd)

(b) Warrants (Cont'd)

(iii) At March 31, 2013, the fair value of the 2,000,000 warrants issued on April 24, 2012 was estimated at $5,222 ($5,305 CDN) using the Black-Scholes pricing model with the following assumptions:

Share price	$0.035 CDN
Expected dividend yield	Nil
Exercise price	$0.10 - $0.20 CDN
Risk free interest rate	1.02%
Expected life	1.066 years
Expected volatility (based on historical prices)	137%

These warrants were valued at $5,039 ($5,610 CDN) at December 31, 2012.

(iv) At March 31, 2013, the fair value of the 3,250,000 warrants issued on June 19, 2012 was estimated at $10,263 ($10,427 CDN) using the Black-Scholes pricing model with the following assumptions:

Share price	$0.035 CDN
Expected dividend yield	Nil
Exercise price	$0.10 - $0.20 CDN
Risk free interest rate	1.02%
Expected life	1.219 years
Expected volatility (based on historical prices)	136%

These warrants were valued at $10,554 ($12,490 CDN) at December 31, 2012.

(v) At March 31, 2013, the fair value of the 2,000,000 warrants issued on February 20, 2013 was estimated at $21,274 ($21,613 CDN) using the Black-Scholes pricing model with the following assumptions:

Share price	$0.035 CDN
Expected dividend yield	Nil
Exercise price	$0.10 - $0.20 CDN
Risk free interest rate	1.02%
Expected life	1.893 years
Expected volatility (based on historical prices)	192%

These warrants were valued at $18,569 ($18,890 CDN) on the date of issuance (Note 6).

A loss on revaluation of foreign currency warrants of $2,831 (March 31, 2012 - gain of $54,051) was recognized and is included in the consolidated statement of loss and comprehensive loss.

(Expressed in United States Dollars)

7. STOCK OPTIONS AND WARRANTS (Cont'd)

(b) Warrants (Cont'd)

The Company had the following warrants outstanding at March 31, 2013:

Number of Warrants	Exercise Price (CDN)	Expiry Date
2,800,000 (i)	$0.30	September 12, 2013
1,400,000 (ii)	$0.20	February 8, 2014
2,000,000 (ii)	$0.10	April 24, 2013
	$0.20	April 24, 2014
3,250,000 (ii)	$0.10	June 19, 2013
	$0.20	June 19, 2014
2,000,000 (ii)	$0.10	February 20, 2014
	$0.20	February 20, 2015
11,450,000		

i) Each warrant entitles the holder to purchase one common share at a price of $0.20 CDN per share for a period of 12 months from the closing date, which expired September 12, 2012, and then at a price of $0.30 CDN per share for a period of 24 months from the closing date.

ii) Each warrant entitles the holder to purchase one Common Share at a price of $0.10 CDN per share for a period of 12 months from the closing date and then at a price of $0.20 CDN per share for a period of 24 months from the closing date.

8. LOSS PER SHARE

The calculation of basic and diluted loss per share for the period ended March 31, 2013 was based on the loss attributable to common shareholders of $137,795 (March 31, 2012 - $615,059) and the weighted average number of common shares outstanding of 31,519,896 (March 31, 2012 – 24,794,392).

Diluted loss per share did not include the effect of 2,600,000 stock options and 11,450,000 warrants outstanding as they are anti-dilutive.

9. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

(Expressed in United States Dollars)

9. RELATED PARTY TRANSACTIONS (Cont'd)

Remuneration of Directors and key management of the Company was as follows:

	March 31, 2013	March 31, 2012
Management and director fees[i]	**96,384**	96,992

(i) Included in office and administrative costs in the consolidated statements of loss and comprehensive loss.

Other related party balances are listed below:

(a) Included in accounts payable and accrued liabilities is approximately $507,530 (December 31, 2012 - $450,963) of amounts owing to directors of the Company for management and director fees.

10. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes equity, comprised of issued capital stock, contributed surplus and deficit, in the definition of capital.

The Company’s primary objective with respect to its capital management is to ensure that it has sufficient cash resources to further exploration on its properties. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and warrants, debt or by securing strategic partners.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the period ended March 31, 2013.

11. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities. In particular market risk (composed of currency risk), liquidity risk, fair value risk and credit risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by management under policies approved by the Board of Directors. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

(a) Market Risk

(i) Currency risk

The Company operates internationally and is exposed to foreign exchange risk from the Canadian Dollar. Foreign exchange risk arises from purchase transactions as well as recognized financial assets and liabilities denominated in foreign currencies.

As at March 31, 2013 the Company is exposed to currency risk through the following financial assets and liabilities denoted in Canadian dollars:

	March 31, 2013	December 31, 2012
Cash	**$ 17,638**	$ 2,276
Accounts payable and accrued liabilities	**$ 469,642**	$ 521,239

The above balances were translated into US dollars at the year-end rate of $0.9843 (December 31, 2012 - $1.0051) Canadian dollars to every US dollar.

Based on the above net exposures as at March 31, 2013, assuming that all other variables remain constant, a +/- 5% change in the Canadian dollar against the United States dollar would result in an increase/decrease in net loss of approximately $22,000.

(b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

As at March 31, 2013, the Company has current liabilities of $710,369 (December 31, 2012 - $643,303) due within 12 months and has cash of $28,250 (December 31, 2012 - $16,273) to meet its current obligations. As a result the Company has liquidity risk and is dependent on raising additional capital to fund operations.

11. FINANCIAL RISK MANAGEMENT (Cont'd)

(c) Fair Value Risk

Fair value represents the amounts at which a financial instrument could be exchanged between willing parties, based on current markets for instruments with the same risk, principal and remaining maturity. Fair value estimates are based on quoted market values and other valuation methods.

The carrying values of reclamation bonds, accounts payable and accrued liabilities and restoration liabilities approximate fair values due to the relatively short term maturities of these instruments.

(d) Credit Risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk with respect to its cash. The Company reduces its credit risk by maintaining its primary bank accounts at large financial institutions.

12. COMMITMENTS

The Company is committed under lease agreements to the payment of amounts totaling $9,978 in 2013 subsequent to March 31, 2013.

13. LITIGATION

On February 15, 2010, the Company was named along with former directors of the Company and served with a claim in The District Court, 150th Judicial District, Bexar County, Texas. This lawsuit was subsequently removed to the U.S. District Court for the Western District of Texas, San Antonio Division. The Plaintiff is alleging several past directors of the Company have used trade secrets or confidential information belonging to the Plaintiff for the Company's benefit in violation of laws protecting this type of information. The Plaintiff is claiming monetary damages against all of the named Defendants, which include the Company, of $30,000,000, and the Company continues defending the lawsuit along with all other defendants.

In February 2012, the Court dismissed all claims against all of the named Defendants, including the Company. In early March, 2012, the Plaintiff filed an appeal and an appeal hearing was held in December 2012. On April 17, 2013, the United States Court of Appeals for the Fifth Circuit issued its opinion affirming the judgement in the court below in favour of all defendants. On May 1, 2013, the appellants filed a Petition for Rehearing. On May 20, 2013 the Petition for Rehearing was denied. While it is possible the appellants could take further action, the Company has not been informed of such action.

14. SUBSEQUENT EVENTS

(i) On May 14, 2013 a non-brokered private placement financing totaling $50,000 CDN was completed though the issuance of units priced at $0.05 CDN per unit. Each unit was comprised of one common share and one warrant to purchase an additional common share at $0.10 CDN during the first year following the closing of the placement and at $0.20 CDN during the second year following the closing of the placement.

(ii) On May 14, 2013, the Company modified the expiry dates and exercise prices of the following outstanding warrants:

- 2,800,000 warrants originally exercisable at $0.30 CDN until September 12, 2013 are now exercisable at a price of $0.10 CDN until 5:00 p.m. (Toronto time) on January 24, 2014 and then at a price of $0.20 CDN until 5:00 pm on January 24, 2016;
- 1,400,000 warrants originally exercisable at $0.20 until February 8, 2014 are now exercisable at a price of $0.10 CDN until 5:00 p.m. (Toronto time) on February 8, 2014 and then at a price of $0.20 CDN until 5:00 pm on February 8, 2016;
- 2,000,000 warrants originally exercisable at $0.20 until April 24, 2014 are now exercisable at a price of $0.10 CDN until 5:00 p.m. (Toronto time) on April 24, 2014 and then at a price of $0.20 CDN until 5:00 pm on April 24, 2016; and
- 3,250,000 warrants originally exercisable at $0.10 until June 19, 2013 and then at $0.20 until June 19, 2014 are now exercisable at a price of $0.10 CDN until 5:00 p.m. (Toronto time) on June 19, 2014 and then at a price of $0.20 CDN until 5:00 pm on June 19, 2016.