This management's discussion and analysis ("MD&A") focuses on significant factors that affected Newton Gold Corp. ("Newton" or the "Company") during the nine months ended September 30, 2011 and to the date of this report.

The following management discussion and analysis is prepared as at November 28, 2011, and should be read in conjunction with the audited financial statements for the year ended December 31, 2010 which have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") and the unaudited condensed interim financial statements for the nine months ended September 30, 2011, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars.

The financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon successful achievement of additional financing, and upon its ability to realize profitable operations. These financial statements do not give effect to any adjustments that would be necessary should the Company not be able to continue as a going concern.

Readers should use the information contained in this report in conjunction with all other disclosure documents including those filed on SEDAR (www.SEDAR.com). Additional information relating to Newton can be found on the company's website www.newtongold.com

## Table of Contents

## Forward-Looking Statements

Certain statements contained in the following MD&A constitute forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding exploration results and budgets, mineral resource estimates, work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statement of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties involved in disputes and litigation, fluctuations in commodity prices and currency exchange rates; uncertainties relating to interpretation of drill results and the geology, continuity and grade of deposits; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and economic return; the need for cooperation of government agencies and native groups in the exploration and development of properties and the issuance of required permits; the need to obtain additional financing to develop properties and uncertainty as to the availability and terms of future financing; the possibility of delay in exploration or development programs or in construction projects and uncertainty in meeting anticipated program milestones; uncertainty as to timely availability of permits and other government approvals and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policies that all forward-looking statements are based on the Company's beliefs and assumptions which are based on information available at the time these assumptions are made. The forward looking statements contained herein are as of November 28 , 2011 and are subject to change after this date, and the Company assumes no obligation to publicly update or revise the statements to reflect new events or circumstances, except as may be required pursuant to applicable laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Forward-looking information or statements in this MD&A include, but are not limited to, information or statements concerning our expectations for: satisfactory drill results at the Newton property and satisfactory resolution of the Company's contingent liability.

Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors such as those described above and in "Risks and Uncertainties" below. The Company has no policy for updating forward looking information beyond the procedures required under applicable securities laws.

## Overall Performance

Newton Gold Corp. (the "Company", formerly New High Ridge Resources Inc.) was incorporated under the Business Corporations Act (British Columbia) on June 24, 2004. The Company is listed on the TSX Venture Exchange (the "Exchange") as a Tier 2 mining issuer under the trading symbol NWG. The Company is a mineral exploration company engaged in the acquisition and exploration of mineral properties in British Columbia and formerly in Peru. In June 2009, the Company disposed of its Peruvian subsidiary. At the time of these financial statements it has not been determined whether the Company's mineral properties contain economically recoverable ore reserves. As at December 31, 2008 the Company wrote down its recorded cost of its mineral property interests to $1 due to lack of funds to explore its properties. As at September 30, 2011, mineral property interests represent accumulated costs for mineral property acquisition and deferred exploration expenditures made on its B.C. properties since January 1, 2009.

In August 2009, the Company entered into an Option Agreement with Amarc Resources Ltd. ("Amarc" or "Optionee") covering the Company's Newton property, as well as certain property held by the Optionee, whereby the Optionee must expend $5 million over seven years to earn an 80% interest in the combined property area. In May 2011, the Optionee completed the $5 million in required expenditures and the Company and Optionee entered into a Joint Venture Agreement to further explore the Newton property.

The Company also made advance royalty payments and completed assessment work on its Chuchi property. During the year ended December 31, 2010, the Company considered completing a transaction that would have resulted in a change of business. The new venture was abandoned on October 13, 2010 and management has re-focused its business activities on mineral resource sector opportunities.

The Company added two new directors on January 4, 2011, of which one director became the new President and CEO. Further, on January 17, 2011, the Company accepted the resignation of one director and replaced him with another individual. These directors were re-appointed at the Company's Annual General Meeting, held on June 30, 2011, and another individual was appointed in place of a previous director who had resigned. All four current directors have public mining experience in various capacities.
On January 18, 2011, the Company raised gross proceeds of $650,000. These funds were be used to fund exploration activities on the Chuchi property; pay past and current creditors and for general and administrative expenses.

In July 2011, the Company announced the commencement of a non-brokered private placement offering of up to 8,500,000 units consisting of 6,000,000 flow-through units (each, a "Flow-Through Unit") at a price of $0.25 per Flow-Through Unit and 2,500,000 units (each, a "Unit") at a price of $0.20 per Unit for gross proceeds of $2,000,000 (the "Offering").

During the nine months ended September 30, 2011, the Company closed on the first and second tranches of the private placement announced in July 2011 and has issued 4,080,000 Flow-Through Units for gross proceeds of $1,020,000 and 525,000 Non-Flow-Through Units for gross proceeds of $105,000. These funds will be used to fund exploration activities in the Newton Property and for general and admin expenses.

On November 18, 2011, the Company has closed on the third tranche of the private placement announced on July 6, 2011 and issued 473,600 flow-through units at $0.25 per unit and 1,265,000 non-flow-through units at $0.20 per unit, for gross proceeds of $371,400.

On October 24, 2011, the Company appointed Lindsay Bottomer as a director.

During the nine months ended September 30, 2011, the $679,050 of the proceeds from the private placement were used to acquire additional mineral property rights of the Newton project from its JV partner, Amarc. In addition, the Company advanced $561,165 to Amarc for the project drilling program. At September 30, 2011, $104,331 had been expended and $456,834 was recognised on the Condensed Statement of Financial Position as an advance to Amarc.

## Exploration and Evaluation Properties

### Newton Project – British Columbia

The core of the Newton Property is located approximately 108 km west-southwest of Williams Lake, BC, in the Chilcotin Forest District of the Southern Interior Forest Region. The Project now consists of 248 mineral claims totaling 1,478 square kilometres. The Company originally had a 100% interest in 9 claims in the area, comprising an area of approximately 4,113 hectares (41 square kilometres) that is subject to a 2% net smelter royalty ("NSR"), which may be purchased at any time for $2 million.

The Company and Amarc (an affiliate of Hunter Dickenson Inc.) entered into an Option and Joint Venture Agreement (the "Agreement") on August 12, 2009. Under that Agreement, Amarc initially contributed another 49 contiguous claims in the property area covered by the Agreement, so the Newton property area subject to the Agreement would initially consist of at least 58 claims comprising an area of approximately 22,923 hectares (229 sq/km). Pursuant to the Agreement, Amarc has earned an 80% interest in the entire property covered by the Agreement by paying $60,000 to the underlying optionor of the Newton Hill property (completed) and expending $4,940,000 in exploration expenditures over seven years (completed) and by making advance royalty payments on behalf of the Company of $25,000 annually commencing in 2011. The Company also issued 100,000 common shares to Amarc as consideration for Amarc issuing 100,000 Amarc shares to the underlying optionor of the initial Newton Hill property claim.

Amarc provided the Company with a Project Expenditure Report pertaining to both the technical work completed and expenditures made to August 31, 2010. Total unaudited expenditures were $1,882,444. Amarc completed approximately 4,000 metres of drilling in a 14 hole diamond drill program on the property to test both the continuity of gold mineralization and to start testing the bulk-tonnage style gold target. Those drill results returned broad continuous intervals of bulk-tonnage style gold, silver, copper and zinc and the gold system remains open in all directions. Highlighted drill results were 189 metres grading 1.56 g/t gold, including 99 metres grading 2.76 g/t gold in hole 9004 and 138 metres grading 0.74 g/t gold, including 63 metres grading 1.17 g/t gold in hole 9014.

Included in their 2010 work program on the Newton property, Amarc flew a ZTEM (Z-Axix Tipper Electomagnetic system) survey and high-sensitivity magnetometre airborne geophysical over the property. In May, Amarc mobilized crews for a ground work at Newton and in July announced initial results that an Induced Polarization (IP) ground geophysical survey had defined a substantial target that extends some 400 metres north-south by 1,500 metres west-east and is open in all directions. This new IP anomaly was approximately 450 metres south of previous discovery drilling conducted by Amarc. Limited outcrop in the target area suggest the presence of favorable host rocks as encountered in the 2009 drill program.

On February 10, 2011, Amarc announced it had completed a Phase II, 28 hole diamond drill program (approximately 10,000 metres) on the Newton property. The Company reported that drilling has continued to expand the Newton deposit in all directions and that drilling to date has shown that gold mineralization has been intersected over significant widths in the central 50% of the approximate eight square kilometre sulphide mineralized system that has been outlined by the surface geophysical surveys.

Effective May 16, 2011, the Company and Amarc entered into a Joint Venture Agreement for the Newton Project that now consists of 248 mineral claims which cover 1,478 square kilometres. All expenditures on the project will now be split 80:20 with Newton responsible for 20% of the expenditures.

On May 31, 2011 Amarc announced 25-hole drilling program (see Amarc news release dated February 10, 2011) returned important intercepts in hole 11040, which established that the discovery zone extends eastward under shallow cover and remains open to the east. Hole 11040 returned 155 metres of 0.58 g/t gold starting from surface, including 26 metres of 1.12 g/t gold and 39 metres of 0.71 g/t gold. The hole is located 200 metres east of Amarc's 2009 discovery drilling, which includes 69 metres of 1.41 g/t gold (hole 9001), 128 metres of 0.84 g/t gold (hole 9003) and 189 metres of 1.56 g/t gold (hole 9004) (see detailed drill plan on Amarc's website).

Permits are in place for up to 25 drill holes with the first drill holes to test the potential extension of mineralization encountered in drill hole 11040. Drill hole 11040 established that mineralization extends eastward under shallow cover and remains open to the east as it returned an average of 0.58 g/t gold over 155 metres starting from surface, including 26 metres averaging 1.12 g/t gold and 39 metres averaging 0.71 g/t gold.

In addition, extensive ground geophysics has started on the southern portion of the project. If geophysical anomalies are identified, follow-up work will consist of soil sampling and prospecting.

In November 2011, the Company received results from Amarc on the first four holes of the ongoing 25 hole drill program related to the 1,478 square kilometre area.

Holes 11044 and 11045 both intersected wide intervals (see table below) of gold mineralization below the shallowly dipping Newton Hill Fault, which was previously thought to define the eastern and lower limit of the deposit. Mineralization remains open to the south and southeast of these holes. These thick intervals of gold mineralization greatly expand the potential of the Newton deposit. The four holes reported herein are all 50 metre step-outs from drill hole 11040, which was drilled at the end of the previous program and returned an average of 0.58 g/t gold over 155.6 metres (see news release dated Feb. 10, 2011).

All of the reported intervals of mineralization are hosted in a thick altered felsic ash tuff containing intervals of possible comagmatic porphyry intrusive units. Alteration is principally quartz-sericite +/- clays and carbonate minerals. Sulphides are dominantly pyrite and marcasite with minor amounts of chalcopyrite, sphalerite, galena and arsenopyrite.

Significant intervals of gold mineralization from the first four holes are listed below as provided to the Company by Amarc:

| Drill hole | From | To | Interval | Au (g/t) |
|---|---|---|---|---|
| **11044** | 56.39 | 350.00 | 293.61 | 0.608 |
| incl. | 56.39 | 204.00 | 147.61 | 0.733 |
| incl. | 56.39 | 92.00 | 35.61 | 1.431 |
| and incl. | 272.00 | 338.00 | 66.00 | 0.840 |
| incl. | 272.00 | 317.00 | 45.00 | 1.017 |
| **11045*** | 16.34 | 178.00 | 161.66 | 0.998 |
| incl. | 16.34 | 125.66 | 125.66 | 1.131 |
| and incl. | 85.00* | 136.00 | 51.00 | 2.104 |
| **11046** | 65.00 | 83.00 | 18.00 | 0.215 |
| **11047** | 16.95 | 53.00 | 36.05 | 0.513 |

* - includes 3 metres of >10 g/t gold (with over-limit assay pending) that has been cut to 10 g/t

**Chuchi Property – British Columbia**

The Company has a 100% interest in 15 mineral claims covering approximately 5,365 hectares located in the Omineca Mining Division in central B.C., approximately 90 km north of Fort St. James. The topography of the area is moderate to moderately rugged and elevations range from 1,200 metres to 1,644 metres. Road-access, railroads and high capacity electrical transmission lines are within 150 road km, at the resource-based communities of Fort St. James and Mackenzie.

The property is located 32km northwest of the Mt. Milligan copper-gold deposit now owned by Thompson Creek Metals and is a low-grade porphyry copper-gold deposit.

Exploration is developed to different levels on various parts of the Chuchi property. The presence of a substantial porphyry copper-gold deposit has been established by several drill holes; however, the full extent of the mineralized zone is not known and remains unexplored.

Exploration activity is required to bring the technical knowledge of the entire property up to a common level and to simultaneously advance the delineation of the identified porphyry copper-gold deposit. Potential sites of the intended drilling platforms have been identified and marked in the field.

During the nine months ended September 30, 2011 the Company prepared assessment work to keep the property in good standing. The Company moved forward with the proposed work program as defined in the draft NI 43-101 report.

The Company completed a one month field work program on the Chuchi Property on September 21, 2011. A total of 856 soil samples were taken from a soil grid that measured 2.5 kilometres by 4.0 kilometres with lines spaced every 200 metres for a total of 50 line kilometres.

This new grid covers the central Chuchi deposit, which is defined by a strong magnetic anomaly and has received a total of 39 historic shallow drill holes. In addition, the recently completed program was designed to cover the intersection of two historic soil sampling grids - by Rio Algom and BP Resources completed in the late 1980's – that have drastically different results where the two grids overlap.

The copper-gold mineralization of the Chuchi deposit is centred on a cluster of plagioclase porphyry monzonite stocks, dykes and sills. Previous operators have commented that the geological setting is very similar to that of the Mount Milligan deposit located 36 kilometres to the southeast.

The Company is not aware of any significant work on the Chuchi property since 1991. Newton Gold is in the process of compiling all the historic work on the project and with the results of this recently completed geochemical sampling will be planning an aggressive exploration program for the next field season.

The samples have been submitted for assaying. The Company will define its future plans for the property after drill results are received.

## Outlook

The Company is a precious and base-metals mineral exploration company in the province of British Columbia. The corporate acumen of the Company's new management will facilitate the ongoing corporate and exploration growth. The Management team will continue to evolve as the company grows as a mining exploration company.

The Company currently holds two exploration projects with significant potential – the Newton and Chuchi properties.

Results of the recent exploration activities at Newton are very encouraging and, as such, the Company believes that the Newton Project is one of the more prospective exploration projects in the province of British Columbia. Since signing the Agreement to option an 80% interest in the property, the Optionee has been able to expand the area under the joint venture to include all of the contiguous claims held by the Optionee such that the Joint Venture now covers an area greater than 1,400 square kilometres.

As a result of the compilation of historical data from the Chuchi Property, the Company is continuing a field program to re-establish past geochemical anomalies that indicated a significant gold/copper zone. The Company continues to wait for a NI 43-101 Technical Report on the Property.

The Company has a favourable corporate structure with approximately 27 million outstanding shares. The Company's ability to raise funds is greatly enhanced with provincial and federal tax deductible incentives. In addition, the Provincial Mining Exploration Tax Credit program allows for the Company to maximize its exploration expenditures in the province.

## Selected Financial Information

The Company's audited financial statements for the year ended December 31, 2010 (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's reporting currency is in Canadian dollars, except where stated otherwise. The following selected financial information is taken from the Financial Statements and should be read in conjunction with those statements.

| | For the nine months ended | For the years ended | | |
|---|---|---|---|---|
| | September 30, 2011 | December 31, 2010 | December 31, 2009 | December 31, 2008 |
| | *(IFRS)* | *(IFRS)* | *(Canadian GAAP)* | *(Canadian GAAP)* |
| **Statement of Operations and Comprehensive Loss:** | | | | |
| Total Revenue | $ - | $ - | $ - | $ - |
| Operating expenses | (562,838) | (414,900) | (283,503) | (1,367,766) |
| Loss from continuing operations | - | - | (264,126) | (2,905,713) |
| Net (loss) income | (549,579) | (544,746) | 418,225 | (7,445,587) |
| Basic & diluted loss per common share | (0.03) | (0.04) | 0.04 | (1.07) |
| **Balance Sheet:** | | | | |
| Cash | 10,033 | 2,935 | 27,462 | - |
| Mineral properties | 940,163 | 45,536 | 25,000 | 1 |
| Total assets | 1,433,520 | 55,664 | 59,487 | 16,187 |
| Total liabilities | (302,632) | (135,259) | (333,631) | (1,048,349) |
| Shareholders' deficit | (1,130,888) | (79,595) | (274,144) | (1,032,162) |

For discussion of the factors affecting the Company's losses see "Selected Quarterly Financial Data" and "Results of Operations" below. For discussion of the factors affecting our Statements of Financial Position see "Results of Operations" and "Liquidity and Capital Resources" below.

### *Results of Operations*

The Company incurred a net loss of $549,579 during the nine months ended September 30, 2011, a difference of $98,808 from the loss of $450,770 for the nine months ended September 30, 2010.

Compared to the nine months ended September 30, 2010, the net loss to shareholders of Newton for the nine months ended September 30, 2011 was impacted significantly by the following factors:

- Share based compensation increased by $102,919 due to changes in management and board and granting of new options.
- Investor communications increased by $45,822 due to the re-naming and re-branding of the Company. This cost included advertising costs not incurred in the same period last year.
- Salary decreased by $33,932 because the CEO position is now held by an employee of a consulting company. The Company has no staff.
- Legal fees increased by $31,415 during the nine months ended September 30, 2011, due to increased activity with respect to negotiations of Newton Joint Venture agreement and previous

legal issues.

- Consulting and management expenses increased by $23,986 due to the Company's re-organization of the management team.
- Office and sundry costs increased by $14,386, primarily as a result of monthly rental and administration costs for the Company's new office established during the nine months ended September 30, 2011.
- During the nine months ended September 30, 2011, the Company has $25,076 deferred income tax recovery due to settlement of flow-through share liability on incurring expenditures.
- During the year ended December 31, 2006 the Company recognized a cost recovery of $102,374 relating to the BC Mining Exploration Tax Credit which was applied against the mineral property assets that were subsequently written off. The Company received the cash refund during the year ended December 31, 2008. During the nine months ended September 30, 2011 the Company underwent a government audit and it was found that $11,817 of the tax credit related to non-eligible exploration costs. The Company paid $3,349 interest because of this reassessment.

The increase in 2011 above was offset by the following decreases in 2011 relative to 2010:

- During the nine months ended September 30, 2010, the Company incurred $112,456 on proposed transaction costs.
- During the nine months ended September 30, 2010, a reclamation deposit of $20,000 on a previously written-down property was recovered.
- During the nine months ended September 30, 2010, $13,753 settlement of accounts payable was recovered.

The Company incurred a net loss of $100,815 during the three months ended September 30, 2011, a difference of $75,608 from the loss of $176,423 for the three months ended September 30, 2010.

Compared to the three months ended September 30, 2010, the net loss to shareholders of Newton for the three months ended September 30, 2011 was impacted significantly by the following factors:

- Legal fees increased by a total $29,573 during the three months ended September 30, 2011, due to increased activity with respect to negotiations of Newton Joint Venture agreement and previous issues.
- The Company has $25,076 deferred income tax recovery during the three months ended September 30, 2011, due to settlement of flow-through share liability on incurring expenditures.
- Consulting and management fees increased by $20,111 during the three months ended September 30, 2011 due to the Company's re-organization of the management team.

The Company incurred a net loss of $100,815 during the three months ended September 30, 2011, a difference of $7,161 from the loss of $93,654 for the three months ended June 30, 2011.

The net loss to shareholders of Newton for the three months ended September 30, 2011, compared to the three months ended June 30, 2011 was impacted significantly by the following factors:

- Legal fees were $52,282 more during the three months ended September 30, 2011 due to increased activity with respect to negotiations of Newton Joint Venture agreement and previous issues. .

- The Company has $25,076 deferred income tax recovery during the three months ended September 30, 2011, due to settlement of flow-through share liability on incurring expenditures.
- Directors' fees were $7,015 less due to no directors' fees incurred during the three months ended September 30, 2011.
- Investor communication decreased by $8,869 due to less website expenses during the three months ended September 30, 2011.

## Summary of Quarterly Results

| Quarter ended: | | | Revenue | Net loss from continuing operations | Basic net loss per share from continuing operations | Net (loss) income | Basic and diluted (loss) income per common share |
|---|---|---|---|---|---|---|---|
| Q3/2011 | September 30, 2011 | IFRS | $ - | $ (100,815) | $ (0.00) | $ (100,815) | $ (0.00) |
| Q2/2011 | June 30, 2011 | IFRS | - | (93,654) | 0.00 | (93,645) | (0.00) |
| Q1/2011 | March 31, 2011 | IFRS | - | (355,110) | - | (355,111) | - |
| Q4/2010 | December 31, 2010 | IFRS | - | (93,975) | (0.01) | (93,975) | (0.01) |
| Q3/2010 | September 30, 2010 | IFRS | - | (176,423) | (0.01) | (176,423) | (0.01) |
| Q2/2010 | June 30, 2010 | IFRS | - | (62,596) | - | (62,596) | - |
| Q1/2010 | March 31, 2010 | IFRS | - | (211,752) | (0.02) | (211,752) | (0.02) |
| Q4/2009 | December 31, 2009 | GAAP | - | (77,259) | (0.01) | (77,255) | (0.01) |
| Q3/2009 | September 30, 2009 | GAAP | - | (25,131) | - | (25,131) | - |
| Q2/2009 | June 30, 2009 | GAAP | - | (126,415) | (0.01) | 564,726 | 0.07 |

The primary factors affecting the magnitude and variations of the Company's losses are summarized as follows:

- In Q3/2011 $61,610 legal fees were incurred due to increased activity with respect to renaming the Company, closing the non-brokered private placement and increased business activity.
- In Q3/2010 $112,456 consulting costs were incurred in relation to the Company's proposed change of business.
- In Q2/2009 the Company sold its Peruvian subsidiary for a gain on sale of discontinued operations of $624,432. Net loss from continuing operations spiked in that quarter principally as a result of $74,942 of accounting and audit expense incurred to bring the Company back to reporting compliance including completion of its December 31, 2008 audited financial statements.
- Stock based compensation expense also significantly impacts net loss as follows: Q1/2011 - $236,401; Q4/2010 - $6,368; Q1/2010 - $133,482; 2009 – $nil.

The Company has no revenues to date. In Q2 2009 the Company sold its Peruvian subsidiary for a gain on sale of discontinued operations of $624,432. Net loss from continuing operations spiked in that quarter principally as a result of $74,942 of accounting and audit expense incurred to bring the Company back to reporting compliance including completion of its December 31, 2008 audited financial statements.

## Abandoned proposed change of business - July 2010

The Company entered into a non-binding letter of intent (the "LOI"), dated July 9, 2010 and as amended August 25, 2010, with BGL, LLC ("BGL"), a company incorporated in Wisconsin, U.S.A., whereby BGL would license certain intellectual property owned by BGL and grant the non-exclusive right to the Company to market certain products derived from biomass, including finished products derived from cranberries (the "Transaction"). The Company would have had the option to purchase (or lease on terms to have been settled) for US$3,000,000 (i) equipment owned by BGL for the processing of biomass and (ii) a royalty-free license of certain intellectual property for a period of three years from the date of the LOI.

The Company had entered into a consulting agreement with BGL, effective July 1, 2010, for an initial term of three months at the rate of US$20,833 per month whereby BGL would assist in the development of the equipment and intellectual property necessary to execute the Company's BioExtracts business plan. Upon successful completion of the initial term and receipt of all necessary approvals for the Transaction, the consulting agreement could have been extended for a three year term at the same rate of compensation.

On October 13, 2010 the Company elected to terminate the Transaction due to unforeseen delays in progressing the Transaction and uncertainty regarding the availability of funding for the Transaction. Identifiable direct costs of $169,409 relating to the Transaction were recognized as an expense on the Statement of Operations.

A director and officer of the Company expressed interest in pursuing the BioExtracts business plan through an entity that is unrelated to the Company. The board approved the sale of the rights to certain BioExtracts assets in consideration for payment of the sum of $9,700 plus applicable taxes. Of this amount $1,797 was outstanding at December 31, 2010, and has subsequently been paid.

## Related Party Transactions

### Management transactions

**For the nine months ended September30, 2011**

| | Short-term employee benefits $ | Post-employment benefits $ | Other long-term benefits $ | Termination benefits $ | Share-based payments $ | Total $ |
|---|---|---|---|---|---|---|
| McLeary Capital Management, Inc. (i) | 58,500 | - | - | - | 48,077 | 106,577 |
| Foremost Geological Consulting (ii) | 31,500 | - | - | - | 48,077 | 79,577 |
| Fehr and Associates (iii) | 20,392 | - | - | - | 23,375 | 43,766 |
| Michael Withrow | 4,000 | - | - | - | - | 4,000 |

**For the nine months ended September 30, 2010**

| | Short-term employee benefits $ | Post-employment benefits $ | Other long-term benefits $ | Termination benefits $ | Share-based payments $ | Total $ |
|---|---|---|---|---|---|---|
| Michael Withrow<br>President and CEO | 36,000 | - | - | - | 55,400 | 91,400 |
| David Clark Consulting Services (iv) | 36,000 | - | - | - | 55,400 | 91,400 |
| Gary Anderson<br>Former President and CEO | - | - | - | 30,000 | - | 30,000 |

(i) McLeary Capital Management, Inc., a private company controlled by the President and CEO, Mark McLeary. Mark McLeary was granted 400,000 stock options on January 4, 2011 with a fair value $48,077, which is included in total share-based payments of $200,041 made to directors, as disclosed below.

On January 28, 2011 the Company entered into an indefinite term contract with McLeary Capital Management, Inc. (the "consultant"), for the consultant to continue to act as President and Chief Executive Officer and Director of the Company. A monthly consulting fee of $6,500 is payable to the consultant. The contract may be cancelled by either party on 30 days written notice and, if cancelled by the Company, by payment of an amount equivalent to two years annual salary. On termination of the contract the consultant will be immediately retained by the Company as a non-paid advisor/consultant to the Company until January 5, 2016 or for such time as the consultant still holds unexercised stock options in the Company. On exercise of the consultant's options, the relationship between the consultant and the Company will cease.

(ii) Foremost Geological Consulting, a private company controlled by a director, Ian Foreman. Ian Foreman was granted 400,000 stock options on January 4, 2011 with a fair value $48,077, which is included in total share-based payments $200,041 made to directors, as disclosed below.

On January 28, 2011 the Company entered into an indefinite term contract with Foremost Geological Consulting (the "consultant"), for the consultant to continue to act as primary technical consultant and Director of the Company. A monthly consulting fee of $3,500 is payable to the consultant. The contract may be cancelled by either party on 30 days written notice and, if cancelled by the Company, by payment of an amount equivalent to two years annual salary. On termination of the contract the consultant will be immediately retained by the Company as a non-paid advisor/consultant to the Company until January 5, 2016 or for such time as the consultant still holds unexercised stock options in the Company. On exercise of the consultant's options, the relationship between the consultant and the Company will cease.

(iii) Fehr and Associates, a private company controlled by the current CFO, Ann Fehr. Ann Fehr was granted 90,000 stock options on January 28, 2011 with a fair value of $0.26 per option. $23,376 share-based compensation was recognised for these options.

(iv) David Clark Consulting, a private company controlled by the former CFO, David Clark. David Clark was granted 390,000 stock options on January 21, 2010 with a fair value of $55,400, which is included in total share-based payments of $158,557 made to directors, as disclosed below. The options were cancelled 90 days after he ceased to be an officer or director of the Company.

## Director's transactions

During the nine months ended September 30, 2011 and 2010, the following expenses related to directors were recognized:

| | | **September 30, 2011** | | September 30, 2010 |
|---|---|---|---|---|
| Share-based payments (v) | $ | 200,041 | $ | 158,557 |
| Directors' fees (vi) | $ | 7,015 | $ | - |
| Legal fees (vi) | $ | 17,500 | $ | - |

(v) Arising from options granted pursuant to the company's stock option plan. 800,000 options were granted to two directors on January 4, 2011 with a fair value of $0.12 per option. A further 400,000 options were granted to a director on January 28, 2011 with a fair value of $0.26 per option. Fair value of options was calculated using the Black-Scholes option pricing model. All options vested immediately on grant date. Share based compensation of $158,557 for the nine months ended September 30, 2010 includes share based compensation on the options issued to Michael Withrow.

During nine months end September 30, 2011, 1,050,000 options held by former directors of the Company were cancelled.

(vi) During nine months end September 30, 2011, $7,015 directors' fee and $17,500 legal fees were paid to Michael Johnson, previous director of the Company.

Accounts payable and accrued liabilities at September 30, 2011 includes $nil (September 30, 2011 - $10,112 due from) due to directors.

## Outstanding Share Data

The Authorized share capital consists of an unlimited number of common shares without par value.

| Outstanding and Fully Diluted Share Data | Number of Common Shares |
|---|---|
| Issued and outstanding as at September 30, 2011 | 25,224,268 |
| Common shares issued subsequent to September 30, 2011 | 2,478,600 |
| Issued and outstanding as at November 25, 2011 | 27,702,868 |

Effective January 1, 2010, the issued and outstanding share capital of the Company was consolidated on a four old, one new basis. All references to share capital, options and warrants are on a post-consolidated basis.

On January 28, 2011, the Company closed a non-brokered private placement of 5,000,000 units at $0.13 per unit. Each unit consists of one common share and one warrant of the Company. Each warrant is exercisable to purchase one common share of the Company until January 28, 2013 at $0.20 per share for the first year and at $0.30 during the second year. As the issue price of each unit was less than the market price of the Company's shares on the day of issue, the full issue price was allocated to share capital. Share issue costs of $61,187 were incurred, which included $36,528 attributable to 163,760 agent warrants issued with an exercise price of $0.20 per share for a period of two years. The fair value of the agent warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: risk free interest rate of 1.69%; expected life of 2 years; volatility of 150.72%; dividend rate of 0%; and share price on January 28, 2011 of $0.30.

On July 7, 2011, the Company announced the commencement of a non-brokered private placement offering of up to 8,500,000 units consisting of 6,000,000 flow-through units (each, a "Flow-Through Unit") at a price of $0.25 per flow-through unit and 2,500,000 units (each, a "Unit") at a price of $0.20 per unit for gross proceeds of $2,000,000 (the "Offering"). Each flow-through unit consists of one previously unissued common "flow-through share" and one non-flow-through share purchase warrant (a "Warrant) of the issuer. Each Warrant will entitle the holder, on exercise, to purchase one additional common share of the Company (a "Warrant Share") for a period of two years from the date of issue of the Warrant. The Warrants will be exercisable at a price of $0.40 per share for the first year and at a price of $0.50 per share for the second year. The Company is concurrently offering Units consisting of one previously unissued common share (a "Share") and one share purchase warrant (a "Warrant") of the Company. Each Warrant will entitle the holder, on exercise, to purchase one additional common share of the Company (a "Warrant Share") for a period of 2 years from the date of issue of the Warrant. The Warrants will be exercisable at a price of $0.30 per share for the first year and $0.40 per share for the second year.

On July 21, 2011, the Company issued 3,200,000 flow-through units at $0.25 per unit, for gross proceeds of $800,000. The $0.05 difference between the flow-through unit and the non-flow-through unit was allocated to other liabilities on flow-through share premium, the market value of the Company's shares on the date of announcement $0.18 was allocated to share capital, and the remaining $0.02 was allocated to reserve for warrants.

Share issue costs of $91,679 were incurred, which included $25,600 attributable to 256,000 agent options issued with an exercise price of $0.25 per share for a period of two years. The fair value of the agent warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: risk free interest rate of 1.56%; expected life of 2 years; volatility of 150.46%; dividend rate of 0%; and non-flow through unit price on July 21, 2011 of $0.20.

On September 8, 2011 and September 9, 2011, the Company totally issued 880,000 flow-through units at $0.25 per unit and 525,000 non-flow-through units at $0.20 per unit, for gross proceeds of $325,000. For non-flow-through units, $0.18 was allocated to share capital, $0.02 was allocated to reserve for warrants. For flow-through units, $0.18 was allocated to the share capital, $0.02 was allocated to reserve for warrants and $0.05 was allocated to liability on flow-through share premium as discussed above.

Share issue costs of $2,452 were incurred, which included $652 attributable to agent warrants issued. The terms of each agent's warrant are the same as those of the financing. The fair value of the agent warrants was estimated using the Black-Scholes option pricing model based on the following assumptions: risk free interest rate of 1.405%; expected life of 2 years; volatility of 107.68%; dividend rate of 0%; and share price on September 8, 2011 of $0.20.

On November 18, 2011, the Company closed on the third tranche of the private placement announced on July 6, 2011 and issued 473,600 flow-through units at $0.25 per unit and 1,265,000 non-flow-through units at $0.20 per unit, for gross proceeds of $371,400. The Company paid $20,112 in finder's fees to Leede Financial Markets Inc., Wolverton Securities Ltd., EMD Financial Inc., and CGE Resources Quebec 2011 L.P. and issued 84,688 finder's warrants on a portion of the amount included in the third tranche. The terms of each finder's warrant are the same as those of the financing.

On November 25, 2011, the Company completed the fourth and final tranche of the private placement and issued 240,000 flow-through units and 500,000 non-flow-through units, receiving gross proceeds of $160,000 which will be applied to qualifying exploration expenses and general working capital. No finder's fees were paid during the fourth tranche.

Since July 2011, the Company raised a total of $1,656,400 in gross proceeds and issued a total of 4,793,600 flow-through units and 2,290,000 non-flow-through units. A total of $86,112 in finder's fees and 291,488 finder's warrants have been issued to certain persons and institutions who assisted in the placement of subscribers to the offering.

## Contingent Liability

On May 18, 2011, the Company received an order granted by a court in Lima, Peru indicating that the Company is responsible for a debt in the amount of US$198,933.08 incurred by a former subsidiary of the Company. The Company did not receive notice of the Peruvian legal proceedings and is seeking advice concerning an application to set aside the order.  The Company's Peruvian legal counsel advised that the Company is not responsible for this obligation.

As at September 30, the Company is committed to incur, on a best efforts basis, $1,020,000 in qualifying resource expenditures pursuant to a private placement for which flow-through proceeds have been received. During nine months ended September 30, 2011, the Company had incurred qualifying resource expenditures of $125,380. The Company must incur the remaining balance of qualifying resource expenditures within 24 months after the private placement. If the Company does not spend these funds in compliance with the Government of Canada flow-through regulations, it may be subject to litigation from various counterparties. The Company intends to fulfill its flow-through commitments within the given time constraints.

## Subsequent Events

The following events occurred subsequent to September, 2011:

On October 24, 2011, the Company appointed Lindsay Bottomer as a director.

On October 25, 2011, the Company announced that it has granted an aggregate of 800,000 stock options to two directors of the Company. Each option is exercisable at $0.20 per common share and is exercisable at any time until October 24th, 2016. The options vest immediately.

On November 18, 2011, the Company has closed on the third tranche of the private placement announced on July 6, 2011 and issued 473,600 flow-through units at $0.25 per unit and 1,265,000 non-flow-through units at $0.20 per unit, for gross proceeds of $371,400. The Company paid $20,112 in finder's fees to Leede Financial Markets Inc., Wolverton Securities Ltd., EMD Financial Inc., and CGE Resources Quebec 2011 L.P. and issued 84,688 finder's warrants on a portion of the amount included in the third tranche. The terms of each finder's warrant are the same as those of the financing.

On November 25, 2011, the Company completed the fourth and final tranche of the private placement and issued 240,000 flow-through units and 500,000 non-flow-through units, receiving gross proceeds of $160,000 which will be applied to qualifying exploration expenses and general working capital. No finder's fees were paid relating to the fourth tranche.

## Liquidity and Capital Resources

As at September 30, 2011, the Company had cash of $10,033. The Company continues to utilize its cash resources to fund project exploration and administrative requirements. As the Company has no significant income, cash balances, unless replenished by capital fundraising, will continue to decline as the Company utilizes its funds to conduct its operations.

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition and development of its mineral property interests. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities.

The Company's operations to date have been primarily financed by sales of its equity securities. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing to fund ongoing exploration programs and to commence profitable operations in the future. The Company has primarily incurred losses from inception, has recorded a net loss from continuing operations of $549,579 for the nine months ended September 30, 2011 and has working capital of $190,725 as at September 30, 2011 (December 31, 2010 - working capital deficiency of $125,131).

The current cash position on hand, and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. Therefore, the Company will need funding through equity or debt financing.

## Financial Instruments and Risk Management

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

*Credit risk*
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's cash is held in a large Canadian financial institution. The Company's accounts receivable consist of harmonized sales tax due from the federal government of Canada. As such, credit risk is not considered significant.

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

The Company has cash at September 30, 2011 in the amount of $10,033 (December 31, 2010 - $2,935) in order to meet short-term business requirements. At September 30, 2011, the Company had current liabilities of $302,632 (December 31, 2010 - $135,259).

Accounts payable and accrued liabilities are due within twelve months of the statements of financial position date.

*Interest rate risk*
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. As these financial instruments are not interest bearing, the Company is not currently exposed to interest rate risk.

*Mineral Price Risk*
Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. Mineral prices, particularly gold and silver prices, have fluctuated widely in recent years. The marketability and price of silver and gold which may be produced or acquired by the Company will be affected by numerous factors beyond the control of the Company. These other factors include delivery uncertainties related to the proximity of processing facilities and extensive government regulation relating to price, taxes, royalties, allowable production land tenure and many other aspects of the mining business. Declines in mineral prices may have a negative effect on the Company.

## Risk Factors

Investing in the Company involves risks that should be carefully considered. In addition to the risks involved should the Company be required to value its assets and liabilities other than on a going-concern basis as discussed above and below, in conducting its business, the Company is subject to a number of other risks and uncertainties, including those discussed below, that could have a material adverse effect on, among other things, the Company's business prospects or financial condition and could result in a delay or indefinite postponement in the development of the Company's properties and projects. See also "Forward-Looking Statements".

The Company's business of exploring for mineral resources involves a variety of operational, financial and regulatory risks that are typical in the natural resource industry. The Company has not commenced commercial operations and has no proven history of performance, earnings or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan, and the Company's Common Shares must be considered speculative, primarily due to the nature of the Company's business and early stage of development.

The Company's property interests are located in British Columbia, Canada. Any changes in governmental laws, regulations, economic conditions or shifts in political attitudes or stability are beyond the control of the Company and may adversely affect its business. In addition, shortages of skilled labor and deficiencies in infrastructure may negatively influence costs of exploration and development.

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to explore and develop its property interests or to fulfill its obligations under applicable agreements. There can be no assurance that the Company 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 new projects with the possible loss of such properties. The Company will require new capital to continue to operate its business and to continue with exploration on its properties, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity which will result in dilution to the Company's shareholders.

The operations of the Company will require licenses and permits from various governmental authorities. There can be no assurance that the Company or its partners will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects. Failure to obtain such licenses and permits may adversely affect the Company's business as the Company would be unable to legally conduct its intended exploration and development work, which may result in it losing its interest in the subject property.

Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect the marketability of any mineral products discovered. Mineral prices, particularly gold and silver prices, have fluctuated widely in recent years. The marketability and price of silver and gold which may be produced or acquired by the Company will be affected by numerous factors beyond the control of the Company. These other factors include delivery uncertainties related to the proximity of its reserves to processing facilities and extensive government regulation relating to price, taxes, royalties, allowable production land tenure, the import and export of minerals and many other aspects of the mining business. Declines in mineral prices may have a negative effect on the Company.

The mining industry is intensely competitive and the Company must compete in all aspects of its operations with a substantial number of other corporations which have greater technical or financial resources. The Company may be unable to acquire additional attractive mining properties on terms it considers to be acceptable.

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. Failure to comply with such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

Certain directors and officers of the Company are also directors, officers and shareholders of other natural resource or public companies, as a result of which they may find themselves in a position where their duty to another company conflicts with their duty to the Company. There is no assurance that any such conflicts will be resolved in favor of the Company. If any of such conflicts are not resolved in favor of the Company, the Company may be adversely affected.

In addition, the Company's President and CEO is currently a party to an investigation by the BC Securities Commission in respect of an unrelated company for, among other things, market manipulation. These allegations have not been proven. Any adverse consequences from the investigation itself, or its outcome, could substantially harm the Company's reputation or ability to raise financing or enter into other joint venture or similar types of arrangements. The Company's Board of Directors established an independent committee to determine the appropriate course of action in such circumstances. On September 19, 2011, the Committee, with the assistance of independent counsel, reviewed these matters and the members unanimously determined that it is in the best interests of the Company that the President of the Company continues to act as the President and CEO and as a director of the Company notwithstanding the commencement of the proceedings.

## SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

### Critical Accounting Estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

*Impairment of assets*
When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. No impairments of non-financial assets have been recorded for the nine months ended September 30, 2011 (September 30, 2010 – $nil).

*Share-based compensation*
Management is required to make certain estimates when determining the fair value of stock options awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's condensed interim statement of comprehensive loss. For the nine months ended September 30, 2011 the Company recognized $236,401 share-based compensation expense (September 30, 2010 - $133,482).

### Critical Judgements Used In Applying Accounting Policies

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

*Mineral properties under exploration*
Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its mineral properties. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from mineral properties under exploration and subject to different accounting treatment. As at September 30, 2011, management had determined that no reclassification of mineral properties was required.

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

## NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The following accounting pronouncements have been released but have not yet been adopted by the Company.

**IFRS 9 Financial Instruments**

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 Financial Instruments (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

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

**IFRS 13 Fair Value Measurement**

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

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

**Other**

In June 2011, the IASB issued amendments to IFRS 7 Financial Instruments: Disclosures. The Company does not believe the changes resulting from these amendments are relevant to its financial statements.

In June 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 19 Employee Benefits. The Company does not believe the changes resulting from these amendments are relevant to its financial statements.

## POLICIES AND TRANSITION TO IFRS

International Financial Reporting Standards (IFRS) replaced the previous Canadian GAAP (CGAAP) for the Company, effective for its 2011 interim and annual financial statements. Accordingly, the Company is applying accounting policies consistent with IFRS for the nine months ended September 30, 2011.

The adoption of IFRS resulted in changes to the Company's accounting policies. The accounting policies disclosed in note 3 to the accompanying condensed interim financial statements have been applied consistently to all periods presented. They also have been applied in the preparation of an opening IFRS statement of financial position as at January 1, 2010.

The impact of the transition from CGAAP to IFRS is explained in detail in note 15 to the accompanying condensed interim financial statements. The changes in accounting policies have not been applied to any information for periods prior to January 1, 2010.

**First-time adoption of IFRS – Impact on January 1, 2010**

The first-time adoption of IFRS generally requires retrospective application of the resulting changes in accounting policies.

Subject to certain optional exemptions and mandatory exceptions, the Company has applied the changes in accounting policies resulting from the adoption of IFRS retrospectively in the preparation of its opening IFRS statement of financial position as at January 1, 2010, the Company's "Transition Date".

The impact of first-time adoption of IFRS on the Company's opening IFRS statement of financial position is described in detail in note 13 to the accompanying condensed interim financial statements.

The expected impact of changes in accounting policies, as was known at the time, was also disclosed in the Company's Management Discussion and Analysis for the year ended December 30, 2010.

*Impact of Changes in Accounting Policies on the REIT's Financial Statements*

The adoption of IFRS resulted in changes to the Company's accounting policies. The changes to accounting policies as required by IFRS have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

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

*Impairment Of (Non-financial) Assets*

IFRS requires a write down of assets if the higher of the fair market value and the value in use of a group of assets is less than its carrying value. Value in use is determined using discounted estimated future cash flows. CGAAP required a write down to estimated fair value only if the undiscounted estimated future cash flows of a group of assets are less than its carrying value.

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

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

*Decommissioning Liability (Asset Retirement Obligations)*

IFRS requires the recognition of a decommissioning liability for legal or constructive obligations, while current CGAAP only requires the recognition of such liabilities for legal obligations. A constructive obligation exists when an entity has created reasonable expectations that it will take certain actions.

The Company's accounting policies related to decommissioning liabilities have been changed to reflect these differences. There is no impact on the condensed interim financial statements.

*Share-based Payments*

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

Due to the nature of the Company’s stock options, these changes in accounting policies did not have a significant impact on the Company’s financial statements.

*Exploration and evaluation assets*

IFRS allows a company to develop an accounting policy for the recognition of exploration and evaluation assets, including mineral properties. This change is policy did not have a significant impact on the condensed interim financial statements.

**Reconciliation of Canadian GAAP to IFRS**

The following provides reconciliations of the statement of financial position, and summary reconciliations of the statements of comprehensive income, and statements of cash flows for the nine months ended September 30, 2010 and the years ended December 31, 2010. The changes in accounting policies resulting from the Company’s adoption of IFRS had no significant impact on financial statements for these comparative periods, other than a transfer within equity in respect of the fair value of options and warrants no longer outstanding (refer to note (a) below).

*Reconciliation of Assets, Liabilities and Equity*

| | | January 01, 2010 | | | September 30, 2010 | | | December 31, 2010 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Canadian GAAP | Effect of transition to IFRS | IFRS | Canadian GAAP | Effect of transition to IFRS | IFRS | Canadian GAAP | Effect of transition to IFRS | IFRS |
| **ASSETS** | | | | | | | | | | |
| **Non-current assets** | | | | | | | | | | |
| Exploration and evaluation assets | | $ 25,000 | - | $ 25,000 | $ 45,536 | - | $ 45,536 | $ 45,536 | - | $ 45,536 |
| | | 25,000 | - | 25,000 | 45,536 | - | 45,536 | 45,536 | - | 45,536 |
| **Current assets** | | | | | | | | | | |
| Cash | | 27,462 | - | 27,462 | 18,466 | - | 18,466 | 2,935 | - | 2,935 |
| Receivables | | 7,025 | - | 7,025 | 11,567 | - | 11,567 | 4,693 | - | 4,693 |
| Prepaid expenses | | - | - | - | 1,224 | - | 1,224 | 2,500 | - | 2,500 |
| Due from related party | | - | - | - | 10,112 | - | 10,112 | - | - | - |
| | | 34,487 | - | 34,487 | 41,369 | - | 41,369 | 10,128 | - | 10,128 |
| **TOTAL ASSETS** | | $ 59,487 | - | $ 59,487 | $ 86,905 | - | $ 86,905 | $ 55,664 | - | $ 55,664 |
| **LIABILITIES** | | | | | | | | | | |
| **Current liabilities** | | | | | | | | | | |
| Accounts payable and accrued liabilities | | $ 333,631 | - | $ 333,631 | $ 78,893 | - | $ 78,893 | $ 135,259 | - | $ 135,259 |
| | | 333,631 | - | 333,631 | 78,893 | - | 78,893 | 135,259 | - | 135,259 |
| **SHAREHOLDERS' EQUITY (DEFICIT)** | | | | | | | | | | |
| Share capital | | 8,391,614 | - | 8,391,614 | 8,991,059 | - | 8,991,059 | 8,991,059 | - | 8,991,059 |
| Reserves | (a) | 775,854 | (731,193) | 44,661 | 909,336 | (754,365) | 154,971 | 915,704 | (775,854) | 139,850 |
| Deficit | (a) | (9,441,612) | 731,193 | (8,710,419) | (9,892,383) | 754,365 | (9,138,018) | (9,986,358) | 775,854 | (9,210,504) |
| | | (274,144) | - | (274,144) | 8,012 | - | 8,012 | (79,595) | - | (79,595) |
| **TOTAL EQUITY AND LIABILITIES (DEFICIT)** | | $ 59,487 | - | $ 59,487 | $ 86,905 | - | $ 86,905 | $ 55,664 | - | $ 55,664 |

*Reconciliation of Statement of Comprehensive Loss*

| **Total comprehensive loss** | | Nine months ended September 30, 2010 | | Year ended September 30, 2010 |
|---|---|---|---|---|
| Comprehensive loss per Canadian GAAP | $ | 450,771 | $ | 544,746 |
| Adjustment on adoption of IFRS | | - | | - |
| **Comprehensive loss per IFRS** | $ | 450,771 | $ | 544,746 |

*Reconciliation of Statement of Cash Flows*

| | | Nine months ended September 30, 2010 | | Year ended December 31, 2010 |
|---|---|---|---|---|
| Operating activities per Canadian GAAP | $ | (577,793) | $ | (603,436) |
| Adjustment on adoption of IFRS | | - | | - |
| **Operating activities per IFRS** | $ | (577,793) | $ | (603,436) |
| | | | | |
| Investing activities per Canadian GAAP | $ | 599,445 | $ | 599,445 |
| Adjustment on adoption of IFRS | | - | | - |
| **Investing activities per IFRS** | $ | 599,445 | $ | 599,445 |
| | | | | |
| Financing activities per Canadian GAAP | $ | (20,536) | $ | (20,536) |
| Adjustment on adoption of IFRS | | - | | - |
| **Financing activities per IFRS** | $ | (20,536) | $ | (20,536) |

*Notes on GAAP – IFRS Reconciliations*

(a) IFRS permits a transfer of reserves arising from share-based transactions, within equity. Therefore, at January 1, 2010 the fair value attributable to options and warrants outstanding at that date was transferred from contributed surplus to an “Equity settled share-based payment reserve” and the fair value attributable to outstanding warrants was transferred to a “Reserve for warrants”. The remaining balance of contributed surplus, which reflected the fair value of options and warrants no longer outstanding, was transferred to Accumulated Deficit.

At January 1, 2011, $731,193 of total reserves related to options and agent warrants no longer outstanding, and was therefore transferred to Retained earnings/(Deficit), in order that the balance of “Equity settled share-based payment” and “Reserves for warrants” reflected only the fair value of options and agent warrants outstanding on that date. During the year ended December 31, 2010, several options outstanding at January 1, 2010 were cancelled, and therefore a further transfer, of the fair value attributed to these cancelled options, was made to Retained earnings/(Deficit), during the nine months ended September 30, 2010 ($23,172) and the year ended December 31, 2010 ($44,661).

## Conflicts Of Interest

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the Business Corporations Act (BC) ("Corporations Act") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

## Off-Balance Sheet Arrangements

The Company did not enter into any off-balance sheet arrangements during the nine months ended September 30, 2011.

## Proposed Transactions

The Company does not currently have any proposed transaction approved by the Board of Directors. All current transactions are fully disclosed in the financial statements for the nine months ended September 30, 2011.

## Management's Responsibility For Financial Statements

The information provided in this report, including the Financial Statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

## Board Approval

The Board of Directors of the Company has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it and can be located, along with additional information, on the SEDAR website at www.sedar.com.

Vancouver, BC November 28, 2011