NEWTON GOLD CORP.

(formerly New High Ridge Resources Inc.)

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Vancouver, B.C. V6C 1T2

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2011

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Newton Gold Corp. ("Newton" or the "Company") during the year ended December 31, 2011 and to the date of this report.

The following management discussion and analysis is prepared as at April 13, 2012, and should be read in conjunction with the audited financial statements for the year ended December 31, 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

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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 policy 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 April 13 , 2012 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 Hill 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 in 2005. 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 December 31, 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 Hill 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 Hill 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 October 24, 2011, the Company appointed Lindsay Bottomer as a director.

On January 28, 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"). These funds were to be used to fund exploration activities on the Newton Hill property and for general and admin expenses.

In July and September 2011, the Company closed its first and second tranches of the private placement announced in July 2011 and 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.

On November 18, 2011, the Company closed its 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 November 25, 2011, the Company completed the fourth and final tranche of the private placement and issued 240,000 flow-through units at $0.25 per unit and 500,000 non-flow-through units at $.20 per unit, receiving gross proceeds of $60,000 and, $100,000 respectively.

During the year ended December 31, 2011, the $684,550 of the proceeds from the private placement was used as exploration expenditures on the newly acquired News claims contiguous to the existing Newton Hill Property. In addition, the Company advanced $1,580,487 to Amarc for the project drilling program. At December 31, 2011, $667,293 had been expended and $228,644 was recognised on the 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 284 mineral claims totaling 1,478 square kilometres. The Company originally had a 100% interest in 9 claims, comprising an area of approximately 4,113 hectares (41 square kilometres) that is subject to a 2% net smelter royalty ("NSR") that may be purchased at any time for $2 million.

The Company entered into an Option and Joint Venture Agreement (the "Agreement") on August 12, 2009 with Amarc Resources Ltd. (the "Optionee"). Under that Agreement, the Optionee initially contributed another 49 contiguous claims in the property to make the property area subject to the Agreement consist of 58 claims comprising an area of approximately 22,923 hectares (229 square kilometres). Pursuant to the Agreement, the Optionee 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 the Optionee as consideration for the Optionee issuing 100,000 Optionee shares to the underlying optionor of the initial Newton Hill property claim.

In 2010 the Optionee 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, the Optionee flew a ZTEM (Z-Axix Tipper Electomagnetic system) survey and high-sensitivity magnetometer airborne geophysical over the property as well as an Induced Polarization (IP) ground geophysical survey that defined a substantial target which 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. Limited outcrop in the target area suggest the presence of favorable host rocks as encountered in the 2009 drill program.

On February 10, 2011, the Optionee 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 the Optionee entered into a Joint Venture Agreement for the Newton Project. The property was expanded and now consists of 284 mineral claims covering a total of 1,478 square kilometres. All expenditures on the project will now be split 80:20 with Newton responsible for 20% of the expenditures. Amarc was designated to be the manager of the project and will report to the four-member Newton Joint Venture Management Committee made up of two nominees from each of the respective companies.

On May 31, 2011 the Newton Joint Venture announced a Phase I, 25-hole drilling program that 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 the Optionee'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).

In addition, extensive ground geophysics has started on the southern portion of the project.

In November 2011, the Company received results from the Newton Joint Venture on the first four holes of the ongoing 25 hole drill program.

Holes 11044 and 11045 both intersected wide intervals of gold mineralization below the shallowly dipping Newton Hill Fault, that 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. In December 2012, the Company received assay results of the fifth hole drilled during the season at the Newton Hill Project. Key intersections of 141.0 metres averaging 0.65 grams per tonne (g/t) gold from 34.0 to 175.0 metres and an additional 60.0 metres averaging 0.60 g/t gold from 277.0 to 337.0 metres were identified within a 296.85 metre thick package of strongly altered pale grey felsic ash tuffs and flows.

> **NOTE:** To see detailed results of drilling performed to date at the Newton property, the reader is encouraged to visit: www.newtongold.com/s/newton.asp

Chuchi Property – British Columbia

The Company has a 100% interest in 19 mineral claims covering approximately 6,900 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 approximately 32km northwest of Thomson Creek's Mount Milligan + 1 billion tonne Cu-Au porphyry mine in central British Columbia.

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 field work program on the Chuchi Property on September 21, 2011. A total of 802 soil samples were taken from a soil grid that measured 2.2 kilometres by 3.8 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 52 historic drill holes. In addition, the recently completed soil sampling program joined two historically defined anomalies - by Rio Algom and BP Resources completed in the late 1980's – into one single significant anomaly. A summary of the central target area is as follows: a 1.2 by 1.8 kilometre gold anomaly, a 900 metre by 1.2 kilometre copper anomaly, and a 800 by 600 metre silver anomaly.

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 Company is planning a 3,000 meter drill program for the 2012 season to test the mineralization below the levels defined by historic drilling as well as to test new areas identified by Newton.

On April 12, 2012 the Company announced the staking of an additional 1,560 ha to the west of, and contiguous with, the Chuchi property to bring the property to 6,900 hectares.

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 is awaiting an updated NI 43-101 Technical Report on the Property.

The Company has a favourable corporate structure with approximately 28.9million 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 Annual Financial Information

The Company's audited financial statements for the year ended December 31, 2011 (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 years ended		
	December 31, 2011	**December 31, 2010**	**December 31, 2009**
	(IFRS)	*(IFRS)*	*(Canadian GAAP)*
Statements of Comprehensive Loss:			
Total Revenue	$ -	$ -	$ -
Operating expenses	(795,196)	(414,900)	(283,503)
Loss from continuing operations	-	-	(264,126)
Net (loss) income	(672,261)	(544,746)	418,225
Basic & diluted loss per common share	(0.03)	(0.04)	0.04
	(IFRS)	*(IFRS)*	*(IFRS)*
Statements of Financial Position:			
Cash	58,280	2,935	27,462
Exploration and evaluation assets	1,585,099	45,536	25,000
Total assets	1,908,329	55,664	59,487
Total liabilities	(326,226)	(135,259)	(333,631)
Shareholders' equity (deficit)	(1,582,103)	(79,595)	(274,144)

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 $672,261 during the year ended December 31, 2011, a difference of $127,515 from the loss of $544,746 for the year ended December 31, 2010.

Compared to the year ended December 31, 2010, the net loss to shareholders of Newton for the year ended December 31, 2011 was impacted significantly by the following factors:

- Share based compensation increased by $222,115 due to changes in management and board and granting of new options.
- Investor communications increased by $48,151 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 $37,696 during the year ended December 31, 2011, due to increased activity with respect to negotiations of Newton Joint Venture agreement and previous legal issues.

- Consulting and management expenses increased by $79,317 due to the Company's re-organization of the management team.
- Office and sundry costs increased by $29,861, primarily as a result of monthly rental and administration costs for the Company's new office established during the year ended December 31, 2011.
- During the year ended December 31, 2011, the Company has $134,752 other income 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 year ended December 31, 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 year ended December 31, 2010, the Company incurred $169,409 on proposed transaction costs.
- During the year ended December 31, 2010, a reclamation deposit of $20,000 on a previously written-down property was recovered.
- During the year ended December 31, 2010, $19,563 on settlement of accounts payable was recovered.
- During the year ended December 31, 2010 accounting and audit fees were $3,202 greater.

Summary of Quarterly Financial 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
Q4/2011	December 31, 2011	IFRS	$ -	$ (122,682)	$ (0.00)	$ (122,682)	$ (0.00)
Q3/2011	September 30, 2011	IFRS	-	(100,815)	(0.01)	(100,815)	(0.01)
Q2/2011	June 30, 2011	IFRS	-	(93,654)	(0.00)	(93,654)	(0.00)
Q1/2011	March 31, 2011	IFRS	-	(355,110)	(0.02)	(355,110)	(0.02)
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)	(0.00)	(62,596)	(0.00)
Q1/2010	March 31, 2010	IFRS	-	(211,752)	(0.02)	(211,752)	(0.02)

The Company has no revenues to date. The primary factors affecting the magnitude and variations of the Company's losses are summarized as follows:

- In Q4/2011 $109,676 other income due to the settlement of flow-through share liability on incurring expenditures.
- In Q3/2011 $61,610 legal fees were incurred due to increased activity with respect to renaming the Company and increased business activity.
- In Q3/2010 $112,456 consulting costs were incurred in relation to the Company's proposed change of business.

– Stock based compensation expense also significantly impacts net loss as follows: Q4/2011 – $125, 564; Q1/2011 -$236,401; Q4/2010 - $6,368; Q1/2010 - $133,482.

Review of Fourth Quarter Financial Results

The Company incurred a net loss of $122,682 during the three months ended December 31, 2011, a difference of $28,707 from the loss of $93,975 for the three months ended December 31, 2010. The difference was impacted significantly by the following factors:

- Legal fees increased by a total $23,781 during the three months ended December 31, 2011, due to increased activity with respect to negotiations of Newton Joint Venture agreement and previous issues.
- The Company has $109,676 other income during the three months ended December 31, 2011, due to settlement of flow-through share liability on incurring expenditures.
- Consulting and management fees increased by $30,116 during the three months ended December 31, 2011 due to the Company's re-organization of the management team.

The Company incurred a net loss of $122,682 during the three months ended December 31, 2011, a difference of $21,867 from the loss of $100,815 for the three months ended September 30, 2011. The net loss to shareholders of Newton for the three months ended December 31, 2011, compared to the three months ended September 30, 2011 was impacted significantly by the following factors:

- Share-based compensation increased by $125,564 due the issuance of 800,000 options to directors during the three months ended December 31, 2011.
- Office and sundry expenses were $13,721 more during the three months ended December 31, 2011 due to increased administration activity and support with respect to the private placement, and general business operations.
- Accounting and audit fees were $23,875 due to accruals for 2011 year-end financial statement accounting, auditing and flow-through share tax reporting.
- Consulting and management fees were $9,845 more due to additional consultant fees incurred during the three months ended December 31, 2011.

The increased expenditures during the three months ended December 31, 2011 above was offset by the following decreases in the three months ended December 31, 2011 relative to the three months ended September 30, 2011:

- During the three months ended December 31, 2011, there was $86,400 more other income, due to settlement of flow-through share liability on incurring expenditures.
- During the three months ended December 31, 2011, legal fees decreased by $62,798 due to decreased activity with respect to negotiations of Newton Joint Venture agreement and previous legal issues.

Evaluation Assets Acquisition and Exploration Expenditures

During the year ended December 31, 2011, 2010 and 2009, the Company had accumulated the following acquisition and exploration expenditures.

	Chuchi	Newton Hill	Total
ACQUISITION COSTS			
Balance, January 1, 2010	$ 20,000	$ 5,000	$ 25,000
Acquisition costs	1,261	-	1,261
Balance, December 31, 2010	21,261	5,000	26,261
Acquisition costs	40,000	684,550	724,550
Balance, December 31, 2011	**$ 61,261**	**$ 689,550**	**$ 750,811**
EXPLORATION EXPENDITURES			
Balance, January 1, 2010	$ -	$ -	$ -
Assessment fees	27,876	-	27,876
Cost recoveries	(9,501)	-	(9,501)
Geological	900	-	900
Balance, December 31, 2010	19,275	-	19,275
Assessment, property, permit fees	-	15,956	15,956
Boarding, lodging and travel	431	10,113	10,544
Consulting	25,160	-	25,160
Drilling	-	313,694	313,694
Enviromental	-	7,697	7,697
Office and administration	6,087	25,600	31,687
Samples, analysis, review	16,265	39,750	56,015
Site services and supplies	99,778	65,439	165,217
Socio-economic/native liason	-	10,800	10,800
Wages geological and site	-	178,242	178,242
Balance, December 31, 2011	**$ 166,996**	**$ 667,293**	**$ 834,288**
TOTAL, January 1, 2010	**$ 20,000**	**$ 5,000**	**$ 25,000**
TOTAL, December 31, 2010	**$ 40,536**	**$ 5,000**	**$ 45,536**
TOTAL, December 31, 2011	**$ 228,257**	**$ 1,356,843**	**$ 1,585,099**

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

(a) Management transactions

For the year ended December 31, 2011	Short-term employee benefits $	Termination benefits $	Share-based payments $	Total $
McLeary Capital Management, Inc. (i)	78,000	-	48,077	126,077
Fehr and Associates (ii)	40,522	-	23,375	63,896

For the year ended December 31, 2010	Short-term employee benefits $	Termination benefits $	Share-based payments $	Total $
Michael Withrow				
President and CEO	48,000	-	56,958	104,958
Fehr and Associates (iv)	8,987	-	779	9,766
David Clark Consulting Services (viii)	36,000	-	55,400	91,400
Gary Anderson				
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 of $48,077.

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) Fehr and Associates, private company controlled by the current Chief Financial Officer, Ann Fehr. At December 31, 2011 $20,303 (December 31, 2010 - $4,700) of fees owed to Fehr and Associates was included in accounts payable and accrued liabilities. Ann Fehr was granted 90,000 stock options on January 28, 2011 with a fair value of $23,375.

(b) Transactions with other related parties

For the year ended December 31, 2011	Short-term employee benefits $	Termination benefits $	Share-based payments $	Total $
Foremost Geological Consulting (i)	42,000	-	48,077	90,077
Tom Kordyback (ii)	-	-	64,000	64,000
Timeline Filing Services ltd. (iii)	3,000	-	-	3,000
Tim McLeary (iv)	8,800	-	-	8,800
Michael Withrow (v)	4,000	-	-	4,000
Lindsay Bottomer (vi)	2,250	-	64,000	66,250
Michael Johnson (vii)	24,515	-	103,887	128,402

(i) Foremost Geological Consulting, a private company controlled by a director, Ian Foreman, P.Geo. Ian Foreman was granted 400,000 stock options on January 4, 2011 with a fair value of $48,077.

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.

(ii) During the year ended December 31, 2011, Tom Kordyback was granted 400,000 stock options with fair value of $64,000.

(iii) Timeline Filing Services Ltd., a private company controlled by the Corporate Secretary, Laara Shaafer.

(iv) Tim McLeary, related to the President and CEO, Mark McLeary.

(v) Michael Withrow, former President and CEO. At December 31, 2011 $nil (December 31, 2010 $1,797) was included in Accounts payable and accrued liabilities.

(vi) During the year end December 31, 2011, $1,250 directors' fees and $1,000 consulting fees were paid to and 400,000 options with fair value of $64,000 were granted to Lindsay Bottomer, a director of the Company. At December 31, 2011 $2,250 due to Lindsay Bottomer was included in accounts payable and accrued liabilities.

(vii) During the year end December 31, 2011, $24,515 consulting fees were paid to and 400,000 options with fair value of $103,887 were granted to Michael Johnson, a former director of the Company.

(viii) During the year ended December 31, 2010, David Clark Consulting, a private company controlled by the former CFO, 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 $140,630 made to all directors. The options were cancelled 90 days after he ceased to be an officer or director of the Company.

During the year ended December 31, 2011 rental costs of $9,231 were paid to Yale Resources Ltd., a public company trading on the TSX-Venture Exchange with two directors in common with the Company.

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 December 31, 2011	27,702,868
Common shares issued subsequent to December 31, 2011	1,260,000
Issued and outstanding as at April 13, 2012	28,962,868

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 April 27, 2010 the Company issued 5,000,000 units at a price of $0.13 per unit pursuant to a private placement for gross proceeds of $650,000. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase one additional common share for each warrant held up to April 27, 2011, at a price of $0.20 per share for the first six months and at $0.25 per share for the subsequent six months. The Company incurred cash share issuance costs of $50,555, comprising of finders' fees of $39,058 and legal and regulatory fees of $11,497 and incurred non-cash share issue costs of $26,000 with respect to 200,000 common shares issued to the finder in connection with the offering. The full issue price was allocated to share capital.

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 announcement, the full issue price was allocated to share capital.

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 at a price of $0.25 per flow-through unit and 2,500,000 non-flow-through units at a price of $0.20 per non-flow-through unit for gross proceeds of $2,000,000. Each flow-through unit consists of one common "flow-through share" and one non-flow-through share purchase warrant of the issuer. Each warrant entitles the holder, on exercise, to purchase one additional common share of the Company 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 offered units consisting of one common share and one share purchase warrant of the Company. Each Warrant entitles the holder, on exercise, to purchase one additional common share of the Company for a period of 2 years from the date of issue of the warrant. The warrants are 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 closed the first tranche of the private placement announced July 7, 2011 and issued 3,200,000 flow-through units at $0.25 per unit, for gross proceeds of $800,000. $576,000 of the proceeds was allocated to share capital, $160,000 was recognized as a flow-through-share-premium liability and $64,000 was allocated to the reserve for warrants.

On September 8, 2011, the Company closed the second tranche of the private placement and 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 $220,000 and $105,000 respectively. Gross proceeds received for flow-through units were allocated as follows: Share capital-$158,400; flow-through-share-premium liability-$44,000 and reserve for warrants-$17,600. Gross proceeds received for non-flow-through units was allocated as follows: Share capital-$94,500 and reserve for warrants-$10,500.

On November 18, 2011, the Company closed the third tranche of the private placement 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 $118,400 and, $253,000 respectively. Gross proceeds received for flow-through units was allocated as follows: Share capital-$85,248; flow-through-share-premium liability-$23,680 and reserve for warrants-$9,472. Gross proceeds received for non-flow-through units was allocated as follows: Share capital-$227,700 and reserve for warrants-$25,300.

On November 25, 2011, the Company completed the fourth and final tranche of the private placement and issued 240,000 flow-through units at $0.25 per unit and 500,000 non-flow-through units at $.20 per unit, receiving gross proceeds of $60,000 and, $100,000 respectively. Gross proceeds received for flow-through units were allocated as follows: Share capital-$43,200; flow-through-share-premium liability-$12,000 and reserve for warrants-$4,800. Gross proceeds received for non-flow-through units was allocated as follows: Share capital-$90,000 and reserve for warrants-$10,000.

During the year ended December 31, 2011, the Company incurred cash share issuance costs of $138,476, comprising of finders' fees of $89,912 and legal and regulatory fees of $48,564 and incurred non-cash share issue costs of $25,600 with respect to 256,000 agent options to purchase units and $45,419 with respect to 256,848 agent warrants issued to the finder in connection with the offering.

The fair value of the agent options and warrants was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: risk free interest rate of 1.52%; expected life of 2 years; volatility of 126.06%; dividend rate of 0%; and share price of $0.23.

The weighted average share price at date of exercise of warrants was $0.34 per share.

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 of US$198,933 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. As of April 13, 2012, the Company's Peruvian legal counsel continues to uphold that the Company is not responsible for this obligation.

No amount has been recorded at December 31, 2011.

Commitment

The Company is committed to incur, on a best efforts basis, $1,198,400 in qualifying resource expenditures pursuant to a private placement for which flow-through proceeds have been received. During the year ended December 31, 2011, the Company had incurred qualifying resource expenditures of $673,760. The Company must incur the remaining balance of $524,640 in 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 fulfil its flow-through commitments within the given time constraints.

Subsequent Events

The following events occurred subsequent to December 31, 2011:

On January 23, 2012, the Company announced results from three additional holes of the ongoing drill program on the Newton Hill Project. Holes 11049, 11051 and 11052 all intersected wide intervals of gold mineralization hosted by altered felsic volcanics below the shallowly dipping Newton Hill Fault. Mineralization remains open to the south and southeast of the core zone. These thick intervals of gold mineralization greatly expand the potential of the Newton deposit and are all 50 metre step-outs from previously reported drill holes (see news releases dated Nov.29 and Dec. 6, 2011). For detail see news release dated January 23, 2012.

On February 6, 2012 the Company announced the commencement of a non-brokered private placement offering of up to 3,400,000 units consisting of 2,400,000 flow-through units (each, a “Flow-Through Unit”) at a price of $0.20 per Flow-Through Unit and 1,000,000 units (each, a “Unit”) at a price of $0.135 per Unit for gross proceeds of $615,000 (the “Offering”). Each Flow-Through Unit consisted of one previously unissued common “flow-through share” and one non-flow-through share purchase warrant (a “Warrant) of the Issuer. Each Warrant entitled 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 are exercisable at a price of $0.30 per share for the first year and at a price of $0.40 per share for the second year.

On February 8, 2012, the Company announced that drilling at the Newton Hill Project, had intersected 399 metres of continuous gold mineralization averaging 0.5 g/t gold -- the longest intercept to date. In addition, the Company announced that diamond core drilling had restarted at Newton with two rigs working. Drilling was planned to continue until the deposit was fully delineated. Holes 11053, 11054 and 11055 continued to intersect wide intervals of gold mineralization hosted by altered felsic volcanics and brought the number of holes drilled with important gold results to 46. These holes are located over an area that currently measures 900 metres by 600 metres and is open to expansion in several directions. The age and geological characteristics of the gold mineralization at Newton demonstrate striking similarities to the mineralization at New Gold Inc's Blackwater deposit located approximately 175 km to the north. For more detail see news release dated February 8, 2012.

On February 21, 2012, the Company reported that the Company closed the first tranche of the private placement previously announced on February 6, 2012, and issued 1,260,000 Non-Flow-Through Units ("NFT Units"). The Company received gross proceeds of $170,100 that were applied to qualifying exploration expenses on the Newton joint-venture and the Chuchi project as well as general working capital. The Company did not pay any finder's fees or issue any finder's warrants in relation to the units issued in this tranche of the financing. However the balance of this private placement has been terminated.

On March 14, 2012, the Company announced that they had finished compiling data from its work program on its wholly-owned Chuchi property. The 2011 sampling program consisted of 802 soil samples covering an area measuring 2.2 by 3.8 kilometres and was successful in joining two historic anomalies and confirming additional anomalies that remain open in multiple directions. See news release dated March 14, 2012 for detail.

On April 4, 2012, the Company announced that the Company is proceeding with a non-brokered private placement offering of up to 3,000,000 units (each a "Unit") at a price of $0.135 per Unit, and up to 8,500,000 flow-through units (each a Flow-Through Unit") at a price of $0.17 per Flow Through Unit (the "Offering"). If fully subscribed, the Company will receive gross proceeds of $405,000 from the sale of the Units and $1,445,000 from the sale of the FT Units. Each Unit consists of one common share and one common share purchase warrant (a "Unit Warrant"). Each Unit Warrant entitles the holder to purchase one additional common share of the Company at $0.20 per share for a period of 12 months from the date of issue of the Unit Warrant. Each Flow-Through Unit consists of one flow-through common share and one non-flow-through common share purchase warrant (a "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at $0.25 per share for a period of 12 months from the date of issue of the Warrant. The Company intends to use the proceeds of the private placement to fund its share of a drill program at the Newton Hill property and for general working capital. The Company may, in appropriate circumstances, pay a finder's fee in connection with the sale of the Flow-Through Units and the Units.

On April 11, 2012, the Company announced that drilling at the Newton Hill Project intersected 168.3 metres of continuous gold mineralization averaging 0.71 grams per tonne gold as part of its ongoing 12,000 metre phase two drill program.

The Company also announced results from a further eight delineation drill holes -- for a total of ten - recently completed at the Newton gold discovery. Hole 12058 was lost at a depth of 112 metres. But based on its location, re-drilling is expected to intersect significant widths of the mineralized felsic volcanic host rock. There are currently three drills turning on the property. For more detail see news release dated April 11, 2012.

Liquidity and Capital Resources

As at December 31, 2011, the Company had cash of $58,280. 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 $672,261 for the year ended December 31, 2011 and had a working capital deficiency of $231,640 as at December 31, 2011 (December 31, 2010 - working capital deficiency of $125,131).

Although on February 16, 2012, the Company closed a private placement of 1,260,000 non-flow-through units with gross proceeds of $170,100, 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 December 31, 2011 in the amount of $58,280 in order to meet short-term business requirements. At December 31, 2011, the Company had current liabilities of $326,226. On February 16, 2012, the Company completed a private placement of 1,260,000 non-flow-through units with gross proceeds of $170,100.

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. Further, the TSX Venture Exchange reviewed the allegation against the Company's president & CEO and did not recommend any action being taken prior to commencement of the hearing.

Significant Accounting Judgments and Estimates

The preparation of the 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 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 year ended December 31, 2011 (December 31, 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 statement of comprehensive loss. For the year ended December 31, 2011 the Company recognized $361,965 share-based compensation expense (December 31, 2010 - $139,850).

Critical Judgments Used in Applying Accounting Policies

In the preparation of the 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 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 December 31, 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 financial statements.

New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2011 reporting period. Management has decided against early adoption of these standards. Management's assessment of the impact of these new standards and interpretations is set out below:

IFRS 7 Financial Instruments Disclosures – Disclosures on Transfers of Financial Assets

These amendments are applicable to annual reporting periods beginning on or after July 1, 2011. These amendments add and amend disclosure requirements about transfers of financial assets, including the nature of the financial assets involved and the risks associated with them. The adoption of these amendments on January 1, 2012 will increase the disclosure requirements when an asset is transferred but is not utilized and new disclosure required when assets are utilized but there is a continuing exposure to the asset after the sale.

IAS 12 Income Taxes Amendments Regarding Deferred Tax: Recovery of Underlying Assets

These amendments are applicable to annual reporting periods beginning on or after January 1, 2012 and a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life. These amendments will be adopted on January 1, 2012 but the tax effect, if any, of adopting these amendments is yet to be assessed.

IFRS 9 Financial Instruments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after January 1, 2013. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortized cost or fair value. To be classified and measured at amortized cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognized in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. This standard will be adopted on January 1, 2013 but the impact of its adoption is yet to be assessed.

IFRS 10 Consolidated Financial Statements

This standard replaces the part of IAS 27: 'Consolidated and Separated Financial Statements' and applies for the annual period beginning January 1, 2013. This new standard introduces a new definition of control that determines which entities are consolidated. This new definition of control may potentially lead to the consolidation of entities that were not previously consolidated resulting in additional assets and liabilities recorded in the financial statements. This standard will be adopted on January 1, 2013 but the impact of its adoption is yet to be assessed.

IFRS 11 Joints Arrangements

This standard replaces IAS 31: 'Interest in Joint Ventures' and applies for annual periods beginning on or after January 1, 2013. This new standard introduces new rules which classify joint arrangements as either a joint operation or joint venture. Under the new standard, proportionate consolidation is not allowed and all joint ventures must be equity accounted. All joint arrangements held by the Company will need to be reassessed to determine whether the joint operation or joint venture classification is appropriate, and the potential impacts of a change on the presentation of the Financial Statements. This standard will be adopted on January 1, 2013, but the impact of its adoption is yet to be assessed.

IFRS 12 Disclosure of Interests in other Entities

This new standard is applicable for annual reporting periods beginning on or after January 1, 2013. This standard clarifies the disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard will be adopted on January 1, 2013, but the impact of its adoption is yet to be assessed.

IFRS 13 Fair Value Measurement

This new standard is applicable for annual reporting periods beginning on or after January 1, 2013.This standard establishes a single course of guidance for determining the fair value of assets and liabilities. This standard will be adopted on January 1, 2013, but the impact of its adoption is yet to be assessed.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. This standard will be adopted on January 1, 2013, but the impact of its adoption is yet to be assessed.

Transition to International Financial Reporting Standards

As disclosed in Financial Statements Note 2, these are the Company's first annual financial statements prepared in accordance with IFRS.

The accounting policies in Financial Statements Note 3 have been applied in preparing the financial statements for the year ended December 31, 2011, the comparative information for the year ended December 31, 2010, the statement of financial position as at December 31, 2010 and the preparation of an opening IFRS statement of financial position on the transition date, January 1, 2010.

(a) First time adoption

The guidance for the first time adoption of IFRS is set out in IFRS 1 First-time Adoption of International Financial Reporting Standards'. Under IFRS 1 changes in accounting policies resulting from the adoption of IFRS are applied retrospectively at the transition date with all adjustments taken to retained earnings unless certain optional exemptions are applied. The Company has applied the following optional exemptions to its opening statement of financial position dated January 1, 2010:

Borrowing costs

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

Business combinations

IFRS1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combination retrospectively to a business combination that occurred before the date of transition to IFRS. The Company has elected to apply IFRS 3 to only those business combinations that occurred on or after the Transition Date and any prior business combinations have not been restated. As a result of this election, no adjustments were required to the Company statement of financial position as at the Transition Date.

Share-based payment

IFRS 1 does not require first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the date of transition to IFRS. The Company has elected not to apply IFRS 2 to awards that vested prior to January 1, 2010.

IFRS 1 also outlines specific guidelines that a first-time adopter must adhere to under certain circumstances. The Company has applied the following guidelines to its opening statement of financial position dated January 1, 2010:

Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its GAAP estimates for the same date.

(b) Changes in accounting policies

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

(c) Reconciliation of Canadian GAAP to IFRS

The following provides reconciliations of the statement of financial position at the transition date of January 1, 2010 and at December 31, 2010, and summary reconciliations of the statements of comprehensive loss, and cash flows for the year ended December 31, 2010.

A discussion of the adjustments arising from changes in accounting policies and presentation follows the reconciliation.

Reconciliation of Assets, Liabilities and Equity

		January 1, 2010			December 31, 2010		
	Note	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS							
Current assets							
Cash		$ 27,462	$ -	$ 27,462	$ 2,935	$ -	$ 2,935
Receivables		7,025	-	7,025	4,693	-	4,693
Prepaid expenses		-	-	-	2,500	-	2,500
		34,487	-	34,487	10,128	-	10,128
Non-current assets							
Exploration and evaluation assets		25,000	-	25,000	45,536	-	45,536
TOTAL ASSETS		$ 59,487	$ -	$ 59,487	$ 55,664	$ -	$ 55,664
LIABILITIES							
Current liabilities							
Accounts payable and accrued liabilities		$ 333,631	$ -	$ 333,631	$ 135,259	$ -	$ 135,259
		333,631	-	333,631	135,259	-	135,259
SHAREHOLDERS' EQUITY (DEFICIT)							
Share capital		8,391,614	-	8,391,614	8,991,059	-	8,991,059
Reserves	(a)	775,854	(731,193)	44,661	915,704	(775,854)	139,850
Deficit	(a)	(9,441,612)	731,193	(8,710,419)	(9,986,358)	775,854	(9,210,504)
		(274,144)	-	(274,144)	(79,595)	-	(79,595)
TOTAL EQUITY AND LIABILITIES (DEFICIT)		$ 59,487	$ -	$ 59,487	$ 55,664	$ -	$ 55,664

Reconciliation of Statement of Comprehensive Loss

Total comprehensive loss		Year ended December 31, 2010
Comprehensive loss per Canadian GAAP	$	544,746
Adjustment on adoption of IFRS		-
Comprehensive loss per IFRS	$	544,746

Reconciliation of Statement of Cash Flows

		Year ended December 31, 2010
Operating activities per Canadian GAAP	$	(603,436)
Adjustment on adoption of IFRS		-
Operating activities per IFRS	$	(603,436)
Investing activities per Canadian GAAP	$	599,445
Adjustment on adoption of IFRS		-
Investing activities per IFRS	$	599,445
Financing activities per Canadian GAAP	$	(20,536)
Adjustment on adoption of IFRS		-
Financing activities per IFRS	$	(20,536)

Notes on GAAP – IFRS Reconciliations

(a) IFRS requires an entity to present, for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period, separately disclosing each change. The Company examined its "contributed surplus" account and concluded that as at the January 1, 2010 transition date and the comparative dates of December 31, 2010, part of the contributed surplus relates to "Equity settled share-based payment" and part to "Reserves for agent warrants".

IFRS also permits a transfer of reserves arising of share-based transactions, within equity. At January 1, 2010 $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 agent 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 canceled, and therefore a further transfer, $44,661 of the fair value attributed to these cancelled options, was made to Retained earnings/(Deficit).

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 year ended December 31, 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 year ended December 31, 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   April 13, 2012