NEWTON GOLD CORP.

(formerly New High Ridge Resources Inc.)

Management's Discussion and Analysis

For the six months ended June 30, 2012

(Expressed in Canadian Dollars)

Prepared as at August 20, 2012

Submitted as at August 22, 2012

For the six months ended June 30, 2012

INTRODUCTION

This Management Discussion and Analysis ("MD&A") of the operating results and financial condition of Newton Gold Corp. (the "Company" or "Newton") (formerly New High Ridge Resources Inc.) for the six months ended June 30, 2012 is prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the unaudited condensed interim financial statements for the six months ended June 30, 2012, and the audited financial statements for the year ended December 31, 2011.

The Company is a precious and base-metals mineral exploration company in the province of British Columbia. The diverse backgrounds and experience 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 one exploration project with significant potential—the 1.487 square kilometer Chuchi property. In addition, the Company holds a 5% net profit interest in the Newton property that is currently owned 100% by Amarc Resources Ltd.

As a result of the compilation of historical data from the Chuchi property, the Company is continuing to redefine past geochemical anomalies that indicated the presence of a significant gold/copper zone. The Company is still awaiting an updated NI 43-101 Technical Report on the property.

The Company has a favourable corporate structure with approximately 28.9 million shares outstanding. 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.

This MD&A is prepared as at August 20, 2012. All dollar figures stated herein are expressed in Canadian dollars.

Readers should use the information contained in this report in conjunction with all other disclosure documents including those filed on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains certain statements that 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 August 20, 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.

DESCRIPTION OF THE BUSINESS

Newton Gold Corp. is a public company 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 since 2005 and trades under the trading symbol NWG. The Company is a mineral exploration company engaged in the acquisition and exploration of mineral properties in British Columbia. At the time of these financial statements it has not been determined whether the Company’s mineral properties contain economically recoverable ore reserves.

In August 2009, the Company entered into an Option Agreement with Amarc Resources Ltd. (“Amarc” or “Optionee”) covering the Company’s Newton property, 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. In May 2012, the Company exercised its right to convert its 20% participating interest to a 5% net profits interest in this joint venture.

The Company has 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. As a result of a potential change of business, on December 31, 2008 the Company wrote down its recorded cost of its mineral property interests to $1. 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. 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. On January 17, 2011, the Company accepted the resignation of one director and replaced him with another individual. Another individual was appointed in place of a previous director who had resigned. On October 24, 2011, the Company appointed Lindsay Bottomer as a director. These directors were re-appointed at the Company’s Annual General Meeting held on May 24, 2012. All four current directors have public mining experience in various capacities.

The Company’s corporate office and principal place of business is at Suite 400 – 409 Granville Street, Vancouver, British Columbia, Canada, V6C 1T2.

EXPLORATION AND EVALUATION PROPERTIES

Newton Property, British Columbia

The core of the Newton property is located approximately 108 km west-southwest of Williams Lake, British Columbia, 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. If the Company's interest in the Joint Venture is reduced to 10%, or less, then the Company's interest will be converted to a 5% net profit interest.

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.

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, plus or minus clays and carbonate minerals. Sulphides are dominantly pyrite and marcasite with minor amounts of chalcopyrite, sphalerite, galena and arsenopyrite. In December 2011, 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 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.

On May 31, 2012, the Company exercised its right to convert its 20% participating interest to a 5% net profits interest in this joint venture. As such, the Company has no ongoing financial obligations regarding this property.

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 British Columbia, approximately 90 kilometres 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 kilometres, at the resource-based communities of Fort St. James and Mackenzie.

The property is located approximately 32 kilometres northwest of Thomson Creek's Mount Milligan mine development project, which reportedly contains over one billion tonnes of copper-gold resources.

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 that was completed in the late 1980s—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 an 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. The Company 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.

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

On April 19, 2012, a legal demand for payment was issued by the Supreme Court of British Columbia indicating that the Company is responsible for a debt of $87,806 for work performed by a vendor on this property. The amount is included in accounts payable and accrued liabilities; however, the Company disputes the amount owing and has referred the matter to the Company's legal counsel.

RESULTS OF OPERATIONS

For the six months ended June 30, 2012

The Company's net loss for the six months ended June 30, 2012 was $263,390 as compared to a net loss of $448,764 for the six months ended June 30, 2011. The decrease in net loss is due mainly to the reduced amount of share based payments from quarter to quarter. During the six months ended June 30, 2012, share-based payments were $49,414 compared to $236,401 the same period last year.

Accounting and auditing fees decreased from $23,616 for the six months ended June 30, 2011 to $8,686 for the six months ended June 30, 2012. Legal fees also decreased from $31,229 for the first six months last year to $17,626 for this first six months this year given that the negotiations of the Newton Joint Venture agreement and previous legal issues have been resolved.

Consulting and management fees increased to $126,750 from $64,000. McLaren Marketing Group Corp. and Red Cloud Mining Capital Inc. have been hired as business consultants.

Director fees were paid in the amount of $3,750 this first six months of this year with $7,015 paid previously.

Insurance decreased slightly to $4,950 this period from $5,500 the same period last year. Office and sundry expenses increased to $25,528 from $16,482 for the same period last year.

Investor communications expenses for the first six months of this year were minimal at $443 compared to $37,347 for the first six months of 2011. Regulatory and transfer agent fees increased to $16,632 this period compared to $14,103 for the same period last year.

(Expressed in Canadian Dollars)

For the six months ended June 30, 2012

For the three months ended June 30, 2012

The Company's net loss for the three months ended June 30, 2012 was $140,090 as compared to a net loss of $93,654 for the three months ended June 30, 2011. This increase in net loss is due mainly to the increased consulting fees from quarter to quarter.

There were no share-based payments for the three months ended June 30, 2012 or June 30, 2011.

Accounting and auditing fees decreased from $14,294 for the three months ended June 30, 2011 to $4,366 for the three months ended June 30, 2012. Legal fees increased from $9,328 for the three months ended June 30, 2011 to $14,369 for this three month period.

Consulting and management fees increased to $89,500 from $30,000. McLaren Marketing Group Corp. and Red Cloud Mining Capital Inc. have been hired as business consultants.

Director fees were paid in the amount of $2,250 this three month quarter with $7,015 paid previously.

Insurance increased slightly to $2,587 this quarter from $2,250 the same quarter last year. Office and sundry expenses increased to $11,662 from $6,792 for the same quarter last year.

Investor communications expenses for the three months ended June 30, 2012 were minimal at $443 compared to $18,513 for the three months ended June 30, 2011. Regulatory and transfer agent fees increased to $9,104 this quarter compared to $4,692 for the same quarter last year.

SUMMARY OF QUARTERLY RESULTS

Quarter Ended		Accounting Standard	Revenue	Net loss	Loss Per Share
Q2/2012	June 30, 2012	IFRS	$ -	$ (140,090)	$0.01
Q1/2012	March 31, 2012	IFRS	$ -	$ (123,300)	$0.00
Q4/2011	December 31, 2011	IFRS	$ -	$ (122,682)	$0.00
Q3/2011	September 30, 2011	IFRS	$ -	$ (100,815)	$0.01
Q2/2011	June 30, 2011	IFRS	$ -	$ (93,654)	$0.00
Q1/2011	March 31, 2011	IFRS	$ -	$ (355,110)	$0.02
Q4/2010	December 31, 2010	IFRS	$ -	$ (93,975)	$0.01
Q3/2010	September 30, 2010	IFRS	$ -	$ (176,423)	$0.01

LIQUIDITY AND CAPITAL RESOURCES

The Company does not have any cash flow from operations or any production of mineral resources; accordingly, it must rely on equity financing to fund operations. The Company's access to exploration financing when the financing is not transaction specific is always uncertain. There can be no assurance of continued access to any equity funding.

The Company's cash on hand decreased to $17,767 at June 30, 2012 from $58,280 at December 31, 2011. The Company had a working capital deficiency of $266,050 at June 30, 2012 compared to a working capital deficiency of $231,640 at December 31, 2011.

The Company's current asset balance of $47,022 (December 31, 2011 - $94,586) is comprised of cash of $17,767 (December 31, 2011 - $58,280), amounts receivable of $19,934 (December 31, 2011 - $32,770), and prepaid expenses of $9,321 (December 31, 2011 - $3,536).

The Company's current liabilities total of $313,072 (December 31, 2011 - $326,226) is made up of outstanding accounts payable and accrued liabilities relating to administrative and exploration expenses of $208,144 (December 31, 2011 - $221,298), and the liability portion of flow-through shares issued by the Company during the year ended December 31, 2011 in the amount of $104,928 (December 31, 2011 - $104,928).

As of the date of this MD&A, the Company has insufficient working capital to meet its ongoing financial obligations for the coming year. There can be no assurance that future financings will be available to the Company or, if it is, that it will be available on terms acceptable to the Company and will be sufficient to fund cash needs. If the Company is unable to obtain the financing necessary to support its operations, it may be unable to continue as a going concern. The Company currently has no commitments for any credit facilities such as revolving credit agreements or lines of credit that could provide additional working capital, and substantial doubt exists regarding the Company's ability to continue as a going concern. The Company has no long term debt, capital lease obligations, operating leases, or any other long term obligations.

PROPOSED TRANSACTIONS

There are no proposed transactions regarding assets or business acquisitions or disposition, other than those in the ordinary course of business, before the board of directors for consideration.

On April 4, 2012, the Company did announce 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 flow-through 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 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. This financing was subsequently cancelled.

OFF-STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

None

(Expressed in Canadian Dollars)

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.

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. The Company's Peruvian legal counsel advised that the Company is not responsible for this obligation. There have been no developments regarding this lawsuit.

RELATED PARTY TRANSACTIONS

Management transactions

The Company has identified certain directors and senior officers as key management personnel. The following table lists the compensation costs paid to directly or to companies owned by key management personnel for the six months ended June 30, 2012 and 2011:

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Accounting	$ 20,648	$ 16,268
Consulting	60,000	64,000
Group health benefits	3,040	-
Share-based compensation	-	119,529
	$ 83,688	$ 199,797

McLeary Capital Management, Inc. is 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.

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.

(Expressed in Canadian Dollars)

Foremost Geological Consulting is a private business controlled by a director, Ian Foreman. P.Geo., Ian Foreman was granted 400,000 stock options on January 4, 2011 with a fair value $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.

Fehr and Associates is a private accounting firm controlled by the former Chief Financial Officer, Ann Fehr. Ann Fehr was granted 90,000 stock options on January 28, 2011 with a fair value of $23,375. These options were cancelled on July 1, 2012.

Transactions with other related parties

	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Director fees	$ 3,750	$ 7,015

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.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value of financial instruments

The carrying values of cash, amounts receivable, amounts due to/from related parties, and accounts payable and accrued liabilities approximate their carrying values due to the immediate or short-term nature of these instruments.

Fair value hierarchy

IFRS 7, Financial Instruments: Disclosures, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial risk management

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 fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company limits its exposure to credit risk by placing its cash with a high credit quality financial institution in Canada. The Company's financial assets are not subject to material financial risks.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments and with property exploration and development. The Company manages liquidity risk by maintaining adequate cash balances.

The Company's expected source of cash flow in the upcoming year will be through equity financing. Cash on hand at June 30, 2012 and expected cash flows for the next 12 months are not sufficient to fund the Company's ongoing operational needs. The Company will need funding through equity or debt financing, entering into joint venture agreements, or a combination thereof.

All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk consists of two components: to the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate risk because of their short-term nature and maturity. The Company is not exposed to interest rate price risk as it does not have any cash and cash equivalents at June 30, 2012 which bear interest.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to foreign currency risk to the extent that all monetary assets and liabilities are denominated in Canadian currency.

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The Company's overall strategy remains unchanged from last year.

The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital, warrants, reserves, and deficit. The availability of new capital will depend on many factors including a positive mineral exploration environment, positive stock market conditions, the Company's track record, and the experience of management. The Company is not subject to any external covenants on its capital.

OTHER RISKS AND UNCERTAINTIES

The Company is an exploration stage company with respect to its mineral interests. Based on the information available to date, the Company has not yet determined whether its mineral interests contain economically recoverable reserves. The recoverability of the amounts shown for mineral interests is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development, and upon future profitable production.

In conducting its business, the Company is subject to a number of other risks and uncertainties that could have a material adverse effect on the Company's business prospects or financial condition that could result in a delay or indefinite postponement in the development of the Company's mineral interests.

Risks associated with exploration stage companies

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 not 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. 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 has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions, and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of it equity or debt securities or joint venture agreements to raise capital. There can be no assurance that financing, whether equity or debt, will be available to the Company in the amount required by the Company at any particular time or for any period, and that such financing can be obtained on terms satisfactory to the Company.

Exploration and development

At this time, the Company's primary mineral property is in the exploration stage and the Company does not have an operating history with respect to its exploration activities. Exploration and development of mineral resources involves a high degree of risk and few properties which are explored are ultimately developed into producing properties. The amounts attributed to the Company's interest in its properties as reflected in its financial statements represent acquisition and exploration expenses and should not be taken to represent realizable value. There is no assurance that the Company's exploration and development activities will result in any discoveries of commercial bodies of ore. The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs which may be affected by a number of factors such as unusual or unexpected geological formations, and other conditions.

Property title

Although the Company believes it has exercised commercially reasonable due diligence with respect to determining title to properties it owns, controls, or has the right to acquire by option, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral interests may be subject to prior unrecorded agreements or transfers or native land claims, and title may be affected by undetected defects. There may be valid challenges to the title of the Company's mineral interests which, if successful, could impair development and operations. This situation may by exacerbated due to the large number of title transfers historically involved with some properties.

Licenses and permits

The Company will require licenses and permits from various governmental authorities regarding the Company's mineral interests. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development, and mining operations for its mineral interests. Failure to obtain and maintain 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 its losing its interest in the subject property.

Operating hazards and risks

Fires, power outages, labour disputes, flooding explosions, cave-ins, landslides, and the inability to obtain suitable or adequate machinery, equipment, or labour are some of the risks involved in exploration programs. Unknowns with respect to geological structures and other conditions are involved. Existing and future environmental laws may cause additional expense and delays in the activities of the Company, and may render the Company's properties uneconomic. The Company has no liability insurance and the Company may become subject to liability for pollution, cave-ins, or hazards against which it cannot insure, or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect of the Company's financial position.

Competition

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 and financial resources. The Company may be unable to acquire additional attractive mining properties on terms it considers acceptable.

Profitability of operations

The Company does not have profitable operations at this time and it should be anticipated that it will operate at a loss until such time as production is achieved from its properties, if production is in fact ever achieved. Investors also cannot expect to receive any dividends on their investment in the foreseeable future.

Foreign currency risk

At this time, the Company's primary mineral property is located in the United States. Future changes in exchange rates could materially affect the viability of exploring and development this property.

(Expressed in Canadian Dollars)

Market risks

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 have fluctuated widely in recent years. The marketability and price of minerals which may be produced or acquired by the Company will be affected by numerous factors beyond the control of the Company. These 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 of the Company.

Future financings

If the Company's exploration programs are successful, additional funds will be required for further exploration and development to place a property into commercial production. The Company's available sources of funds are: existing cash; the further sale of equity capital; and the offering by the Company of an interest in its properties to be earned by another party or parties carrying out further exploration or development thereof. There is no assurance such sources will continue to be available on favourable terms or at all. If available, future equity financings may result in dilution to current shareholders.

Going concern

The Company's financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to obtain the necessary financing to meet its on-going commitments and further its mineral exploration programs.

COMMON SHARES OUTSTANDING

	Number	Issued Price		Amount
Balance at December 31, 2010	**15,444,268**	**-**	**$**	**8,991,059**
Private placement - non-flow-through shares	7,290,000	0.200		1,062,200
Private placement - flow-through shares	4,793,600	0.250		862,848
Share issuance costs - cash	-	-		(138,476)
Share issuance costs - agent options	-	-		(25,600)
Share issuance costs - agent warrants	-	-		(45,419)
Warrants exercised	175,000	0.250		43,750
Balance at December 31, 2011	**27,702,868**	**-**		**10,750,362**
Shares issued for cash	1,260,000	0.135		170,100
Balance at August 20, 2012	**28,962,868**		**$**	**10,920,462**

(Expressed in Canadian Dollars)

WARRANTS OUTSTANDING

	Number of Warrants		Weighted Average Exercise Price
Balance at December 31, 2010	**6,250,000**	**$**	**0.28**
Warrants granted	12,340,448		0.30
Warrants exercised	(175,000)		0.25
Warrants expired	(6,075,000)		0.28
Balance at December 31, 2011	**12,340,448**	**$**	**0.30**
Warrants granted	1,260,000	$	0.35
Balance at August 20, 2012	**13,600,448**	**$**	**0.30**

Expiry Date	Number of Warrants		Exercise Price
January 28, 2013	5,163,760		$0.20/$0.30
July 21, 2013	3,200,000		$0.40/$0.50
September 8, 2013	886,400		$0.40/$0.50
September 8, 2013	27,000		$0.30/$0.40
September 9, 2013	500,000		$0.30/$0.40
November 18, 2013	479,488		$0.40/$0.50
November 18, 2013	1,343,800		$0.30/$0.40
November 25, 2013	240,000		$0.40/$0.50
November 25, 2013	500,000		$0.30/$0.40
February 17, 2014	1,260,000		$0.30/$0.40
	13,600,448	**$**	**0.30**

AGENT OPTIONS OUTSTANDING

	Number of Agent Options		Weighted Average Exercise Price
Balance at December 31, 2010	**-**	**$**	**-**
Agent options granted	256,000		0.25
Balance at December 31, 2011	**256,000**	**$**	**0.25**
Balance at August 20, 2012	**256,000**	**$**	**0.25**

(Expressed in Canadian Dollars)

Grant Date	Expiry Date	Number of Options Outstanding		Exercise Price
July 21, 2011	July 21, 2013	256,000	$	0.25
		256,000	**$**	**0.25**

EMPLOYEE STOCK OPTIONS OUTSTANDING

	Number of Options		Weighted Average Exercise Price
Balance at December 31, 2010	**660,000**	**$**	**0.170**
Options granted	2,140,000	$	0.220
Options expired/cancelled	(1,050,000)	$	0.220
Balance at December 31, 2011	**1,750,000**	**$**	**0.200**
Options granted	800,000	$	0.100
Options cancelled	(90,000)	$	0.300
Balance at August 20, 2012	**2,460,000**	**$**	**0.160**

Grant Date	Expiry Date	Number of Options Outstanding		Exercise Price
November 17, 2010	November 17, 2015	10,000	$	0.150
January 4, 2011	January 4, 2016	800,000	$	0.175
January 28, 2011	January 28, 2016	50,000	$	0.300
Ocrtober 24, 2011	Ocrtober 24, 2016	800,000	$	0.200
March 22, 2012	March 21, 2013	700,000	$	0.100
March 22, 2012	March 21, 2017	100,000	$	0.100
		2,460,000	**$**	**0.170**

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com.