NEWTON GOLD CORP.

Management's Discussion and Analysis

For the Three Months Ended March 31, 2013

(Expressed in Canadian Dollars)

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 May 14, 2013 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 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.

INTRODUCTION

This Management Discussion and Analysis ("MD&A") of the operating results and financial condition of Newton Gold Corp. (the "Company" or "Newton") for the three months ended March 31, 2013 should be read in conjunction with the unaudited condensed interim financial statements for the three months ended March 31, 2013 and the audited financial statements for the year ended December 31, 2012, which are prepared in accordance with International Financial Reporting Standards ("IFRS").

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 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's most recent transaction is the signing of the Letter of Intent to acquire an option to purchase up to a 100% interest in the Sibley Road Property located in Halifax County, Nova Scotia. The property covers 648 hectares and is host to a kaolin clay and silica sand deposit with potential economic products including alumina, titanium, and white silica sand.

The Company currently holds a 100% interest in one exploration project with significant potential - the 54 square kilometre Chuchi property. In addition, the Company holds a 5% net profit interest in the Newton property that is 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 awaiting an updated NI 43-101 Technical Report on the property.

The Company has a favourable corporate structure with approximately 38 million shares outstanding.

This MD&A is prepared as at May 14, 2013. 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.

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 and Nova Scotia. At the time of this MD&A it has not been determined whether the Company's mineral properties contain economically recoverable ore reserves.

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.

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.

In October 2012, the Company signed a Letter of Intent to acquire an option to purchase up to a 100% interest in the Sibley Road property located in Halifax County, Nova Scotia. The Company has agreed to a two stage option. To exercise the First Option and earn a 50% interest in the property, Newton shall pay Sibley $150,000 and incur a total of $12,000,000 in expenditures within four years.

The Company added two new directors on January 4, 2011, of which one director became the new President and CEO. 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. On April 11, 2013 Tom Kordyback resigned for personal reasons and the Company appointed Yari Nieken as a director. All four current directors have public mining experience in various capacities.

In January 2013, the Company announced that it added Ian Flint, PhD, P.Eng, to the Company's advisory board to help advance a commercially viable extraction method for the alumina, titanium, and silica contained in the Sibley Road Property. Dr. Flint is a well-regarded consultant to the mining industry based in Halifax, Nova Scotia.

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

Sibley Road Property, Nova Scotia

On October 11, 2012, the Company signed the Letter of Intent to acquire an option to purchase up to a 100% interest in the Sibley Road property located in Halifax County, Nova Scotia. The property covers 648 hectares and is host to a kaolin clay and silica sand deposit with potential economic products including alumina, titanium, and white silica sand.

The Company has agreed to a two stage option. To exercise the First Option and earn a 50% interest in the property, Newton shall pay Sibley $150,000 and incur a total of $12,000,000 in expenditures within four years as follows:

- pay $40,000 (paid) on signing of the Letter of Intent;
- pay $110,000 within 24 hours of receiving the conditional acceptance of the agreement by the TSX Venture Exchange;
- incur $2,000,000 in expenditures by the first anniversary date of the agreement for Phase I exploration work;
- incur a further $3,000,000 in expenditures by the second anniversary date of the agreement for Phase II exploration work;
- incur a further $3,000,000 in expenditures by the third anniversary date of the agreement for Phase III exploration work; and
- incur a further $4,000,000 in expenditures by the fourth anniversary date of the agreement for Phase IV exploration work.

After exercising the First Option, the Company will have 90 days to deliver notice of its intention to exercise the Second Option. In order to exercise the Second Option and earn an undivided 100% interest in the property, the Company will, within two business days of delivering the Second Option Notice, issue common shares to the Optionor with a value of $12,000,000 at a price per common share equal to the volume weighted average closing price over the 20 trading days preceding the delivery of the Second Option Notice.

The Sibley Road property is an advanced stage property with over $12 million in previous exploration development with over 400 drill holes and 14 line kilometres of high resolution reflection seismic data. The property is located immediately north of the Chaswood property that was recently acquired by Orbite Aluminae Inc. (TSX-ORT) which is a recognized industry leader in alumina exploration and extraction.

Newton Property, British Columbia

The core of the Newton property is located approximately 108 kilometres west-southwest of Williams Lake, British Columbia, in the Chilcotin Forest District of the Southern Interior Forest Region. The Company originally had a 100% interest in nine claims, comprising an area of approximately 4,113 hectares (41 square kilometres) subject to a 2% net smelter royalty ("NSR") to a third party.

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.

On May 16, 2011, the Company and Amarc 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.

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.

On September 26, 2012, Amarc announced an initial NI 43-101 compliant mineral resource estimate for the property based on 24,513 metres of core drilling in 78 holes completed up to June 30, 2012. It confirmed that the property is a significant bulk tonnage gold discovery that remains open to further expansion. At a 0.25 g/t gold cutoff, inferred mineral resources comprise 111.5 million tonnes grading 0.44 g/t gold and 2.1 g/t silver, containing 1.6 million ounces of gold and 7.7 million ounces of silver.

Chuchi Property, British Columbia

The Company has a 100% interest in 15 mineral claims covering approximately 5,400 hectares located in the Omineca Mining Division in central British Columbia, approximately 90 kilometres north of Fort St. James and approximately 32 kilometres northwest of Thomson Creek's Mount Milligan mine development project, which reportedly contains over one billion tonnes of copper-gold resources.

The presence of widespread porphyry copper-gold mineralization has been established by several drill holes; however, the full extent of the mineralized zone is unknown and remains unexplored. Additional exploration is required to advance the technical knowledge of the entire property and to delineate the identified porphyry copper-gold deposit.

The Company is not aware of any significant work on the Chuchi property since 1991. During the nine months ended September 30, 2011 the Company prepared assessment work to keep the property in good standing.

The Company completed a field work program on the Chuchi property in September, 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.

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. After one year these claims were allowed to lapse.

On April 19, 2012, a legal demand for payment was issued by the Supreme Court of British Columbia indicating that the Company was responsible for a debt of $87,806 for work performed by a contractor on this property. The Company had previously tried to deal with the contractor with no success. The issue was settled for $75,000 and a mutual release was signed by both parties.

RESULTS OF OPERATIONS

The Company's net loss for the three months ended March 31, 2013 was $83,435 compared to a net loss of $123,300 for the three months ended March 31, 2012. The decrease in net loss is due mainly to the reduced amount of share-based compensation from period to period. During the three months ended March 31, 2013, share-based compensation was $1,244 compared to $49,414 for the three months ended March 31, 2012.

Accounting and auditing fees were relatively the same with $5,000 accrued for the first quarter of this year compared to $4,320 expensed for the first quarter of last year.

Administration fees commenced this year with $912 expensed for the three months ended March 31, 2013.

Consulting and management fees increased this quarter to $59,750 from $37,250 for the same quarter last year. This increase is due to the consulting fees paid to Dr. Flint for consultation work on the Sibley Road Property in Nova Scotia.

There were no director fees for the first three months of this year compared to $1,500 for the first three months of last year.

Insurance costs decreased to $1,725 for this quarter compared to $2,363 for the first quarter of last year.

$600 was charged to investor communications for news dissemination for the three months ended March 31, 2013 with no amount charged for the three months ended March 31, 2012. The Company did not have an investor relations advisor reflecting decreased stock market activity.

Legal fees increased to $5,186 for the first quarter of this year compared to $3,257 for the first quarter of last year.

Office and sundry expenses decreased to $4,327 for the three months ended March 31, 2013 compared to $13,866 for the three months ended March 31, 2012.

Regulatory and transfer agent fees decreased to $1,790 for the first quarter of this year compared to $7,528 for the first quarter of last year, again reflecting decreased stock market activity.

Travel and business development decreased from $3,802 to $2,901 quarter to quarter.

SUMMARY OF QUARTERLY RESULTS

Quarter Ended		Revenue	Net (income) loss	Loss Per Share
Q1/2013	March 31, 2013	$ -	$ 83,435	$0.00
Q4/2012	December 31, 2012	$ -	$ (10,281)	$0.00
Q3/2012	September 30, 2012	$ -	$ 70,442	$0.00
Q2/2012	June 30, 2012	$ -	$ 140,090	$0.01
Q1/2012	March 31, 2012	$ -	$ 123,300	$0.00
Q4/2011	December 31, 2011	$ -	$ 122,682	$0.00
Q3/2011	September 30, 2011	$ -	$ 100,815	$0.01
Q2/2011	June 30, 2011	$ -	$ 93,654	$0.00

LIQUIDITY

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 $11,068 at March 31, 2013 from $76,807 at December 31, 2012. The Company had a working capital deficiency of $187,952 at March 31, 2013 compared to a working capital deficiency of $110,536 at December 31, 2012.

The Company's current asset balance of $26,552 (December 31, 2012 - $86,271) is comprised of cash of $11,068 (December 31, 2012 - $76,807), amounts receivable of $12,329 (December 31, 2012 - $4,467) which is the HST refund, and prepaid expenses of $3,155 (December 31, 2012 - $4,997).

The Company's current liabilities total of $214,504 (December 31, 2012 - $196,807) is made up of outstanding accounts payable and accrued liabilities relating to administrative and exploration expenses of $79,626 (December 31, 2012 - $95,507) and an amount due to related parties of $134,878 (December 31, 2012 - $101,300).

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.

OFF-STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

None

COMMITMENTS

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.

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.

Effective January 1, 2013, the Company entered into an agreement with Foremost Management Services Inc., a company owned jointly by two directors of the Company, Mark McLeary and Ian Foreman. The agreement provides for Foremost Management Services Inc. to manage the affairs of the Company for an administration fee of 10% on all incurred monthly corporate expenses.

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$209,403 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. No amounts have been recorded in the Company's books and records regarding this issue.

RELATED PARTY TRANSACTIONS

The Company has identified the directors and senior officers as key management personnel. The following table lists the compensation costs paid directly or to companies controlled by key management personnel for the three months ended March 31, 2013 and 2012:

	Accounting	Administration Fees	Consulting	Director Fees	Share-Based Compensation	March 31, 2013 Total
Foremost Geological Consulting	$ -		$ 10,500	$ -	$ -	$ 10,500
Foremost Management Services Inc.	-	912	-	-	-	912
McLeary Capital Management, Inc.	-		19,500	-	-	19,500
T. St. Denis, Inc.	14,040		-	-	-	14,040
Timeline Filing Services Ltd.	-		3,000	-	-	3,000
Yari Nieken	-		6,000	-	1,244	7,244
	$ 14,040	$ 912	$ 39,000	$ -	$ 1,244	$ 55,196

	Accounting		Consulting	Director Fees	Share-Based Compensation	March 31, 2012 Total
Fehr and Associates	$ 11,410	$ -	$ -	$ -	$ -	$ 11,410
Foremost Geological Consulting	-	-	10,500	-	-	10,500
Lindsay Bottomer	-	-	-	1,500	-	1,500
McLeary Capital Management, Inc.	-	-	19,500	-	-	19,500
	$ 11,410	$ -	$ 30,000	$ 1,500	$ -	$ 42,910

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. At March 31, 2013, $35,280 (December 31, 2012 - $23,520) due to Foremost Geological Consulting was included in the amount due to related parties.

Effective January 1, 2013, the Company entered into an agreement with Foremost Management Services Inc., a company owned jointly by two directors of the Company, Mark McLeary and Ian Foreman. The agreement provides for Foremost Management Services Inc. to earn an administration fee calculated as 10% of all incurred monthly expenses in exchange for managing the affairs of the Company. Certain officers and directors also receive extended health benefits via this company. At March 31, 2013, $1,478 (December 31, 2012 - $1,478) due to Foremost Management Services Inc. was included in the amount due to related parties.

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. At March 31, 2013, $65,520 (December 31, 2012 - $43,680) due to McLeary Capital Management Inc. was included in the amount due to related parties.

T. St. Denis, Inc. is a private accounting firm owned by the current Chief Financial Officer, Tracey A. St. Denis. T. St. Denis, Inc. provides accounting services to the Company. At March 31, 2013, $5,581 (December 31, 2012 - $Nil) due to T. St. Denis, Inc. was included in accounts payable and accrued liabilities.

Timeline Filing Services Ltd. is a private company owned by the former corporate secretary, Laara Shaffer. Timeline Filing Services Ltd. provides corporate secretary services to the Company. Laara Shaffer was granted 50,000 stock options on March 22, 2012 with a fair value of $3,168.

Lindsay Bottomer is a director of the Company and receives consulting and director fees. At March 31, 2013, $6,160 (December 31, 2012 - $6,160) due to Mr. Bottomer was included in accounts payable and accrued liabilities.

Fehr and Associates is a private accounting firm owned by the former Chief Financial Officer, Ann Fehr. Fehr and Associates provided accounting services to the Company.

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 March 31, 2013 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 March 31, 2013 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 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. 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 be 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

The Company's mineral properties are located in Canada; accordingly, future changes in exchange rates do not affect the viability of exploring and development these mineral properties at this time.

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.

SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets and financial liabilities are recognized on the statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. The Company does not have any derivative financial instruments.

Financial assets

The Company classifies its financial assets into categories at initial recognition, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises derivatives, or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statements of financial position at fair value, with changes in fair value recognized in the statement of comprehensive loss. The Company has not classified any financial assets as fair value through profit and loss.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Cash is classified as loans and receivables.

Held-to-maturity investments

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest rate method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of comprehensive loss. The Company has not classified any financial assets as held-to-maturity investments.

Available-for-sale

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in other comprehensive income or loss ("OCI"). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from OCI and recognized in the statement of comprehensive loss. The Company has not classified any financial assets as available-for-sale.

Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value, with changes in fair value recognized in the statement of comprehensive loss. The Company has not classified any financial liabilities as fair value through profit and loss.

Other financial liabilities

This category includes accounts payable and accrued liabilities, and other liabilities, which are recognized at amortized cost. The Company has classified accounts payable and accrued liabilities, and amounts due to related parties as other financial liabilities.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position is comprised of cash at banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash and subject to insignificant interest or credit risk.

Exploration and evaluation assets

The Company is in the exploration stage with respect to its investment in mineral properties; accordingly, it follows the practice of capitalizing all costs, once it has the legal right to explore, relating to the acquisition of, exploration for, and development of mineral claims, and crediting all proceeds received against the cost of the related claims. Such costs include, but are not exclusive to geological, geophysical studies, exploratory drilling, and sampling.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets. At such time as commercial production commences, these costs will be charged to operations on a unit-of-production method based on proven and probable reserves.

The aggregate costs related to abandoned mineral claims are charged to net income (loss) at the time of any abandonment, or when it has been determined that there is evidence of a permanent impairment. An impairment charge relating to an exploration and evaluation asset is subsequently reversed if new exploration results or actual or potential proceeds on sale or farm-out of the property result in a revised estimate of the recoverable amount, but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

If the Company recognizes net income (loss) costs recovered on exploration and evaluation assets when amounts received or receivable are in excess of the carrying amount, then the Company recognizes this as a gain on sale of mineral rights.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditures are not expected to be recovered, they will be charged to the statement of comprehensive loss.

Impairment

At each financial position reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statement of comprehensive loss for the period.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each financial position reporting date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date of the statement of financial position. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign currency gains and losses are reported on a net basis and included in the statement of comprehensive loss.

Joint venture accounting

Certain of the Company's exploration and evaluation asset activities are conducted with others; accordingly, the accounts reflect only the Company's proportionate interest in such activities.

Common shares

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Equity units

Proceeds received on the issuance of units, comprised of common shares and warrants, are allocated on the residual value method; proceeds are allocated to the common shares up to their fair value, as determined by the current quoted trading price on the announcement date, and the balance, if any, to the reserve for warrants.

Flow-through shares

The Company will from time to time issue flow-through common shares to finance its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax benefit of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into: i) share capital, equal to the market value of the shares; ii) a flow-through share premium liability, equal to the estimated premium, if any, investors pay for the flow-through feature; and iii) reserve for warrants, equal to the remaining proceeds received.

When qualifying expenses are incurred, the Company recognizes a deferred tax liability and deferred tax expense for the value of the tax benefit renounced to the shareholders. The Company also derecognizes the liability on the flow-through share premium, as a reduction of deferred tax expense.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian exploration expenses (as defined in the Income Tax Act). The portion of the proceeds received but not yet expended at the end of the Company's period is disclosed separately as unspent commitment/other liability (liability on flow-through share premium).

Share-based compensation transactions

The share option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized on the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where share options are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

All share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Equity reserves

Where share options or warrants expire or are cancelled, the fair value previously recognized is transferred from the equity reserve to accumulated deficit.

Income taxes

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the liability method, providing for unused tax loss carry forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Rehabilitation provision

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses. The Company has no material restoration, rehabilitation and environmental costs as the disturbance to date is minimal.

Loss per share

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

Segment reporting

The Company operates in a single reportable segment being the acquisition, exploration, and development of exploration and evaluation assets.

CRITICAL ACCOUNTING ESTIMATES

The preparation of these 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 these financial statements also requires management to exercise judgment in the process of applying the accounting policies.

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 exploration and evaluation 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 asset and a suitable discount rate in order to calculate present value. No impairments of exploration and evaluation assets have been recorded for the three months ended March 31, 2013 (March 31, 2012 – $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 three months ended March 31, 2013, the Company recognized $1,244 (March 31, 2012 - $49,414) in share-based compensation expense.

CRITICAL JUDGMENTS USED IN APPLYING ACCOUNTING POLICIES

In the preparation of these 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.

Exploration and evaluation assets

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for its exploration and evaluation assets. Once technical feasibility and commercial viability of a property can be demonstrated, it is reclassified from exploration and evaluation assets and subject to different accounting treatment. As at March 31, 2013, 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 becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the annual financial statements.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

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

IFRS 9 Financial Instruments

In November 2009, the IASB issued, and subsequently revised in October 2010, IFRS 9 Financial Instruments (IFRS 9) as a first phase in its ongoing project to replace IAS 39. IFRS 9, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2015, with earlier application permitted.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The standard also adds guidance on the classification and measurement of financial liabilities.

Management has not yet determined the potential impact the adoption of IFRS 9 will have on the Company's financial statements.

IFRS 10 Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statements (IFRS 10). IFRS 10, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 10 replaces Standing Interpretations Committee 12 Consolidation – Special Purpose Entities (SIC 12) and IAS 27 Consolidated and Separate Financial Statements (IAS 27). IFRS 10 eliminates the current risk and rewards approach and establishes control as the single basis for determining the consolidation of an entity. The standard provides guidance on how to apply the control principles in a number of situations, including agency relationships and holding potential voting rights.

Management has determined that the adoption of IFRS 10 is not expected to impact the Company's financial statements as it does not have any subsidiaries at this time.

IFRS 12 Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12 Disclosure of Interests in Other Entities (IFRS 12). IFRS 12, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted.

IFRS 12 outlines the required disclosures for interests in subsidiaries and joint arrangements. The new disclosures require information that will assist financial statement users to evaluate the nature, risks and financial effects associated with an entity's interests in subsidiaries and joint arrangements.

Management has determined that the adoption of IFRS 12 is not expected to impact the Company's financial statements as it does not have any subsidiaries at this time.

IFRS 13 Fair Value Measurement

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

IFRS 13 defines fair value, provides a framework for measuring fair value, and includes disclosure requirements for fair value measurements. IFRS 13 will be applied in most cases when another IFRS requires (or permits) fair value measurement.

Management has determined that the adoption of IFRS 13 is not expected to impact the Company's financial statements.

Other

In June 2011, the IASB issued amendments to IAS 1 Presentation of Financial Statements, to revise the way in which other comprehensive income is presented. The Company does not believe the changes resulting from the amended standard will have an impact on its financial statements. The amended standard is effective for annual periods beginning on or after July 1, 2012.

In June 2011, the IASB issued amendments to IAS 19 Employee Benefits, with revised requirements for pensions and other postretirement benefits, termination benefits, and other changes. The Company does not believe the changes resulting from these amendments are relevant to its financial statements. The amended standard is effective for annual periods beginning on or after January 1, 2013.

In May 2011, the IASB issued IFRS 11 Joint Arrangements, in addition to IFRS 10 and IFRS 12 as discussed above. The Company does not believe the changes resulting from this new standard are relevant to its financial statements. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

In October 2011, the IASB issued IFRIC 20 Stripping Costs in the production phase of a surface mine. The Company does not believe the changes resulting from this new standard are relevant to its financial statements. IFRIC 20 is effective for annual periods beginning on or after January 1, 2013.

CAPITAL RESOURCES

Common shares

	Number	Issue Price		Amount
Balance at December 31, 2011	27,702,868	-	$	10,750,362
Private placement - non-flow-through shares	10,310,000	0.043		441,600
Share issuance costs - cash	-	-		(13,005)
Share issuance costs - agent warrants	-	-		(5,610)
Balance at December 31, 2012, March 31, 2013 and May 14, 2013	**38,012,868**	**-**	**$**	**11,173,347**

Warrants

	Number of Warrants		Weighted Average Exercise Price
Balance at December 31, 2011	12,083,600	$	0.30
Warrants issued	10,310,000		0.04
Balance at December 31, 2012, March 31, 2013 and May 14, 2013	**22,393,600**	**$**	**0.25**

Expiry Date	Number of Warrants		Exercise Price
July 21, 2013	3,200,000	$	0.50
September 8, 2013	25,000		0.40
September 8, 2013	880,000		0.50
September 9, 2013	500,000		0.40
November 18, 2013	1,265,000		0.40
November 18, 2013	473,600		0.50
November 25, 2013	500,000		0.40
November 25, 2013	240,000		0.50
February 17, 2014	1,260,000		0.30/$0.40
November 28, 2013	9,050,000		0.05
January 28, 2015 (1)	5,000,000		0.30
	22,393,600	**$**	**0.25**

(1) On December 14, 2012 the TSX Venture Exchanged consented to the extension date of 5,000,000 warrants that originally expire on January 28, 2013 to January 28, 2015.

Agent warrants

	Number of Agent Options		Weighted Average Exercise Price
Balance at December 31, 2010	-	$	-
Agent warrants issued	256,848		0.34
Balance at December 31, 2011	256,848		0.34
Agent warrants issued	423,500		0.05
Balance at December 31, 2012	680,348	$	0.16
Agent warrants expired	(163,760)		0.30
Balance at March 31, 2013 and May 14, 2013	**516,588**	**$**	**0.12**

Expiry Date	Number of Options Outstanding		Exercise Price
September 8, 2013	2,000	$	0.40
September 8, 2013	6,400		0.50
November 18, 2013	78,800		0.40
November 18, 2013	5,888		0.50
November 28, 2013	423,500		0.05
	516,588	**$**	**0.12**

Stock Options

	Number of Options		Weighted Average Exercise Price
Balance at December 31, 2011	1,750,000		0.200
Options granted	800,000		0.100
Options expired/cancelled	(900,000)		0.130
Balance at December 31, 2012	1,650,000	$	0.180
Options granted	250,000	$	0.100
Balance at March 31, 2013 and May 14, 2013	**1,900,000**	**$**	**0.170**

Grant Date	Expiry Date	Number of Options Outstanding		Exercise Price
January 4, 2011	January 4, 2016	800,000	$	0.175
October 24, 2011	October 24, 2016	800,000		0.200
March 22, 2012	March 21, 2017	50,000		0.100
January 8, 2013	January 8, 2014	250,000		0.100
		1,900,000	**$**	**0.170**

Agent Options

	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 and 2012, March 31, 2013, and May 14, 2013	**256,000**	**$ 0.25**

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

ADDITIONAL INFORMATION

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