# SPEARMINT RESOURCES INC.

Management's Discussion and Analysis
For the six months ended July 31, 2012

Date of Report: September 27, 2012

The following discussion and analysis of our financial condition and results of operations for the six months ended July 31, 2012, should be read in conjunction with our financial statements and related notes. The requisite financial data presented for the relevant periods has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the International Accounting Standards Board ("IASB").

All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to our company's activities can be found on SEDAR at www.sedar.com.

**Disclaimer for Forward-Looking Information**

Certain statements in this report are forward-looking statements, which reflect our management's expectations regarding our future growth, results of operations, performance and business prospects and opportunities including statements related to the development of existing and future property interests, availability of financing and projected costs and expenses. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits we will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this report. These assumptions, which include management's current expectations, estimates and assumptions about our current mineral property interests, the global economic environment, the market price and demand for commodities and our ability to manage our property interests and operating costs, may prove to be incorrect. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) a decreased demand or price of minerals, (3) delays in the start of projects with respect to our property interests, (4) inability to locate and acquire additional property interests, (5) the uncertainty of government regulation and politics in North America regarding mining and mineral exploration, (6) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, and (7) other factors beyond our control.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. Except as required by law, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled "Risk Factors" below.

**Company Overview**

Our company was incorporated under the Business Corporations Act of British Columbia, Canada on September 23, 2009.

Our company was classified as a Capital Pool Company, as defined by Policy 2.4 (the "CPC Policy") of the TSX Venture Exchange (the "Exchange"). As a CPC, our company's principal business activity was to identify and evaluate business opportunities with the objective of completing a Qualifying Transaction under the Exchange rules. Our company's common shares commenced trading on the TSX Venture Exchange on April 30, 2010 under the symbol "INI.P".

In October 2011, our company entered into an option agreement whereby our company was granted to acquire a 100% interest in and to twelve mineral claims comprising an epithermal precious metal project known as the Otter Property totaling approximately 5,296 hectares located in the Similkameen Mining Division in the Princeton Area of British Columbia. On February 3, 2012, our company closed this transaction, which served as our company's Qualifying Transaction and as such our company graduated from being a CPC to a Tier 2 mining issuer on the Exchange. In connection with the Qualifying Transaction, we changed our name to "Spearmint Resources Inc." and changed our trading symbol to "SRJ".

In conjunction with the closing of the Qualifying Transaction, our company closed a non-brokered private placement of 4,000,000 units at a price of $0.10 per Unit for gross proceeds of $400,000. Each Unit is comprised of one common share and one share purchase warrant which entitles the holder to purchase one additional common share of our company at a price of $0.10 per common share until February 3, 2017. Our company incurred share issuance costs of $31,492 in connection with the private placement.

With the completion of the Qualifying Transaction, our company's principal business activities going forward include acquiring, exploring and developing mineral properties. At July 31, 2012, all of our mineral property interests were located in Canada.

***Mineral Properties***

*Otter Property (Princeton, British Columbia, Canada)*

On October 11, 2011, our company entered into an option agreement with an arm's length party (the "Optionor") whereby our company was granted an option to acquire a 100% interest in and to twelve mineral claims known as the Otter Property located in the Similkameen Mining Division in the Princeton Area of British Columbia. The Optionor is the sole beneficial owner of a 100% undivided interest in the Otter Property.

The Otter Property is an epithermal precious metals project. The road access to the Otter Property is located approximately 17 kilometers north-northwest of Princeton, British Columbia and the property consists of 12 claims totaling 5,296 hectares.

As disclosed in a news release on September 12, 2012 we announced that we have completed an induced polarization (IP) survey on the property. The14.4 line kilometre ground induced polarization (IP) survey results are anticipated back within 6 weeks.

The IP program consisted of nine 1,600 metre lines across Grid E spaced at 150 metre intervals. Grid E covered a 1,700 metre section of a regional lineament that transects the entire 5,296 hectare property. The entire 1,700 metre length of the lineament through Grid E is anomalous in gold and silver, as well as several indicator elements for low sulphidation epithermal precious metal deposits. The width of the main linear anomaly ranges from 100 to 200 metres. There is also a second 800 metre long linear that appears to be a north trending splay from the main linear anomaly approximately midway up the grid. The splay ranges from 25 to 200 metres in width. There are also indications of parallel linear anomalies on the eastern side of the grid, but they are not as pronounced as the main anomaly.

The IP survey focused on locating high resistivity zones at depth with the soil anomalies which may be indicative of quartz veining or silica alteration that is often associated with precious metals mineralization with low sulphidation epithermal systems.

In order to exercise the option and keep it in good standing, our company is required to make total cash payments of $40,000, issue a total of 800,000 common shares of our company and incur exploration expenditures of $2,000,000 as follows:

| | Cash | Exploration Costs | Common Shares |
|---|---|---|---|
| Upon execution of the Agreement (paid) | $ 25,000 | $ - | - |
| Upon closing date (cash paid and shares issued at a value of $20,000) | 15,000 | - | 200,000 |
| On or before February 3, 2013 | - | 200,000 | 200,000 |
| On or before February 3, 2014 | - | 300,000 | 200,000 |
| On or before February 3, 2015 | - | 500,000 | 200,000 |
| On or before February 3, 2016 | - | 1,000,000 | - |
| | $ 40,000 | $ 2,000,000 | 800,000 |

Upon satisfaction of the payments, share issuances and work commitments above, the option will be deemed to be exercised and a 100% undivided interest in the property will be transferred to our company, free and clear of all encumbrances, subject to a 2% net smelter return royalty (the "NSR") in favour of the Optionor with respect to production of all precious metals from the Property. The NSR will be payable following commencement of commercial production on the property. Our company may buy-back 1% of the NSR in consideration for payment of $1,000,000 to the Optionor.

Our company paid a finders' fee of $6,000 in connection with this transaction.

**Overall Performance**

We are an exploration stage issuer engaged in the business of acquisition, exploration and, if warranted, development of mineral properties. Prior to February 3, 2012, we carried on business as a CPC, which consisted of the identification and evaluation of companies, assets or businesses with the objective of completing a Qualifying Transaction. As such, we have not had any revenues in the past two fiscal years. We do not expect to generate any revenues in the foreseeable future. We expect our company to continue to incur expenses as we work to explore and develop our mineral property. We incurred expenses of $90,363 and $19,134 for the six months ended July 31, 2012 and 2011, respectively.

*Summary of Quarterly Results*

The following table sets out selected quarterly financial data for the eight most recently completed interim quarters:

| | **2013 Second** | **2013 First** | **2012 Fourth** | **2012 Third** | **2012 Second** | **2012 First** | **2011 Fourth** | **2011 Third** |
|---|---|---|---|---|---|---|---|---|
| **Total revenues** | $Nil | $Nil | $Nil | $Nil | $Nil | $Nil | $Nil | $Nil |
| **Loss before discontinued operations and extraordinary items:** | | | | | | | | |
| **Total** | $(51,456) | $(37,070) | $(68,808) | $(11,354) | (7,682) | $(9,489) | $(12,511) | $(1,863) |
| **Loss per share** | $(0.01) | $(0.00) | $(0.03) | $(0.01) | $(0.00) | $(0.01) | $(0.01) | $(0.00) |
| **Loss per share fully diluted** | $(0.01) | $(0.00) | $(0.03) | $(0.01) | $(0.00) | $(0.01) | $(0.01) | $(0.00) |
| **Net Loss and comprehensive loss:** | | | | | | | | |
| **Total** | $(51,456) | $(37,070) | $(68,808) | $(11,354) | (7,682) | $(9,489) | $(12,511) | $(1,863) |
| **Loss per share** | $(0.01) | $(0.00) | $(0.03) | $(0.01) | $(0.00) | $(0.01) | $(0.01) | $(0.00) |
| **Loss per share fully diluted** | $(0.01) | $(0.00) | $(0.03) | $(0.01) | $(0.00) | $(0.01) | $(0.01) | $(0.00) |

*The amounts disclosed in the table above are expressed in Canadian dollars.*

*Summary of Results During Prior Eight Quarters*

Prior to February 3, 2012, our company was a CPC under the Exchange Policy 2.4. As a CPC, our company's principal business activity was to identify and evaluate business opportunities with the objective of completing a Qualifying Transaction under the Exchange rules. From the date of incorporation on September 23, 2009 to February 3, 2012, our company had issued 2,000,000 common shares which were held in escrow to be released in accordance with the Exchange policies related to CPC. As all of these escrow shares were considered contingently cancellable until our company completed the Qualifying Transaction on February 3, 2012, they were not considered to be outstanding shares for the purposes of loss per share calculations until February 3, 2012.

From incorporation to the fourth quarter of 2012, we incurred expenses related to listing as a public company on the TSX Venture Exchange. Net loss increased by $10,648 from the third to fourth quarter of 2011 mainly due to an increase in professional fees of $11,458, which was almost entirely the annual audit fee. Net loss decreased by $3,022 from the fourth quarter of 2011 to the first quarter of 2012 primarily due to a decrease in professional fees of $7,877 (largely the result of the audit fee being incurred in the fourth quarter), and mitigated by an increase in transfer agent and filing fees of $4,989 (due mainly to the incurrence of the annual TSX sustaining fees of $5,200 in the quarter). Net loss decreased by $1,807 from the first quarter to the second quarter of 2012 primarily due to the increase in interest income of $1,637. Net loss increased by $3,672 from the second quarter to the third quarter of 2012 due to a drop in interest income of $1,477 and an increase in professional fees of $3,132. A mitigating factor was a $1,273 decrease in transfer agent and filing fees. Net loss increased by $57,454 from the third to fourth quarter of 2012 due to professional fees incurred in respect of the annual audit fee and professional fees relating to the Qualifying Transaction, which was closed in the first quarter of 2013. Net loss decreased by $31,738 from the fourth quarter of 2012 to the first quarter of 2013 due to lower professional fees after the closing of the Qualifying Transaction and Private Placement, which were closed on February 3, 2012. Net loss increased by $14,386 from the first to second quarter of 2013 mainly due to increased consulting fees.

**Discussion of Operations**

*Three Months Ended July 31, 2012 Compared to the Three Months ended July 31, 2011.*

We did not generate any revenues during the three months ended July 31, 2012 and 2011. Net loss and comprehensive loss was $51,456 for the three months ended July 31, 2012 compared to net loss and comprehensive loss of $7,682 for the three months ended July 31, 2011. Administrative expenses totaled $52,202 for the three months ended July 31, 2012 compared to $9,482 for the three months ended July 31, 2011.

Administrative expenses for the three months ended July 31, 2012 consisted mainly of professional fees of $20,978, consulting fees of $19,763 and office and miscellaneous expenses of $7,585. Administrative expenses for the three months ended July 31, 2011, consisted mainly of professional fees of $5,610 and transfer agent and filing fees of $3,822. The increase in administrative expenses was mainly due to corporate development consulting services incurred during the three months ended July 31, 2012.

*Six Months Ended July 31, 2012 Compared to the Six Months ended July 31, 2011.*

We did not generate any revenues for the six months ended July 31, 2012 and 2011. Net loss and comprehensive loss was $88,526 for the six months ended July 31, 2012, compared to net loss and comprehensive loss of $17,171 for the six months ended July 31, 2011. Administrative expenses totaled $90,363 for the six months ended July 31, 2012 compared to $19,134 for the six months ended July 31, 2011.

Administrative expenses for the six months ended July 31, 2012 consisted of professional fees of $43,178, consulting fees of $19,763, transfer agent and filing fees of $13,089 and office and miscellaneous expenses of $14,333. Administrative expenses for the six months ended July 31, 2011, consisted mainly of professional fees of $9,191, and transfer agent and filing fees of $9,837. The increase in administrative expenses was mainly due to the increased corporate activity following the closing of the Company's Qualifying Transaction on February 3, 2012.

See "Company Overview – Mineral Properties" for a discussion of our mineral property, including our plans for mineral property going forward.

See "Risk Factors" for a discussion of risk factors affecting our company.

During the six months ended July 31, 2012, our company closed a non-brokered private placement of 4,000,000 units for gross proceeds of $400,000.

*Use of Proceeds*

| **Financing** | **Previously Disclosed Use of Proceeds** | **Status of Use of** |
|---|---|---|
| $400,000<br>*February 2012 Non-Brokered Private Placement* | Fund the exercise of our option on the Otter Property (B.C.) and meet our obligations under the option agreement | In progress(1) |

Notes:

(1) See "Company Overview – Mining Properties – Otter Property" for a discussion of the Otter Property.

## Liquidity and Capital Resources

*Liquidity*

At July 31, 2012 we had $260,925 in cash and cash equivalents and working capital of $263,052 compared to cash and cash equivalents of $201,964 and working capital of $141,585 at January 31, 2012. Total current assets increased by $55,315 and current liabilities decreased by $66,152 from January 31, 2012 to July 31, 2012. Current liabilities as at July 31, 2012 consisted of accounts payable and accrued liabilities of $5,510 (January 31, 2012: $71,662).

Management believes that our company's cash and cash equivalents will not be sufficient to meet our working capital requirements for the next twelve month period. As a mineral exploration company, our expenses are expected to increase as we explore our mineral property further; however, management does not expect our company to generate revenues in the foreseeable future.

Our company's ability to conduct the planned work programs on our mineral property, meet our ongoing levels of corporate overhead and discharge our liabilities as they become due is dependent, in large part, on the ability of our management to raise additional funds as necessary. Management anticipates that additional equity financings will need to be conducted to raise additional funds which, if successful, will result in dilution in the equity interests of our company's current shareholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments. Although we have secured financings in the past, there is no assurance that we will be able to do so in the future on terms that are favourable to our company or at all. Our company's ability to raise additional funds in the future and its liquidity may be negatively impacted by a number of factors, including changes in commodity prices, market volatility and general economic downturns.

There is substantial doubt about our ability to continue as a going concern as the continuation of our business is dependent upon obtaining further long-term financing, successful exploration of our mineral property interest, the identification of reserves sufficient to warrant development, successful development of our property interests and achieving a profitable level of operations. Due to the uncertainty of our ability to meet our current operating and capital expenses, in their report on our audited financial statements for the year ended January 31, 2012, our independent auditors included an explanatory paragraph regarding their substantial doubt about our ability to continue as a going concern.

Our company has no long-term debt.

*Capital Resources*

We have the following commitments for capital expenditures with respect to our mineral properties. The expenditures are optional and we may decide not to incur such payments in the event we do not decide to pursue further exploration with respect to such properties.

- *Otter Property*:

    - October 2011 option agreement: At July 31, 2012, our company had paid $40,000 in option payments. As at July 31, 2012, our company was required to incur an aggregate of $2,000,000 in exploration expenditures over a four-year period: incur $200,000 on or before February 3, 2013, of which we have currently spent $44,095; incur $300,000 on or before February 3, 2014; incur $500,000 on or before February 3, 2015 and incur $1,000,000 on or before February 3, 2016.

If we elect to meet these capital expenditure requirements, it is expected that in addition to using funds currently available to our company, additional funds will need to be raised through equity financings, shareholder loans or otherwise. Our company's ability to raise additional funds is subject to a number of uncertainties and risk factors. See "Liquidity and Capital Resources – Liquidity".

See "Company Overview – Mining Properties" for a discussion of our company's capital expenditure commitments with respect to our mineral properties.

*Operating Activities*

During the six months ended July 31, 2012, operating activities used $151,032 in cash. The two principal sources of this amount were the net loss of $88,526, and a decrease in accounts payable of $66,152.

For the comparative six months ended July 31, 2011, operating activities used $25,776 in cash. The two principal sources of this amount were the net loss of $17,171 and a decrease in accounts payable of $6,802.

*Investing Activities*

During the six months ended July 31, 2012 investing activities used cash of $50,095 due to the payment of claim maintenance costs and a finder's fee incurred pursuant to our company's acquisition of mineral property interests as part of the Qualifying Transaction.

There were no investing activities by our company for the six months ended July 31, 2011.

*Financing Activities*

For the six months ended July 31, 2012, financing activities provided cash of $260,088, which is attributable to the a non-brokered private placement for gross proceeds of $400,000 which was closed during the period less deferred financing costs of $31,492. Of this total, $138,515 in share subscriptions were received and share issuance costs of $30,095 were paid during the year ended January 31, 2012. Deferred financing costs were comprised of professional fees and filing fees.

There were no financing activities by our company for the six months ended July 31, 2011.

**Changes in Accounting Policies including Initial Adoption**

We have reviewed new and revised accounting pronouncements that have been issued but are not yet effective. We have not early adopted any of these standards and are currently evaluating the impact, if any, that these standards might have on our financial statements.

Accounting Standards Issued and Effective for the company on February 1, 2013

IFRS 10 *Consolidated Financial Statements* establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

IFRS 11 *Joint Arrangements* establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12 *Disclosure of Involvement with Other Entities* requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13 *Fair Value Measurement* defines fair value, sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based Payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

IAS 27 *Separate Financial Statements* has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

IAS 28 *Investments in Associates and Joint Ventures* prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

Accounting Standards Issued and Effective for the company on February 1, 2015

IFRS 9 *Financial Instruments* replaces the current standard IAS 39 Financial Instruments: Recognition and Measurement, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

**Off-Balance Sheet Arrangements**

As of the date of this report, our company does not utilize off-balance sheet arrangements.

**Related Parties Transactions**

As at July 31, 2012, amounts due to related parties were $3,161 (January 31, 2012: $2,017), which included $2,788 due to Canasia Industries Corporation for unpaid accounting, administrative and office expense reimbursements and $373 due to Habanero Resources Inc for unpaid office expense reimbursements. Canasia Industries and Habanero Resources are related companies in that certain of our directors are also directors of these companies.

The transactions that gave rise to the amounts due to related parties were in the normal course of operations and were based on amounts incurred directly by the related parties for the reimbursed expenses.

**Financial Instruments and Other Instruments**

Our company's financial instruments consist of cash and cash equivalents, receivables and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that our company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

**Proposed Transactions**

Our company does not have any proposed transactions as of the date of this report.

**Additional Disclosure for Venture Issuers without Significant Revenue**

During the six months ended July 31, 2012 and 2011, our company incurred the following expenses:

| | **2012** | **2011** |
|---|---|---|
| Capitalized acquisition costs | $26,000 | $Nil |
| Capitalized exploration costs | $44,095 | $Nil |
| General & administrative costs | $90,363 | $19,134 |

Please refer to Note 6 in the financial statements for the six months ended July 31, 2012 for a description of the capitalized acquisition and exploration costs.

**Additional Disclosure of Outstanding Share Data**

*Common Shares*

As a CPC our common shares were listed on the Exchange under the symbol "INI.P". In connection with the Qualifying Transaction completed on February 3, 2012, we changed our name to "Spearmint Resources Inc." and changed our trading symbol to "SRJ". Our authorized share capital consists of an unlimited number of common shares without par value.

As at July 31, 2012 and September 27, 2012, we had 8,200,000 common shares issued and outstanding.

At July 31, 2012, 1,800,000 of the common shares outstanding were held in escrow. Subsequent to July 31, 2012, 300,000 common shares were released from escrow. The remaining shares will be released in amounts of 300,000 shares on February 3, 2013 and every six months thereafter. As at September 27, 2012, 1,500,000 common shares were held in escrow.

*Stock options*

As at July 31, 2012 and September 27, 2012, our company had 400,000 stock options outstanding. Each stock option entitles the holder the right to purchase one common share at an exercise price of $0.10 per share until April 30, 2015.

*Share Purchase Warrants*

As at July 31, 2012 and September 27, 2012, our company had 4,000,000 share purchase warrants outstanding. Each share purchase warrant entitled the holder the right to purchase one common share at an exercise price of $0.10 per share until February 3, 2017.

## Risk Factors

An investment in our company involves a number of risks. You should carefully consider the following risks and uncertainties in addition to other information in this report in evaluating our company and our business before making any investment decision in regards to the shares of our company's common stock. Our business, operating and financial condition could be harmed due to any of the following risks. The risks described below are not the only ones facing our company. Additional risks not presently known to us may also impair our business operations.

***Risks Relating to our Financial Condition***

*We have had a history of losses and minimal revenue to date, which trend may continue and may negatively impact our ability to achieve our business objectives.*

We have experienced net losses since inception, and expect to continue to incur substantial losses for the foreseeable future. As of July 31, 2012, our accumulated losses were $262,934 since inception. Our management expects the business to continue to experience negative cash flow for the foreseeable future and cannot predict when, if ever, our business might become profitable. Our company will require additional financing in order to conduct its future work programs on exploration and evaluation assets, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. If we are unable to raise funds on acceptable terms, we may not be able to execute our business plan, take advantage of future opportunities, or respond to competitive pressures or unanticipated requirements. This may seriously harm our business, financial condition and results of operations.

*Our proposed operations require significant capital expenditures for which we may not have sufficient funding and if we do obtain additional financing, our existing shareholders may suffer substantial dilution.*

We intend to make capital expenditures far in excess of our existing capital resources to acquire and explore our mineral properties. We intend to rely on external sources of financing to meet our capital requirements to continue acquiring, exploring and developing mineral properties and to otherwise implement our business plan. We plan to obtain such funding through the debt and equity markets, but we can offer no assurance that we will be able to obtain additional funding when it is required or that it will be available to us on commercially acceptable terms, if at all. In addition, any additional equity financing may involve substantial dilution to our then existing shareholders.

*We have been the subject of a going concern opinion by our independent auditor who has expressed substantial doubt as to our ability to continue as a going concern.*

Our independent auditor has added an explanatory paragraph to their audit report issued in connection with our annual audited financial statements for the year ended January 31, 2012 which states that our recurring losses from operations and the need to raise additional financing in order to execute our business plan raise substantial doubt about our ability to continue as a going concern. Our financial statements do not include any adjustment that might result from the outcome of this uncertainty. Assurances cannot be given that adequate financing can be obtained to meet our capital requirements. If we are unable to generate profits and unable to continue to obtain financing to meet our working capital requirements, we may have to curtail our business sharply or cease operations altogether. Our continuation as a going concern is dependent upon our ability to generate sufficient cash flow to meet our obligations on a timely basis to retain our current financing, to obtain additional financing, and, ultimately, to attain profitability. Should any of these events not occur, we will be adversely affected and we may have to cease operations.

***Risks Related to our Business***

*Because of the unique difficulties and uncertainties inherent in mineral exploration ventures, we face a high risk of business failure.*

Potential investors should be aware of the difficulties normally encountered by mineral exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration program that we intend to undertake on our property and any additional properties that we may acquire. These potential problems include unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates. The expenditures to be made by us in the exploration of our property may not result in the discovery of mineral deposits. Any expenditures that we may make in the exploration of any other mineral property that we may acquire may not result in the discovery of any commercially exploitable mineral deposits. Problems such as unusual or unexpected geological formations and other conditions are involved in all mineral exploration and often result in unsuccessful exploration efforts. If the results of our exploration do not reveal viable commercial mineralization, we may decide to abandon our property interests.

*Because of the speculative nature of the exploration of mineral properties, there is no assurance that our exploration activities will result in the discovery of any quantities of mineral deposits on our current properties or any other additional properties we may acquire.*

We intend to continue exploration on our current property and we may or may not acquire additional interests in other mineral properties. The search for mineral deposits as a business is extremely risky. We can provide investors with no assurance that exploration on our current property, or any other property that we may acquire, will establish that any commercially exploitable quantities of mineral deposits exist. Additional potential problems may prevent us from discovering any mineral deposits. These potential problems include unanticipated problems relating to exploration and additional costs and expenses that may exceed current estimates. If we are unable to establish the presence of mineral deposits on our property, our ability to fund future exploration activities will be impeded, we will not be able to operate profitably and investors may lose all of their investment in our company.

*The potential profitability of mineral ventures depends in part upon factors beyond our control and even if we discover and exploit mineral deposits, we may never become commercially viable and we may be forced to cease operations.*

The commercial feasibility of an exploration program on a mineral property is dependent upon many factors beyond our control, including the existence and size of mineral deposits in the properties we explore, the proximity and capacity of processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production and environmental regulation. These factors cannot be accurately predicted and any one or a combination of these factors may result in us not receiving an adequate return on invested capital. These factors may have material and negative effects on our financial performance and our ability to continue operations.

*Exploration and exploitation activities are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on us.*

Exploration and exploitation activities are subject to federal, provincial, state and local laws, regulations and policies, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. Exploration and exploitation activities are also subject to federal, provincial, state and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment.

Environmental and other legal standards imposed by federal, provincial, state or local authorities may be changed and any such changes may prevent us from conducting planned activities or may increase our costs of doing so, which would have material adverse effects on our business. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on us. Additionally, we may be subject to liability for pollution or other environmental damages that we may not be able to or elect not to insure against due to prohibitive premium costs and other reasons. Any laws, regulations or policies of any government body or regulatory agency may be changed, applied or interpreted in a manner which will alter and negatively affect our ability to carry on our business.

*Title to mineral properties is a complex process and we may suffer a material adverse effect in the event one or more of our property interests are determined to have title deficiencies.*

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. We cannot give an assurance that title to our property will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that we do not have title to one or more of our properties could cause us to lose any rights to explore, develop and mine any minerals on that property, without compensation for our prior expenditures relating to such property.

*We have a very small management team and the loss of any member of our team may prevent us from implementing our business plan in a timely manner.*

We have two executive officers and a limited number of additional consultants upon whom our success largely depends. We do not maintain key person life insurance policies on our executive officers or consultants, the loss of which could seriously harm our business, financial condition and results of operations. In such an event, we may not be able to recruit personnel to replace our executive officers or consultants in a timely manner, or at all, on acceptable terms.

*Because our property interests may not contain mineral deposits and because we have never made a profit from our operations, our securities are highly speculative and investors may lose all of their investment in our company.*

Our securities must be considered highly speculative, generally because of the nature of our business and our stage of operations. We currently have exploration stage property interests which may not contain mineral deposits. We may or may not acquire additional interests in other mineral properties but we do not have plans to acquire rights in any specific mineral properties as of the date of this report. Accordingly, we have not generated significant revenues nor have we realized a profit from our operations to date and there is little likelihood that we will generate any revenues or realize any profits in the short term. Any profitability in the future from our business will be dependent upon locating and exploiting mineral deposits on our current properties or mineral deposits on any additional properties that we may acquire. The likelihood that any mineral properties that we may acquire or have an interest in will contain commercially exploitable mineral deposits is extremely remote. We may never discover mineral deposits in respect to our current properties or any other area, or we may do so and still not be commercially successful if we are unable to exploit those mineral deposits profitably.

*As we face intense competition in the mineral exploration and exploitation industry, we will have to compete with our competitors for financing and for qualified managerial and technical employees.*

Our competition includes large established mining companies with substantial capabilities and with greater financial and technical resources than us. As a result of this competition, we may have to compete for financing and be unable to acquire financing on terms we consider acceptable. We may also have to compete with the other mining companies for the recruitment and retention of qualified managerial and technical employees. If we are unable to successfully compete for financing or for qualified employees, our exploration programs may be slowed down or suspended, which may cause us to cease operations.

*Our future is dependent upon our ability to obtain financing and if we do not obtain such financing, we may have to cease our exploration activities and investors could lose their entire investment.*

There is no assurance that we will operate profitably or will generate positive cash flow in the future. We require additional financing in order to proceed with the exploration and development of our property. We will also require additional financing for the fees we must pay to maintain our status in relation to the rights to our properties and to pay the fees and expenses necessary to operate as a public company. We will also need more funds if the costs of the exploration of our mineral claims are greater than we anticipated. We will require additional financing to sustain our business operations if we are not successful in earning revenues. We will also need further financing if we decide to obtain additional mineral properties. We currently do not have any arrangements for further financing and we may not be able to obtain financing when required. Our future is dependent upon our ability to obtain financing. If we do not obtain such financing, our business could fail and investors could lose their entire investment.

*Complying with environmental and other government regulations could be costly and could negatively impact our production.*

Our business is governed by numerous laws and regulations at various levels of government. These laws and regulations govern the operation and maintenance of our facilities, the discharge of materials into the environment and other environmental protection issues. Such laws and regulations may, among other potential consequences, require that we acquire permits before commencing mining operations and restrict the substances that can be released into the environment.

Under these laws and regulations, we could be liable for personal injury, clean-up costs and other environmental and property damages, as well as administrative, civil and criminal penalties. Prior to commencement of mining operations, we may secure limited insurance coverage for sudden and accidental environmental damages as well as environmental damage that occurs over time. However, we do not believe that insurance coverage for the full potential liability of environmental damages is available at a reasonable cost. Accordingly, we could be liable, or could be required to cease production on properties, if environmental damage occurs.

The costs of complying with environmental laws and regulations in the future may harm our business. Furthermore, future changes in environmental laws and regulations could result in stricter standards and enforcement, larger fines and liability, and increased capital expenditures and operating costs, any of which could have a material adverse effect on our financial condition or results of operations.

***Risks Related to our Common Stock***

*Because we do not intend to pay any cash dividends on our shares of common stock in the near future, our shareholders will not be able to receive a return on their shares unless they sell them.*

We intend to retain any future earnings to finance the development and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the near future. The declaration, payment and amount of any future dividends will be made at the discretion of the board of directors, and will depend upon, among other things, the results of operations, cash flows and financial condition, operating and capital requirements, and other factors as the board of directors considers relevant. There is no assurance that future dividends will be paid, and if dividends are paid, there is no assurance with respect to the amount of any such dividend. Unless we pay dividends, our shareholders will not be able to receive a return on their shares unless they sell them.

*A decline in the price of our common stock could affect our ability to raise further working capital and adversely impact our ability to continue operations.*

A prolonged decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise capital. Because a significant portion of our operations have been and will be financed through the sale of equity securities, a decline in the price of our common stock could be especially detrimental to our liquidity and our operations. Such reductions may force us to reallocate funds from other planned uses and may have a significant negative effect on our business plan and operations, including our ability to develop new products and continue our current operations. If our stock price declines, we can offer no assurance that we will be able to raise additional capital or generate funds from operations sufficient to meet our obligations. If we are unable to raise sufficient capital in the future, we may not be able to have the resources to continue our normal operations.

The market price for our common stock may also be affected by our ability to meet or exceed expectations of analysts or investors. Any failure to meet these expectations, even if minor, may have a material adverse effect on the market price of our common stock.

**Additional Information**

We file annual and interim reports, information circulars and other information with certain Canadian securities regulatory authorities. The documents filed with the Canadian securities regulatory authorities are available at http://www.sedar.com.