

**ZADAR VENTURES LTD.**  
**Management Discussion and Analysis**  
**(Expressed in Canadian Dollars, Unless Otherwise Stated)**  
**For the Nine Months Ended April 30, 2013**

**INTRODUCTION**

This Management Discussion and Analysis (“MD&A”) of the operating results and financial condition of Zadar Ventures Ltd. (the “Company” or “Zadar”) for the nine months ended April 30, 2013 is prepared in accordance with International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the unaudited interim financial statements for the nine months ended April 30, 2013, and the audited financial statements for the year ended July 31, 2012.

This MD&A is prepared as of July 2, 2013. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise stated. Additional information relevant to the Company’s activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**CAUTION REGARDING FORWARD LOOKING STATEMENTS**

This MD&A contains certain statements that constitute forward-looking statements. When used in this document the words “anticipate”, “believe”, “estimate”, “expect”, “plan”, “future”, “intend”, “may”, “will”, “should”, “predicts”, “potential”, “continue”, and similar expressions, as they relate to Zadar Ventures Ltd. or its management, are intended to identify forward-looking statements. Such statements reflect current views of Zadar Ventures Ltd. with respect to future events and are subject to certain known and unknown risks, uncertainties, and assumptions. These statements should not be relied upon. Many factors could cause the actual results, performance, or achievements to be materially different for many future results, performance, or achievements that may be expressed or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward looking statements prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, or expected. Zadar Ventures Ltd. does not intend, and does not assume, any obligation to update these forward looking statements.

**DESCRIPTION OF THE BUSINESS**

Zadar Ventures Ltd. is a public company incorporated under the *Business Corporations Act* of British Columbia on August 6, 2008. The common shares of Zadar commenced trading on the TSX Venture Exchange on May 28, 2012 under the trading symbol “ZAD”

The Company’s principal business activity is the acquisition and exploration of mineral properties.

The Company’s corporate office and principal place of business is at Suite 609 – 475 Howe Street, Vancouver, British Columbia, Canada, V6C 2B3.

The Company is engaged in the business of mineral exploration. It acquires, explores, and develops mineral resource properties. The Company's immediate goal is to undertake follow-up exploration for uranium in the Province of Alberta. It commenced operations in April, 2010 with exploration activities in Alberta.

### **The Whiskey Gap Property**

The Company entered into an Option Agreement dated April 29, 2010 as amended on May 30, 2011, September 30, 2011 and June 1, 2012 with 1177129 Alberta Limited (the "Optionor"). The Optionor is a wholly owned subsidiary of International Ranger Corp. Jason Walsh, who is the President and Director of the Optionor, is also a Director of International Ranger Corp. and a shareholder and former Chief Financial Officer and Secretary of the Company.

The Option Agreement, as amended, provides that in order for the Company to earn a 60% interest in the Property (as hereinafter defined), the Company must pay the Optionor:

- a) \$12,500 (which has been paid) and issue and allot to the Optionor 100,000 shares of the Company (which have been issued);
- b) on or before the first anniversary of the execution of the Agreement, it must pay the Optionor a further \$12,500 (which has been paid) and issue and allot to the Optionor a further 200,000 shares (which have been issued);
- c) on or before the second anniversary of the execution of the Agreement, it must pay the Optionor a further \$25,000 (which has been paid) and issue and allot to the Optionor a further 300,000 shares (which have been issued);
- d) on or before the third anniversary of the execution of the Agreement, it must pay the Optionor a further \$50,000 and issue and allot to the Optionor a further 500,000 shares;
- e) on or before September 30, 2010, the Company shall expend not less than \$100,000 on Exploration Expenditures on the Property; (which has been incurred)
- f) on or before June 30, 2012, the Company shall pay \$100,000 to the Optionor (paid);
- g) on or before December 31, 2012, the Company shall pay a further \$50,000 and issue and allot to the Optionor a further 500,000 shares.

The Company has a further option to acquire an additional 15% interest in the Property by issuing the Optionor an additional 1,000,000 shares and expending an additional \$500,000 for Exploration Expenditures on or before September 30, 2013.

The Company will be the operator of the exploration work on the Property. It has a right to enter the Property. After earning a 60% interest in the Property by expending a total of not less than \$100,000 in Exploration Expenditures, paying \$250,000 and issuing 1,600,000 shares, the Company may elect to enter into a joint venture. If the Company elects to earn a further 15% interest, it must issue the additional shares and expend an additional \$500,000 for Exploration Expenditures on or before September 30, 2013. If this occurs, it may then elect to enter into a

joint venture. Each of the parties to the Option Agreement has a right of first refusal to purchase the party's interest if the other party intends to dispose of its interest. Either party may transfer its interest in the Property and the Option Agreement, provided that such transferring party's obligations under the Option Agreement will continue unless released in writing by the other party, and provided that any transferee of such interest enter into a written agreement with the other party whereby it agrees to take on the obligations of the transferring party under the Option Agreement. The Company may terminate the Option Agreement upon five days' written notice to the Optionor, provided that the Company is not in default of the Option Agreement at the time the notice is given. The Optionor may terminate the Option Agreement if the Company has failed to make any payments or failed to do anything on or before the last day provided for such payment or performance, but only if it has given the Company written notice of such failure and the Company has not, within sixty days of the delivery of such notice, cured the failure by appropriate payment or performance.

Surface access agreements have been signed with 2 land owners on June 1, 2010, for an area of 258 hectares (one square mile surrounding hole 06-22), granting the Company unrestricted surface access and the right to drill an unlimited number of holes for a period of one year. The agreements may be extended for an additional 2 years, at the Company's option, by paying the owners an aggregate annual fee of \$10,375 per year of extension, to a maximum of two additional years (the agreements were extended).

Metallic mineral production in Alberta is subject to a provincial royalty amounting to one percent gross mine mouth revenue until payout and the greater of one percent gross mine mouth revenue and 12 % net revenue, after payout.

### **BullRun Uranium Project**

On April 17, 2013, the Company entered into a purchase agreement with an arm's length vendor to acquire a 100% interest in the BullRun uranium project, located in the southwestern Athabasca Basin in Saskatchewan, Canada

To earn the 100% interest, the Company must pay \$15,000 in cash, issue 550,000 shares and incur exploration expenditures of \$150,000 over a three year period. The BullRun project comprises 3 claim groups totaling 9,185 hectares. All three properties are favourably located geologically; along major faults or fault zones, with intersecting smaller scale faults; and within a few kilometres up to a few tens of kilometres from known uranium zones.

Subsequent to April 30, 2013, the Company entered into a purchase agreement with an arm's length vendor to acquire a 100% interest in certain mineral claims known as BullRun D and E Blocks, located in Saskatchewan, Canada.

To earn a 100% interest, the Company must issue 250,000 shares. The vendor will retain a 2% net smelter return royalty ("NSR"), of which 0.5% can be purchased by the Company at any time for a cash payment of \$1 million less all amounts previously received as NSR payments.

**Block A** (~4,515 ha) is located 30 kilometres north of the Patterson Lake South uranium discovery (Fission Energy Corp./Alpha Minerals Inc.) and 40 kilometres south of the Shea Creek

uranium deposit (UEX Corp./AREVA), the largest undeveloped uranium resource in the Athabasca Basin ([http://www.uex-corporation.com/s/shea\\_creek.asp?ReportID=477100](http://www.uex-corporation.com/s/shea_creek.asp?ReportID=477100)). The claims lie just east of the all-weather Highway 955, which runs north to the former Cluff Lake mine (+ 60 million pounds of U3O8 produced).

**Block B** (~3,138 ha) is located 50 kilometres east of the Patterson Lake uranium discovery and 50 kilometres west of the Centennial uranium deposit (Cameco/AREVA/Coronation Mines). This McArthur River style uranium deposit is currently under active exploration and development (<http://www.formationmetals.com/s/VirginRiver.asp>).

**Block C** (~1,532 ha) is located 12 kilometres west of the Centennial uranium deposit.

### **Patterson Northeast Property**

On May 16, 2013, the Company entered into a purchase agreement with an arm's length vendor to acquire a 100% interest in certain mineral claims known as the Patterson Northeast Property ("PNE"), located in Saskatchewan, Canada.

To earn a 100% interest, the Company must make cash payments totalling \$3 million and incur exploration expenditures of \$2 million over a four year period, subject to regulatory approval. The vendor will retain a 1% net smelter return royalty ("NSR"), which can be purchased by the Company at any time for a cash payment of \$1 million. The PNE Project lies approximately 11km northeast of Fission/Alpha Minerals' Patterson Lake South Project, where high-grade uranium intersections are being encountered at shallow depths, and ~27km southeast of UEX/AREVA's Shea Creek deposit, which has reported U3O8 mineral resource estimate of 67.66 million pounds indicated and 28.19 million pounds inferred, at a cut-off grade of 0.30%.

The PNE Project is a highly prospective property package, which shares magnetic signatures with both Shea Creek and Patterson Lake South. The target-type at PNE is an unconformity or basement hosted uranium deposit; basement depth (depth of investigation) is between 380-600m. The primary target is broad conductive zone, potentially a graphitic horizon or alteration halo, identified through 2006 MegaTEM survey. Just north of the conductor, historic drilling has revealed clay alteration, fracturing and abundant pyrite, indicative of hydrothermal enrichment. On surface, boulders rich in boron, a pathfinder element for uranium deposits, have also been identified.

### **Upper Poulton Lake**

On April 22, 2013, the Company entered into an option agreement with an arm's length vendor, whereby the company can earn a 100% interest in the Upper Poulton Lake Property located in the Athabasca Basin in Saskatchewan, Canada.

To earn its 100% interest, the Company must pay \$100,000 in cash and issue 100,000 common shares in the first year of the agreement and issue an additional 800,000 shares in stages over the following three years. In addition, a onetime \$1,000,000 payment is payable on the fourth anniversary of the agreement date. The Company will also commit to \$2.1 million on

exploration over four years. The vendor will retain a 1% NSR, of which 0.5% can be purchased by the Company for a cash payment \$1 million. A finder's fee of \$10,000 and 10,000 shares is payable.

Geology at Upper Poulton Lake is dominated by the northeast trending Bird Lake Reverse Fault. The high-value targets were identified by Cameco in 2004 comprise a series of shallow, northeast trending subsurface conductors, coincident with the Bird Lake Fault, which shows strong similarities to the Rabbit Lake Fault, primary control of the Rabbit Lake Mine. The Company is excited about the targets as the majority of unconformity-type uranium discoveries in the Athabasca basin, such as Fission's Patterson Lake South and Hathor's Roughrider Deposit, have been made through the investigation of subsurface conductive graphitic layers residing within magnetic breaks. In addition, first pass drilling by Cameco at Upper Poulton Lake revealed clear evidence of hydrothermal alteration.

### **Triex/Canterra Projects**

Subsequent to April 30, 2013, the Company entered into an option agreement with arm's length vendors to acquire a 100% interest in certain mineral claims comprising five separate projects, located in the Athabasca Basin, Saskatchewan, Canada.

To earn its interest, the Company must pay \$50,000 in cash payments and issue 2 million shares, subject to regulatory approval. The vendors will retain a 2% NSR on each project, which can be purchased by the Company at any time for a cash payment of \$1 million for each 1% of NSR, per project.

Four of the projects (Pasfield Lake, Stony Road, Riverlake, Highrock) lie in the eastern Athabasca Basin, which has proven to be the most prolific and productive area, to date, for uranium mines and discoveries (Figure 1). This area contains the Key Lake, McArthur River, Cigar Lake and Millenium uranium mines as well as the Roughrider uranium deposit discovered by Hathor Exploration Ltd. and sold to Rio Tinto for \$654 million in 2012. The five Canterra/Triex projects augment Zadar's Upper Poulton project (see News Release of April 9, 2013) and will give Zadar exposure to a variety of geological settings with high discovery potential. The fifth project (West Carswell) is situated 13 km west of the past producing Cluff Lake uranium mine (62.5 million lbs. U<sub>3</sub>O<sub>8</sub> during its successful 22 years of operation). The West Carswell project is also located 11 kms NW of the Shea Creek project described on the UEX Corp. website as "... the largest undeveloped uranium resource in the Athabasca Basin. It also ranks as the third largest uranium resource in the Basin, exceeded in size only by McArthur River and Cigar Lake." This project significantly enhances Zadar's strategic land holdings in this area of the Athabasca Basin. Its PNE/BullRun project is situated 10 km north of the Patterson Lake South uranium discovery of Alpha Minerals and Fission Energy, and directly adjoins the Patterson Lake North project (Fission Energy/Azincourt Resources).

The Pasfield project (37,445 hectares) is situated on the Pasfield Structure (possibly an astrobleme and similar to the Cluff Lake Structure) and astride the Cable Bay shear zone ("CBSZ"). Exploration has identified important indications of the presence of uranium-bearing hydrothermal fluids along the fault that forms the eastern arm of the CBSZ. Further drilling is

required to adequately test for uranium mineralization in this structurally complex area, especially where shallow basement (300-500 metres) is indicated by geophysical surveys. The property is a large and compelling exploration target encompassing a major basement uplift feature, with at least 600 metres of vertical displacement relative to regional basement depths. It is located on a major regional shear zone, with strong surface geochemical anomalies and strongly altered and radioactive rocks discovered in drill core, and coincident with the eastern and western “arms” of the “CBSZ”. Exploration by Triex comprised lake sediment sampling, soil and biogeochemical sampling, airborne electromagnetic and gravity surveys, and diamond drilling. Soil and bio-geochemical surveys identified a robust multi-element anomaly with significantly elevated uranium values accompanied by elevated levels of boron, lead, molybdenum, vanadium and arsenic, the five key pathfinder elements associated with alteration halos above unconformity-type uranium deposits in the Athabasca Basin. Reconnaissance drilling identified the presence of significant alteration features indicative of proximity to uranium ore-bodies. Pervasive bleaching was present in basement rocks at the unconformity in all holes. Other features intersected in individual holes included intensely clay-altered granitic gneiss, hematite-filled breccia in basement granite gneiss, + 300 metres of graphitic garnet-mica metapelitic gneiss, strongly graphitic fracture zones, and weak but extensive clay alteration of the sandstone. Two zones with increased radioactivity and elevated uranium, boron and other key pathfinder elements were identified; one at the unconformity and another 800 metres above the unconformity.

The Stony Road project (10,545 hectares) is situated on the eastern arm of the CBSZ, the structure identified as highly prospective by exploration on the Pasfield project. Exploration by Triex comprised regional geochemical sampling, airborne and ground electromagnetic/ gravity surveys, and diamond drilling. Reconnaissance drilling targeted a strong conductor on the eastern splay of the regional CBSZ. One hole intersected anomalous radioactivity over several tens of metres above the unconformity, up to 687 cps, in association with the most intensely altered rocks. Uranium geochemical values were also elevated in this interval, from 10 to 20 times background.

The Riverlake (5,583 hectares) and Highrock projects (5,831 hectares) have a similar geological setting as the Key Lake mine (Gaertner and Deilmann orebodies). The northwest corner of the Highrock property is 8 km from the Gaertner and Deilmann orebodies. Exploration by Triex comprised airborne and ground electromagnetic surveys, soil sampling and diamond drilling. At Riverlake, a 1,200 metre long NE-SW by 600 metre wide NW-SE soil anomaly with peak uranium values of 3.74 ppm and coincident elevated to anomalous arsenic, molybdenum, vanadium and lead values was identified (A1 grid). The A1 grid covers a set of three sub-parallel conductors having a combined strike length of 5 km and interpreted to be a single metasedimentary unit that is disrupted by folds and faults. Reconnaissance drilling intersected continuous and significantly anomalous radioactivity within sheared and fault-brecciated basement rocks of graphitic metapelite and pegmatite. One hole intersected a 63 metre interval exhibiting 5 to 10 times background radioactivity including a measured 2,625 cps in schistose graphitic fault breccias. Geochemically, the radioactive graphite schist breccias have anomalous uranium contents up to 3.34 ppm, with interleaved pegmatite bands containing up to 116 ppm uranium. Of the key pathfinder elements, boron correlates most strongly with the uranium anomalies, and is important evidence for the presence of hydrothermal fluids. The pronounced

orientation of the soil anomaly and the presence of anomalous uranium and alteration in the basement rocks are strongly reminiscent of the Gaertner, Deilmann and P-Patch uranium deposits.

The West Carswell (8,157 hectares) is situated on the west margin of the Carswell Structure, a multi-ring, roughly circular feature approximately 35 km in diameter that represents a “plug” of uplifted basement material (up to 2 km) within the Athabasca Basin boundary. The Carswell Structure is considered to be of meteorite-impact site or astrobleme. The Harrison Shear Zone is a regional fault/shear zone that forms part of the southwestern margin of the Carswell structure. The shear zone transects the northeastern part of the property and is a significant target for potential uranium deposits. Exploration by Triex comprised airborne and ground electromagnetic surveys and diamond drilling. The electromagnetic surveys outlined a strongly conductive feature named the MP Anomaly (~ 4.3 km long E/W by 1.2 km wide N/S). Reconnaissance drilling of the MP anomaly intersected evidence of uranium mineralization in the form of fault and hydrothermal breccia zones, elevated to anomalous boron (9-316 ppm) in the sandstone, weakly radioactive zones up to 60 metres wide in sandstones at the unconformity, and haematitic and radioactive basement granitoid rocks. The geophysical surveys also identified conductors associated with the Harrison Shear Zone which have not been drilled.

## RESULTS OF OPERATIONS

The Company’s net loss for the nine months ended April 30, 2013 was \$144,454 as compared to a net loss of \$104,964 for the nine months ended April 30, 2012. The increase in net loss is due mainly to an increase in travel and promotion expenses and regulatory filing fees.

## SUMMARY OF QUARTERLY RESULTS

| <b>Quarter ended</b> | <b>Revenue</b> | <b>Net loss</b> | <b>Loss per share</b> |
|----------------------|----------------|-----------------|-----------------------|
| April 30, 2013       | –              | (56,524)        | (0.01)                |
| January 31, 2013     | –              | (35,137)        | (0.00)                |
| October 31, 2012     | –              | (52,793)        | (0.01)                |
| July 31, 2012        | –              | (136,847)       | (0.03)                |
| April 30, 2012       | –              | (28,422)        | (0.00)                |
| January 31, 2012     | –              | (20,787)        | (0.00)                |
| October 31, 2011     | –              | (55,755)        | (0.01)                |

## **LIQUIDITY AND CAPITAL RESOURCES**

As at April 30, 2013, the Company had working capital of \$38,413. To date, the Company has relied entirely upon the sale of Common Shares to generate working capital for exploration activities and to fund the administration expenses of the Company. Since the Company does not expect to generate any revenues in the near future, it will continue to rely primarily upon the sale of Common Shares to raise capital. There can be no assurance that financing will be available to the Company when required.

The Company has financed its operations primarily through the proceeds of the sale of its Common Shares. The Company has incurred a total of \$439,000 for mineral property acquisition costs and \$131,128 in exploration expenditures on its properties from incorporation to April 30, 2013.

Current liabilities as at April 30, 2013 consisted of accounts payable and accrued liabilities of \$64,082 and due to related parties of \$4,000.

At present, there are no known demands, commitments, events or uncertainties that would adversely affect the trends and expected fluctuations in the Company's liquidity. After completion of the Company's initial public offering, the Company received additional available funds of \$525,450. The Company believes that this amount will be adequate to meet its business objectives and projected working capital and other cash requirements for at least 12 months following completion of the Offering. However, there can be no assurance that these funds will be sufficient and the Company may have to evaluate additional means of financing, including additional debt or equity financings. See "Risk Factors".

## **OFF BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## **RELATED PARTY TRANSACTIONS**

During the nine months ended April 30, 2013 the Company incurred an aggregate of \$22,500 (2012 – \$22,500) for management fees of which \$9,000 was payable to 622738 B.C. Ltd., a company wholly owned by Mark Tommasi, the President and director of the Company and \$13,500 was payable to Bua Capital Management Ltd. Office administration fees of \$25,194 (2012 - \$24,825) were paid or accrued to Bua Group Holdings Ltd.

Amounts due to related parties comprise \$4,000 in advances from companies controlled by officers and directors. Such amounts are unsecured, non-interest bearing and without specific repayment terms.

Jason Walsh, the former CFO and former Secretary of the Company, is a director of Bua Group Holdings Ltd. Geoffrey R. Watson, the CFO and Secretary of the Company, is a shareholder of Bua Group Holdings Ltd. Jason Walsh is also a director and shareholder of Bua Capital Management Ltd.



## PROPOSED TRANSACTIONS

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

## COMMON SHARES OUTSTANDING

|                                    | Number            | Issued price | Amount              |
|------------------------------------|-------------------|--------------|---------------------|
| <b>August 1, 2010</b>              | <b>1,100,000</b>  |              | <b>\$ 11,000</b>    |
| Issued for cash                    | 5,000,000         | \$ .059      | 295,000             |
| <b>Balance at January 31, 2011</b> | <b>6,100,000</b>  |              | <b>306,000</b>      |
| Issued for property                | 200,000           | 0.065        | 13,000              |
| <b>Balance at July 31, 2011</b>    | <b>6,300,000</b>  |              | <b>319,000</b>      |
| Issued for exercise of warrants    | 505,000           | 0.10         | 50,500              |
| Issued for property                | 300,000           | 0.065        | 19,500              |
| Initial public offering            | 2,200,000         | 0.25         | 550,000             |
| Share issuance costs               | —                 |              | (144,755)           |
| <b>Balance at July 31, 2012</b>    | <b>9,305,000</b>  |              | <b>794,245</b>      |
| Issued for exercise of warrants    | 1,300,000         | 0.10         | 130,000             |
| Issued for property                | 1,115,000         | 0.27         | 298,900             |
| <b>Balance at July 2, 2013</b>     | <b>11,720,000</b> |              | <b>\$ 1,223,145</b> |

## WARRANTS OUTSTANDING

As of July 2, 2013, the Company has 1,371,000 share purchase warrants outstanding, which are exercisable at a price of \$0.10 per share and which expire on October 10, 2013.

## AGENT'S WARRANTS OUTSTANDING

As of July 2, 2013, the Company has 176,000 agent's warrants outstanding, which are exercisable at a price of \$0.25 per share and which expire on May 28, 2015.

## OPTIONS OUTSTANDING

As of July 2, 2013, the Company has 600,000 options outstanding, which are exercisable at a price of \$0.25 per share and which expire on May 28, 2017.

## **CRITICAL ACCOUNTING ESTIMATES**

### **Mineral Properties and Exploration Costs**

The Company records its interests in mineral properties and exploration cost at cost. All direct costs are capitalized until the properties to which they relate are placed into production, sold or abandoned. These costs will be amortized on the unit of production basis over the proven reserves of the related property following commencement of production. Proceeds received, as a result of the sale of a mineral property, will be applied first against the book value of the property, and any excess will be set off against deferred exploration costs.

The mineral properties and exploration costs are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. When there is evidence of impairment, the net carrying amount of the asset will be written down to its net recoverable amount which is the estimated undiscounted future net cash flows expected to result from the asset and its eventual disposition. The loss on impairment written off is not reversed even if circumstances change and the net recoverable amount subsequently increases.

The amounts shown as mineral properties and deferred exploration costs represent unamortized costs to date and do not necessarily reflect present or future values.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

The Company's financial instruments include cash, due from related parties, accounts payable and accrued liabilities and amounts due to related parties. In management's opinion, the Company is not exposed to significant interest rate, currency exchange rate, liquidity or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values because of their current nature. The Company is not exposed to derivative financial instruments.

The Company classifies financial assets and liabilities as fair value through profit and loss, available-for-sale, held-to maturity, loans and receivables or other financial liabilities depending on their nature. Financial assets and financial liabilities are recognized at fair value on their initial recognition.

The Company classified its cash as loans and receivables and its accounts payable and accrued liabilities and due to related parties as other financial liabilities.

## **OTHER RISKS AND UNCERTAINTIES**

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

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

### **Risks associated with exploration stage companies**

Exploring for mineral resources involves a variety of operational, financial, and regulatory risks that are typical in the natural resource industry. The Company has not commenced commercial operations and has not proven history of performance, earnings, or success. There is no guarantee that the Company will ever be able to achieve profitable results or successfully execute its business plan. The Company's Common Shares must be considered speculative primarily due to the nature of the Company's business and early stage of development. The Company has no revenue or income from operations. The Company has limited capital resources and has to rely upon the sale of equity and/or debt securities for cash required for exploration and development purposes, for acquisitions, and to fund the administration of the Company. Since the Company does not expect to generate any revenues from operations in the near future, it must continue to rely upon the sales of its 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**

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

**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.

**ADDITIONAL INFORMATION**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).