

**RHEINGOLD EXPLORATION CORP.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the three and nine month periods ended October 31, 2012

Dated December 28, 2012

## **RHEINGOLD EXPLORATION CORP.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **Introduction**

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of Rheingold Exploration Corp. (the "**Company**" or "**Rheingold**") should be read in conjunction with the unaudited condensed interim financial statements of the Company for the three and nine months ended October 31, 2012 and the related notes contained therein. The condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("**IAS 34**"). All dollar figures included therein and in the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company and its activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

This MD&A is current as at December 28, 2012.

#### **Forward-Looking Statements and Forward-Looking Information**

The information provided in this MD&A may contain forward-looking statements and forward-looking information about Rheingold within the meaning of applicable securities laws. In addition, Rheingold may make or approve certain statements or information in future filings with Canadian securities regulatory authorities, in news releases, or in oral or written presentations by representatives of Rheingold that are not statements of historical fact and may also constitute forward-looking statements or forward-looking information. All statements and information, other than statements of historical fact, made by Rheingold that address activities, events, or developments that Rheingold expect or anticipate will or may occur in the future are forward-looking statements and information, including, but not limited to, statements and information preceded by, followed by, or that include words such as "may", "would", "could", "will", "likely", "expect", "anticipate", "believe", "intends", "plan", "forecast", "budget", "schedule", "project", "estimate", "outlook", or the negative of those words or other similar or comparable words.

Forward-looking statements and information involve significant risks, assumptions, uncertainties and other factors that may cause actual future performance, achievement or other realities to differ materially from those expressed or implied in any forward-looking statements or information and, accordingly, should not be read as guarantees of future performance, achievement or realities.

Actual performance, achievement or other realities could differ materially from those expressed in, or implied by, any forward-looking statements or information in this MD&A and, accordingly, investors should not place undue reliance on any such forward-looking statements or information. Further, any forward-looking statement or information speaks only as of the date on which such statement is made, and Rheingold does not undertake any obligation to update any forward-looking statements or information to reflect information, events, results, circumstances, realities or otherwise after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by law, including securities laws. All forward-looking statements and information contained in this MD&A and other documents of Rheingold are qualified by such cautionary statements. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on Rheingold's business or the extent to which any factor, or combination of factors, may cause actual realities to differ materially from those contained in any forward-looking statements.

In addition, forward-looking statements and information herein, including financial information, is based on certain assumptions relating to the business and operations of Rheingold. Although Rheingold has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and forward-looking information in this MD&A, and the documents incorporated by reference herein, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There is no assurance that such statements and information will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements or information. Accordingly, readers should not place undue reliance on forward-looking statements and forward-looking information contained in this MD&A.

## **The Company**

Rheingold Exploration Corp. is a resource exploration company that is exploring for gold in the Rainy River district of northwestern Ontario. The objective of management is to maximize shareholder value by exploring and developing the Company's Pattullo mineral project in a cost effective and technically sound manner. The Company's head office is located at 8884 Haddon Street, Fort Langley, British Columbia, V1M 2S5, and the Company's registered and records office is located at Suite 600, 1090 West Georgia Street, Vancouver, BC, V6E 3V7.

The Company was incorporated in the Province of British Columbia on July 29, 2010. The fiscal year end of the Company is January 31.

## **Overall Performance**

The key factors pertaining to the Company's overall performance for the period ended October 31, 2012 are as follows:

- The Company had working capital of \$561,004 as at October 31, 2012, as compared to working capital of \$186,737 as at January 31, 2012.
- The Company incurred a net loss of \$21,255 and \$187,815 for the three and nine month periods ended October 31, 2012, respectively, as compared to a net loss of \$35,006 and \$50,419 for the same three and nine month periods ended October 31, 2011, respective.
- On October 31, 2012, the Company completed its initial public offering and issued 3,350,000 common shares of the Company at \$0.15 per common share for total cash proceeds of \$502,500. In connection with this offering, the Company paid \$76,878 in cash and issued 268,000 agent compensation warrants valued at \$21,129. Each agent compensation warrant entitles the holder to purchase one common share of the Company at \$0.15 per share for a period of 24 months.

All direct costs related to the acquisition of resource property interests have been capitalized. The Company has no operating cash flow and its level of operations has been determined by the availability of capital resources. To date, private placements have provided the sole source of funding. Therefore, it is difficult to identify any meaningful trends or develop an analysis from cash flows.

## **Pattullo Property**

The Company currently holds an option to acquire a 100% interest in 4 claims covering 439 hectares in the Pattullo and Tait townships of Ontario, Canada, known as the Pattullo Property (the “Property”). Pursuant to an option agreement (the “Option Agreement”) dated June 13, 2011 but not signed by all parties until June 17, 2011, Rheingold was granted the option to acquire a 100% interest in the Property from Perry Vern English acting on behalf of Rubicon Minerals Corporation (the “Optionor”) in consideration of Rheingold agreeing to, over a four year period, pay a total of \$105,000 in cash to the Optionor and, over a two year period, issue 150,000 common shares of the Company to the Optionor. Upon the commencement of any commercial production on the Property, Rheingold must pay the Optionor a 2% net smelter royalty, half of which can be purchased back by Rheingold by paying \$1,000,000 in cash to the Optionor.

A technical report prepared by David J. Busch, who is a “Qualified Person” as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects (“NI 43-101”), was completed in relation to the Property on April 10, 2012 (the “Technical Report”). The Technical Report is available for review under the Company’s profile on the SEDAR website at [www.sedar.com](http://www.sedar.com). The Technical Report recommends that the Company conduct an exploration program with an estimated budget of \$203,500. The Technical Report recommends that the proposed work program consist of a deep penetrating electromagnetic survey and diamond drilling.

## **Discussion of Operations**

The loss for the three month period ended October 31, 2012, was \$21,255, as compared to the loss of \$35,006 for the same three month period in the previous year. Total expenses for the period were \$21,255, of which \$16,661 was professional fees, \$2,052 was office and miscellaneous expense, and \$1,000 was management fees. Professional fees consist of legal, accounting and audit fees. Key expenses for the period included:

- Professional fees of \$16,661, compared to \$27,175 for the same three month period in the previous year, with the decrease mainly a result of the Company completing its initial public offering earlier during the period.
- Office expense of \$2,052, compared to \$4,497 for the same three month period in the previous year, as the Company had various office and administration expenses associated with daily operations of the business for the three month period ended October 31, 2012.

The loss for the nine month period ended October 31, 2012, was \$187,815, as compared to the loss of \$50,419 for the same nine month period in the previous year. Total expenses for the period were \$184,173, of which \$107,913 was professional fees, \$11,376 was office and miscellaneous expense, and \$52,611 was share-based payments. Professional fees consist of legal, accounting and audit fees. Share-based payments consist of the fair value of stock options vested during the period. Key expenses for the period included:

- Professional fees of \$107,913, compared to \$39,496 for the same nine month period in the previous year, with the increase mainly a result of the increased professional fees related to the Company’s initial public offering attempt.

- Office expense of \$11,376, compared to \$7,002 for the same nine month period in the previous year, as the Company had various office and administration expenses associated with being more active during the nine month period ended October 31, 2012.
- Share-based payments of \$52,611, compared to \$Nil for the same nine month period in the previous year, with the increase mainly a result of the Company granting stock options to directors of the Company in January 2012.

### Summary of Quarterly Results

The following financial data was derived from the Company's financial statements for each of the eight most recently completed financial quarters:

	<b>January 31, 2012</b>	<b>April 30, 2012</b>	<b>July 31, 2012</b>	<b>October 31, 2012</b>
Revenues	\$Nil	\$Nil	\$Nil	\$Nil
Net Loss before other income/expenses	(\$31,310)	(\$109,624)	(\$53,294)	(\$21,255)
Other Items:				
Loss of disposition of exploration and evaluation properties	\$Nil	(\$3,642)	\$Nil	\$Nil
Net Loss after other income/expenses	(\$31,310)	(\$113,266)	(\$53,294)	(\$21,255)
Net Loss per share – basic and diluted	(\$0.004)	(\$0.014)	(\$0.007)	(\$0.003)
Weighted average number of shares outstanding	7,840,282	7,846,260	7,869,886	7,896,260
	<b>January 31, 2011</b>	<b>April 30, 2011</b>	<b>July 31, 2011</b>	<b>October 31, 2011</b>
Revenues	\$Nil	\$Nil	\$Nil	\$Nil
Net Loss	(\$149)	(\$9,276)	(\$6,137)	(\$35,006)
Net Loss per share – basic and diluted	(\$0.001)	(\$0.005)	(\$0.002)	(\$0.007)
Weighted average number of shares outstanding	358,706	1,650,010	2,522,184	4,640,010

The factors that have caused variations in results over the quarters are:

- Substantially all of the exploration activity that has occurred on the Property to date took place during the quarter ended July 31, 2011. The Company significantly increased its level of operations beginning in July 2011 and therefore the net loss before other items for the periods ended October 31, 2011, January 31, 2012, July 31, 2012 and October 31, 2012 was significantly higher than for the previous quarters.
- The Company incurred a net loss of \$21,255 for the three month period ended October 31, 2012, as compared to a net loss of \$35,006 for the three month period ended October 31, 2011. The decrease was mainly due to decreased professional fees.
- The stock options were granted on January 18, 2012 and as a result share-based payments expense was recognized in the quarters ended January 31, 2012, April 30, 2012, and July 31, 2012 as the stock options vest.
- On April 6, 2012, the Company entered into an agreement with Millen Mountain Exploration Inc., a company related by way of a director and/or shareholder in common, to transfer all mineral rights and exploration licenses related to Millen Mountain Property in exchange for the principal sum of \$18,000, which was paid on July 5, 2012, resulting in a loss of \$3,642 (2011 - \$Nil) for the three month period ended April 30, 2012. The Company decided it did not have the funds necessary to meet the work commitment obligations on the Millen Mountain Property in order to renew the claims by June 17, 2012, and thus felt it was in the best interests of its shareholders to sell its interest in the Millen Mountain Property.

### **Liquidity and Capital Resources**

The Company is in the exploration stage and therefore has no cash inflow from operations. Its only significant source of funds since incorporation has been from the sale of common shares. From the date of incorporation on July 29, 2010, to October 31, 2012, it has raised \$824,932 from the sale of shares through the issuance of 10,996,260 common shares. The Company has also issued: 50,000 common shares to Karl Antonius for services provided to the Company in bringing the opportunity to acquire the Property; 100,000 common shares to Fred Bonner, a director of the Company, for services to the Company in regard to bringing mining acquisition opportunities to the attention of the Company; and 100,000 common shares to Rubicon Minerals Corporation under the terms of the Pattullo Option Agreement. In total, there are 11,246,260 common shares outstanding as of the date of this MD&A.

On August 3, 2012, the Company filed its final long form prospectus pertaining to its initial public offering of shares with the British Columbia, Nova Scotia and Ontario Securities Commissions. Under the prospectus the Company will sell up to 3,350,000 common shares for gross proceeds of \$502,500. The prospectus can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

On October 31, 2012, the Company completed its initial public offering and issued 3,350,000 common shares of the Company at \$0.15 per common share for total cash proceeds of \$502,500. In connection with this offering, the Company paid \$76,878 in cash and issued 268,000 agent compensation warrants valued at \$21,129. Each agent compensation warrant entitles the holder to purchase one common share of the Company at \$0.15 per share for a period of 24 months.

As at October 31, 2012, current assets were \$476,603 (January 31, 2012 - \$192,442) and current liabilities were \$15,599 (January 31, 2012 - \$5,705), resulting in working capital of \$461,004 as at October 31, 2012. There are no known trends affecting liquidity or capital resources.

As at October 31, 2012, the Company had total assets of \$658,363 (January 31, 2012 - \$350,891). The principal assets are cash of \$442,254 (January 31, 2012 - \$190,340), amounts receivable of \$34,349 (January 31, 2012 - \$2,102) and capitalized exploration and evaluation properties costs of \$181,760 (January 31, 2012 - \$158,449). The Company's cash balance is expected to fund the Company's operations for at least 12 months.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for resource properties are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

While the information in this MD&A has been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future, there are conditions and events that cast significant doubt on the validity of this presumption. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and upon obtaining additional financing. While the Company is using its best efforts in this regard, the outcome of these matters cannot be predicted at this time.

Under the Pattullo Property Option Agreement the Company can acquire a 100% interest in the Property in consideration of the Company agreeing to, over a four year period, pay a total of \$105,000 in cash to the Optionor and, over a two year period, issue 150,000 common shares of the Company to the Optionor. Upon the commencement of any commercial production on the Property, Rheingold must pay the Optionor a 2% net smelter royalty, half of which can be purchased back by Rheingold by paying \$1,000,000 in cash to the Optionor. As of the date of this MD&A, Rheingold is current in its obligations under the Agreement.

### Exploration Expenditures

From the period from incorporation to the October 31, 2012, the Company incurred the following exploration expenditures that were capitalized as incurred:

Description of exploration work completed	Cost (not including tax)
Line cutting (includes cutting grid of approximately 29.45 kilometers)	\$27,252
Project management and data processing (includes documentation and reporting)	\$10,003
Mag, IP, and TDEM ground geophysical surveys (includes labour, lodging, transportation, and equipment)	\$79,100
Preparation of Technical Report	\$5,179
Consulting fees	\$21,226
<b>TOTAL:</b>	<b>\$142,760</b>

A grid consisting of approximately 29.45 kilometers of line was cut on the Property by Haveman Brothers Forestry Services Ltd. in the summer of 2011.

In the summer of 2011, Exploitation Senex Inc. completed a ground geophysical survey, which included magnetometer, time domain electromagnetic (“**TDEM**”) and induce polarization (“**IP**”).

A magnetometer (Scintrex Omni Magnetometer with Base) survey was completed over approximately 24 kilometers of the grid and collected 2,058 data points. The survey was conducted on lines 100 meters apart. The magnetometer survey was conducted using a method commonly referred to as a “walking survey” with readings taken at 1 second intervals while the operator walked the grid line. The ground magnetometer survey identified a magnetic high referred to as an “anomaly”. It might be more aptly referred to as a feature that is part of a magnetic trend evident in the regional magnetic data obtained from the Ontario Government airborne survey. This feature is likely related to late porphyry intrusives in the felsic volcanics and sediments projected to trend through the area. Felsic porphyries were encountered by Skyharbour Resources Ltd. in diamond drill holes. The northwest trending magnetic low at the west end of the grid reflects the margin of an interpreted northwest trending mafic dike also evident on the airborne magnetic data. Of perhaps some significance is the “break” in the magnetic pattern near the center of the grid. This north trending feature could reflect a north trending structure that may be related to gold emplacement.

A TDEM survey (HP PROTEM 47 TDEM) was completed over approximately 12 kilometers of the grid and collected 3740 data points. The TDEM survey was conducted on lines 100 meters apart and was carried out with readings at 25 meter intervals along the grid lines. The partial TDEM coverage suggests a possible conductor(s) in the central part of the grid between line 0 and 400 east. The response on the later channels suggests the conductive source is bedrock.

An IP survey was attempted over three kilometers of the grid but was abandoned due to difficulties getting current into bedrock caused by excessive thicknesses of saturated clays in the overburden.

### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements and does not contemplate having them in the foreseeable future.

### **Transactions between Related Parties**

On April 6, 2012, the Company entered into an agreement with Millen Mountain Exploration Inc., a company related by way of a director and/or shareholder in common, to transfer all mineral rights and exploration licenses related to Millen Mountain Property in exchange for the principal sum of \$18,000, resulting in a loss of \$3,642 (2011 - \$Nil). The Company decided it did not have the funds necessary to meet the work commitment obligations on the Millen Mountain Property in order to renew the claims by June 17, 2012, and thus felt it was in the best interests of its shareholders to sell its interest in the Millen Mountain Property.

During the nine month period ended October 31, 2012, the Company paid \$4,550 (January 31, 2012 - \$10,573) to TBL Resource Solutions Inc., a company controlled by Fred Bonner, a director of the Company, for geological consulting services. As at October 31, 2012, there is no amount payable to TBL Resource Solutions Inc. (January 31, 2012 - \$Nil).



During the nine month period ended October 31, 2012, the Company paid \$17,506 (January 31, 2012 - \$Nil) to a director of the Company for geological consulting services. As at October 31, 2012, there is no amount payable to this director (January 31, 2012 - \$Nil).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### **Use of Judgments, Estimates and Assumptions**

Preparing financial statements requires management to make estimates and assumptions that affect the reported results. The estimates are based on historical experience and other assumptions believed to be reasonable under the circumstances. Areas requiring a significant degree of estimation and judgment relate to the fair value measurements for financial instruments and share-based payments, the recognition and valuation of provisions for decommissioning liabilities, the recoverability and measurement of deferred tax assets and liabilities and ability to continue as a going concern. Actual results may differ from those estimates and judgments.

Critical accounting policies are disclosed in the Company's annual audited financial statements for the year ended January 31, 2012.

### **Financial Instruments and Other Instruments**

The carrying values of cash and cash equivalents, amounts receivable and trade payables approximate their fair values because of the short-term maturity of these financial instruments. The Company has no exposure to asset backed commercial paper.

### **Credit risk**

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and amounts receivable. The Company manages its credit risk relating to cash and cash equivalents by dealing only with high-rated financial institutions as determined by rating agencies. As at 31 October 2012, amounts receivable of \$34,349 is comprised of Goods and Services Tax/Harmonized Sales Tax ("GST/HST") receivable of \$16,349 (31 January 2012 - \$2,102) and proceeds of \$18,000 (31 January 2012 - \$Nil) from the disposition of the Millen Mountain Property. As a result, credit risk is considered insignificant.

### **Liquidity risk**

The Company manages liquidity risk by maintaining an adequate level of cash and cash equivalents to meet its ongoing obligations. The Company has been successful in raising equity financing in the past; however, there is no assurance that it will be able to do so in the future. As at 31 October 2012, the Company had working capital of \$461,004 (31 January 2012 - \$186,737). Liquidity risk is considered insignificant.

### **Other risks**

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant currency risk, interest rate risk and commodity price risk arising from financial instruments.

## **Disclosure of Outstanding Security Data**

As of the date of this MD&A, the Company has: 11,246,260 common shares issued and outstanding; 781,200 stock options, each exercisable for one common share of the Company for \$0.15 for a period of five years from the date of issuance, issued and outstanding; and 268,000 agent compensation warrants, each exercisable for one common share of the Company for \$0.15 for a period of two years from the date of issuance, issued and outstanding. The Company has no other securities issued or outstanding that are convertible into, or exercisable or exchangeable for, voting or equity securities of the Company.

## **Outlook**

For the coming year, the Company's priority is to commence its proposed exploration program on the Property. The Company will review the results of the exploration program to determine whether an additional exploration program is warranted for the Property.

There are significant risks that might affect the Company's further development. These include but are not limited to: exploration programs that may not result in a commercial mining operation; negative cash flow from operations; the Company's ability to raise financing in the future for ongoing operations; market fluctuations in metal prices; government regulations; and other conditions that may be out of the Company's control.