RACKLA METALS INC

FINANCIAL REVIEW

First Quarter Ended March 31, 2013

RACKLA METALS INC

(An Exploration Stage Company)

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2013

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed interim financial statements for the three months ended March 31, 2013. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

RACKLA METALS INC.
(An Exploration Stage Company)
CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

As at:		March 31, 2013		December 31, 2012
		(Unaudited)		(Audited)
ASSETS				
Current assets				
Cash	$	512,984	$	629,217
Available-for-sale investments (Note 6)		206,000		341,000
Taxes receivable		19,778		22,437
Prepaid expenses and deposits (Note 13)		68,000		80,861
		806,762		1,073,515
Non-current assets				
Property and equipment (Note 7)		16,236		16,848
Exploration and evaluation assets (Note 8)		4,510,608		4,601,014
		4,526,844		4,617,862
TOTAL ASSETS	**$**	**5,333,606**	**$**	**5,691,377**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	14,470	$	33,751
Due to related parties (Note 13)		43,310		39,983
Other liability (Note 9)		55,873		60,000
Total liabilities		113,653		133,734
Shareholders' equity				
Share capital (Note 10)		7,301,445		7,301,445
Other equity reserves (Note 10c)		143,996		143,996
Deficit		(2,225,488)		(1,887,798)
Total shareholders' equity		5,219,953		5,557,643
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**5,333,606**	**$**	**5,691,377**

Nature of operations and ability to continue as a going concern – Note 2

APPROVED BY THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON MAY 28, 2013:

"Simon Ridgway"
Simon Ridgway, Director

"William Katzin"
William Katzin, Director

The accompanying notes are an integral part of these condensed interim financial statements

RACKLA METALS INC.
(An Exploration Stage Company)
CONDENSED INTERIM STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)
For the three months ended March 31, 2013
(Expressed in Canadian Dollars)

	Three months ended March 31, 2013	2012
EXPLORATION EXPENDITURES (Notes 12 and 13)	$ 16,507	$ 74,370
GENERAL AND ADMINISTRATIVE EXPENSES		
Amortization	612	480
Legal and audit fees	2,193	859
Management fees (Note 13)	10,500	-
Office and administrative (Note 13)	27,161	10,343
Public relations (Note 13)	19,052	9,099
Salaries and benefits (Note 13)	27,099	13,314
Transfer agent and regulatory fees	6,242	7,350
Travel and accommodation (Note 13)	7,045	9,022
	99,904	50,467
Loss before other items	(116,411)	(124,837)
OTHER ITEMS		
Loss on impairment of available-for-sale investments (Note 6)	(135,000)	-
Write-down of exploration and evaluation asset costs (Note 8)	(90,406)	-
Loss before income taxes	(341,817)	(124,837)
Future income tax recovery (Note 9)	4,127	-
Net loss for the period	**$ (337,690)**	**$ (124,837)**
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Fair value losses on available-for-sale investments	-	(96,000)
Total comprehensive loss	**$ (337,690)**	**$ (220,837)**
Basic and diluted loss per share	$(0.01)	$(0.00)
Weighted average number of common shares outstanding	50,493,872	36,067,626

The accompanying notes are an integral part of these condensed interim financial statements

RACKLA METALS INC.
(An Exploration Stage Company)
CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
For the three months ended March 31, 2013
(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Share-based payments (Other equity reserves)	Share purchase warrants (Other equity reserves)	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, December 31, 2011	36,067,626	$ 6,163,395	$ -	$ -	$ (56,250)	$ (31,396)	$ 6,075,749
Loss for the period	-	-	-	-	-	(124,837)	(124,837)
Fair value losses on available-for-sale investments	-	-	-	-	(96,000)	-	(96,000)
Balance, March 31, 2012	**36,067,626**	**6,163,395**	-	-	**(152,250)**	**(156,233)**	**5,854,912**
Loss for the period	-	-	-	-	-	(1,731,565)	(1,731,565)
Shares issued on private placements	13,612,500	1,089,000	-	-	-	-	1,089,000
Shares issued for finders' fees	243,750	19,500	-	-	-	-	19,500
Shares issued for property acquisition	569,996	65,350	-	-	-	-	65,350
Share issuance costs	-	(35,800)	-	6,045	-	-	(29,755)
Fair value losses on available-for-sale investments	-	-	-	-	(166,500)	-	(166,500)
Transfer of impairment on investment	-	-	-	-	318,750	-	318,750
Share-based compensation	-	-	137,951	-	-	-	137,951
Balance, December 31, 2012	50,493,872	7,301,445	137,951	6,045	-	(1,887,798)	5,557,643
Loss for the period	-	-	-	-	-	(337,690)	(337,690)
Balance, March 31, 2013	**50,493,872**	**$ 7,301,445**	**$ 137,951**	**$ 6,045**	**$ -**	**$ (2,225,488)**	**$ 5,219,953**

The accompanying notes are an integral part of these condensed interim financial statements

RACKLA METALS INC.
(An Exploration Stage Company)
CONDENSED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)
For the three months ended March 31, 2013
(Expressed in Canadian Dollars)

	Three months ended March 31, 2013	2012
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the period	$ (337,690)	$ (124,837)
Items not involving cash:		
Amortization	612	480
Loss on impairment of available-for-sale investments	135,000	-
Write-down of exploration and evaluation asset costs	90,406	-
Deferred income tax recovery	(4,127)	-
	(115,799)	(124,357)
Changes in non-cash working capital items:		
Advances and other receivables	-	(242)
Taxes receivable	2,659	(5,784)
Prepaid expenses	12,861	-
Due to related parties	3,327	15,930
Accounts payable and accrued liabilities	(19,281)	24,393
	(116,233)	(90,060)
Decrease in cash	**(116,233)**	**(90,060)**
Cash, beginning of period	629,217	999,514
Cash, end of period	**$ 512,984**	**$ 909,454**

The accompanying notes are an integral part of these condensed interim financial statements

1. CORPORATE INFORMATION

Rackla Metals Inc. (the "Company") is pursuing opportunities related to exploration of mineral resource properties principally in the Yukon Territory, Canada. The Company was incorporated in the Province of British Columbia on September 20, 2011, and is listed on the TSX Venture Exchange ("TSX-V"), having the symbol RAK.

The address of the Company's corporate office and principal place of business is #650, 200 Burrard Street, Vancouver, BC, Canada V6C 3L6.

2. BASIS OF PREPARATION

These condensed interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). These condensed interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements of the Company, except for the accounting policies which have changed as a result of the adoption of new and revised standards and interpretations which are effective January 1, 2013. These condensed interim financial statements do not contain all of the information required for full annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the Company's most recent annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

Basis of Measurement

These condensed interim financial statements have been prepared on the historical cost basis as modified by the revaluation of available for sale financial assets. The presentation and functional currency of the Company is the Canadian dollar.

The preparation of financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

Nature of Operations and Ability to Continue as a Going Concern

These condensed interim financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Realization values may be substantially different from the carrying values shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At March 31, 2013, the Company had not yet achieved profitable operations, has accumulated losses of $2,225,488 since inception, and is expected to incur further losses in the development of its business, all of which raises significant doubt about its ability to continue as a going concern. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

3. ADOPTION OF NEW AND AMENDED IFRS PRONOUNCEMENTS

IAS 1 Presentation of Financial Statements (Amendment)

The amendments to IAS 1 require the grouping of items within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified. The statement of comprehensive income in these condensed interim consolidated financial statements has been amended to reflect the presentation requirements under the amended IAS 1.

The mandatory adoption of the following new and revised accounting standards and interpretations on January 1, 2013 had no significant impact on the Company's financial statements for the current or prior periods presented:

IFRS 10 Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under previous IFRS, consolidation was required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under previous IFRS, entities had the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under previous IFRS, guidance on measuring and disclosing fair value was dispersed among the specific standards requiring fair value measurements and in many cases did not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards

In addition, there have been other amendments to existing standards, including IAS 19 Post-Employment Benefits, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 1

4. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

The following new standard has been issued by the IASB but is not yet effective:

IFRS 9 Financial Instruments

IFRS 9 is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The key areas of judgment applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

a) The application of the Company’s accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

   If, after exploration and evaluation expenditure is capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, the Company carries out an impairment test at the cash generating unit or group of cash generating units level in the period the new information becomes available.

b) The Company has not recognized a deferred tax asset as management believes that it is not probable that taxable profit will be available against which a deductible temporary difference can be utilized.

c) The determination of when an investment is impaired required significant judgment. In making this judgment, the Company evaluates, amongst other things, the duration and extent to which the fair value of the investment is less that its original cost at each reporting period.

The key estimate applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

a) The provision for income taxes and recognition of deferred income tax assets and liabilities.

(Expressed in Canadian Dollars)

6. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments are recorded at fair market value. As of March 31, 2013, available for sale investments consisted of 600,000 common shares in Cordoba Minerals Corp. ("Cordoba"), a public company with common directors and officers, 750,000 common shares in Solomon Resources Limited ("Solomon"), a public company, and 200,000 common shares in Voyager Gold Corp. ("Voyager"), a private company with a common director. The private company shares were initially measured at fair value and are carried at cost at March 31, 2013.

During the year ended December 31, 2012, the Company determined that the decline in value of the Cordoba and Solomon shares was other than temporary and accordingly recorded impairments of $300,000 and $18,750 respectively. For the period ended March 31, 2013, the further decline in value of the Cordoba and Solomon shares by $120,000 and $15,000 respectively, were recorded as impairments as well. As at March 31, 2013, the carrying amount for the available-for-sale investments was $206,000 (December 31, 2012: $341,000).

	Cordoba	Solomon	Voyager	Total
Balance, December 31, 2011	$ 540,000	$ 52,500	$ 11,000	$ 603,500
Impairment of investments	(300,000)	(18,750)	-	(318,750)
Net change in fair value recorded in other comprehensive income	60,000	(3,750)	-	56,250
Balance, December 31, 2012	300,000	30,000	11,000	341,000
Impairment of investments	(120,000)	(15,000)	-	(135,000)
Balance, March 31, 2013	**$ 180,000**	**$ 15,000**	**$ 11,000**	**$ 206,000**

(Expressed in Canadian Dollars)

7. PROPERTY AND EQUIPMENT

		Leasehold improvements
Cost		
Balance, December 31, 2011	$	15,282
Additions		3,778
Balance, December 31, 2012		19,060
Additions		-
Balance, March 31, 2013	**$**	**19,060**
Accumulated amortization		
Balance, December 31, 2011	$	160
Charge for the period		2,052
Balance, December 31, 2012		2,212
Charge for the period		612
Balance, March 31, 2013	**$**	**2,824**
Carrying amounts		
At December 31, 2012	$	16,848
At March 31, 2013	**$**	**16,236**

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following costs of its mineral property interests as at March 31, 2013:

	Scarlet	Sixty Mile	Rivier	Ten Mile Creek	Face	Newt	Iola	Total
Balance, December 31, 2011	$ 886,745	$3,209,664	$ 72,275	$ 15,406	$ 90,785	$ 221,332	$ 20,510	$ 4,516,717
Acquisition costs - cash	8,796	46,000	-	75,000	110,483	-	-	240,279
Acquisition costs - shares	-	60,600	4,750	-	-	-	-	-
Acquisition costs recovered	-	-	-	-	-	-	-	-
Write-off acquisition costs	-	-	-	-	-	(221,332)	-	(221,332)
Balance, December 31, 2012	895,541	3,316,264	77,025	90,406	201,268	-	20,510	4,601,014
Write-off acquisition costs	-	-	-	(90,406)	-	-	-	(90,406)
Balance, March 31, 2013	**$ 895,541**	**$ 3,316,264**	**$ 77,025**	**$ -**	**$ 201,268**	**$ -**	**$ 20,510**	**$ 4,510,608**

i) Scarlet Property – Yukon Territory

The Scarlet Property consists of 743 claims located in the Mayo Mining District, Yukon. The Property is divided into two claim blocks; Scarlet East which consists of 230 claims; and Scarlet West which consists of 513 claims.

On March 27, 2012, the Company granted to Strategic Metals Ltd. ("Strategic") the option to acquire an undivided 60% interest in the Scarlet East claim block. Strategic can exercise the option by making $5.0 million in exploration expenditures on the property as follows:

a) $500,000 on or before December 31, 2013 (incurred);
b) an additional $1,000,000 on or before December 31, 2014;
c) an additional $1,500,000 on or before December 31, 2015; and
d) an additional $2,000,000 on or before December 31, 2016.

Also required to keep the option in good standing is the completion by Strategic of not less than 1,000 metres of drilling on or before December 31, 2012, which was fulfilled. Upon exercising the option, Strategic and the Company will respectively hold 60% and 40% interests in the Scarlet East claim block.

ii) Sixty Mile Area – Yukon Territory

The Sixty Mile Property, located in the Dawson Mining District, Yukon consists of 753 claims as at March 31, 2013, of which 638 claims are 100% owned and 115 claims are held pursuant to option agreements. During 2012, the Company decided not to renew 30 claims in Alaska which were part of the Sixty Mile Property.

The Company holds option agreements with various landowners to acquire a 100% interest in certain of the claims which require cash payments and the issuance of shares over a four-year period. Subsequent to the period end, the Company terminated an option agreement pertaining to 52 claims.

If the Company exercises all of the remaining options, the Company must pay annual advance royalty payments totaling $94,000 to the property owners until such time as commercial production on the applicable property is achieved, at which time the property owner(s), as applicable, shall be entitled to NSR royalties ranging from 2.5% to 3.0%.

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS *(cont'd)*

iii) Rivier Property – Yukon Territory

The Rivier Property, located in the Watson Lake Mining District, Yukon consists of 116 claims of which 16 claims are 100% owned and 100 claims are held pursuant to an option agreement ("Initial Option") with the property owner.

The Initial Option was amended in July 2012 and again in May 2013. In order to exercise the amended Initial Option, cash and share payments are payable to the property owner according to the following schedule:

a) 50,000 common shares on or before July 18, 2012 (shares issued);
b) $20,000 cash and 50,000 common shares on or before July 18, 2014;
c) $40,000 cash and 50,000 common shares on or before July 18, 2015; and
d) $80,000 cash and 50,000 common shares on or before July 18, 2016.

An option to acquire a 60% interest in the property (the "Rivier Option") was granted to Voyager in 2011 by Radius Gold Inc. ("Radius") which subsequently assigned the Rivier Option to the Company. The Rivier Option was subsequently amended by the Company in 2012,.

In order to keep the Rivier Option in good standing, Voyager must pay $200,000 cash to the Company, issue a total of 1,000,000 common shares of Voyager to the Company and incur an aggregate of $1,000,000 in exploration expenditures on the property, as follows:

Due date	**Cash**	**Shares**	**Expenditures**
Upon assignment of the Rivier Option from Radius (December 9, 2011)	$ -	200,000	$ -
By December 31, 2011 (expenditures incurred)	-	-	100,000
On public listing of Voyager	-	200,000	-
By November 30, 2013	50,000	200,000	200,000
By November 30, 2014	50,000	200,000	300,000
By November 30, 2015	100,000	200,000	400,000
	$ 200,000	1,000,000	$ 1,000,000

The 200,000 Voyager shares issued to the Company had a fair value of $11,000 at the date of transaction.

The Company must keep the Initial Option in good standing as long as the Rivier Option remains outstanding. Assuming the Initial Option and the Rivier Option are exercised, a joint venture will be formed to further develop the Property on the basis of Voyager 60% / the Company 40%. Pursuant to the Initial Option, the Company's and Voyager's ownership will be subject to a 3% Net Smelter Return royalty ("NSR"). An advance royalty payment of $20,000 is to be paid to the property owner annually beginning on July 18, 2015 until the Property is deemed to be in production. The Company and Voyager may jointly elect to reduce the NSR to 2% by making a onetime payment to the property owner of $1 million.

8. EXPLORATION AND EVALUATION ASSETS *(cont'd)*

iv) Ten Mile Creek Property – Yukon Territory

The Ten Mile Creek Property, Yukon is comprised of 323 claims, of which 269 claims are 100% owned, and 54 claims (the "Optioned Claims") were held pursuant to an option agreement (the "Initial Option") with the property owner whereby the Company could earn a 100% interest in the Optioned Claims

As at March 31, 2013, the following cash and/or share payments to the property owner were required in order to keep exercise the Initial Option:

a) $75,000 on or before May 31, 2013; and
b) either $100,000 or issue 400,000 shares, on or before May 31, 2013, the method of such payment at the discretion of the property owner.

Solomon had the option (the "Solomon Option") to acquire from the Company a 51% interest in the Ten Mile Creek Property by spending $2.5 million on exploration and making staged cash and share payments totaling $500,000 cash and 1 million shares of Solomon. In May 2012, the Solomon Option was terminated by the Company as Solomon did not make the required option payments due May 21, 2012. The Company received 750,000 shares of Solomon as a result of the Solomon Option.

In May 2013, the Company terminated the Initial Option prior to making the 2013 payments noted above. As part of the termination provisions of the Initial Option, the Company agreed to transfer all of its 100% owned claims to the property owner. As a result of the Optioned Claims being dropped, the property's carrying cost of $90,406 was written-off as at March 31, 2013.

v) Face Property – Yukon Territory

The Face Property is comprised of 705 claims that are 100% owned in the Dawson Mining District, Yukon.

vi) Newt Property – Yukon Territory

The Newt Property is comprised of 462 claims that are 100% owned in the Dawson Mining District, Yukon. In 2012, the Company recorded a write-down of $221,332 on acquisition costs for the Newt Property bringing the carrying value to nil.

vii) Iola Property – Yukon Territory

The Iola Property is comprised of 80 claims that are 100% owned in the Whitehorse Mining District, Yukon.

(Expressed in Canadian Dollars)

9. OTHER LIABILITY

The Other liability is the liability portion of the flow-through shares issued. The following shows the liability portion of the flow-through share issuances:

		Issued on October 11, 2012
Balance, December 31, 2011	$	-
Liability incurred on flow-shares issued		60,000
Settlement of flow-through share liability on incurring expenditures		-
Balance, December 31, 2012		60,000
Settlement of flow-through share liability on incurring expenditures		(4,127)
Balance, March 31, 2013	**$**	**55,873**

Other liabilities arise on the issuance of flow-through shares when the price of each flow-through share exceeds the price of other non-flow through common share issued at the same time.

On October 11, 2012, the Company closed a private placement by issuing 3,000,000 flow-through units, at a price of $0.10 per unit for gross proceeds of $300,000, and recognized a liability for flow-through shares of $60,000 (the flow through shares were issued at a premium of $0.02 per share).

The Company renounced the $300,000 in flow-through eligible expenditures as of December 31, 2012 using the Look-back Rule, in accordance with Government of Canada flow-through regulations, whereby the exploration expenditures must be incurred by December 31, 2013. If the Company does not spend these funds in compliance with the Government of Canada flow through regulations, it may be subject to indemnification or other claims by the flow through subscribers. As at March 31, 2013, the Company has incurred $16,507 of its $300,000 exploration expenditure commitment.

(Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES

(a) Common Shares

The Company is authorized to issue an unlimited number of common shares without par value.

There was no share capital activity during the three month period ended March 31, 2013.

(b) Share Purchase Warrants

The following is a summary of changes in warrants from January 1, 2012 to March 31, 2013:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2011	36,067,625	$0.30
Issued	7,171,875	$0.10
Balance, December 31, 2012	43,239,500	$0.27
Balance, March 31, 2013	**43,239,500**	**$0.27**

There was no share purchase warrant activity during the three month period ended March 31, 2013.

As at March 31, 2013, the following share purchase warrants were outstanding:

Expiry date	Number of warrants	Exercise price
June 7, 2013	36,067,625	$0.30
October 10,2014	7,171,875	$0.10
	43,239,500	

(c) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's statement of financial position include 'Other equity reserve', 'Deficit' and 'Accumulated other comprehensive income/loss'.

Other equity reserve is used to recognize the value of stock option grants and share purchase warrants prior to exercise.

Deficit is used to record the Company's change in deficit from earnings from period to period.

Accumulated other comprehensive loss/income comprises an available-for-sale reserve. This reserve is used to recognize fair value changes on available-for-sale investments.

(Expressed in Canadian Dollars)

11. SHARE-BASED PAYMENTS

Option Plan Details

The Company has in place a stock option plan (the "Plan") which allows the Board of Directors to grant incentive stock options to the Company's officers, directors, employees and consultants. The exercise price of stock options granted is determined by the Board of Directors at the time of the grant in accordance with the terms of the Plan and the policies of the TSX-V. Options vest on the date of granting unless stated otherwise. Options granted to investor relations consultants vest in accordance with TSX-V regulation. The options are for a maximum term of ten years.

The following is a summary of changes in options for the period ended March 31, 2013:

			During the period				
Expiry date	**Exercise price**	**Opening balance**	**Granted**	**Exercised**	**Forfeited / cancelled**	**Closing balance**	**Vested and exercisable**
July 19, 2022	$0.15	1,320,000	-	-	-	1,320,000	1,320,000
Weighted average exercise price		**$0.15**	**-**	**-**	**-**	**$0.15**	**$0.15**

Fair Value of Options Issued During the Period

There were no options granted during the period ended March 31, 2013.

The weighted average remaining contractual life of the options outstanding at March 31, 2013 is 9.31 years.

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

The expected volatility is based on an average of historical prices of a comparable group of companies within the same industry due to the lack of historical pricing information for the Company. The risk free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

(Expressed in Canadian Dollars)

11. SHARE-BASED PAYMENTS *(cont'd)*

Expenses Arising from Share-based Payments Transactions

Total expenses arising from the share-based payment transactions recognized as part of share-based compensation during the three month periods ended March 31, 2013 and 2012 were $Nil.

As of March 31, 2013, there was no unrecognized compensation costs related to share-based payment awards not yet exercisable.

Amounts Capitalized Arising from Share-based Payments Transactions

Total expenses arising from the share-based payment transactions that were capitalized during the three month periods ended March 31, 2013 and 2012 as part of exploration and evaluation acquisition costs were $Nil.

12. EXPLORATION EXPENDITURES

During the three months ended March 31, 2013, the Company incurred the following exploration expenditures:

	Scarlet West	Scarlet East	Sixty Mile	Face	Iola	Yukon General	Total
Assays	$ 353	$ -	$ -	$ 372	$ 125	$ -	$ 850
Camp expenses	830	-	-	415	-	-	1,245
Geological fees	5,001	349	2,033	3,374	824	2,831	14,412
Balance, end of period	**$ 6,184**	**$ 349**	**$ 2,033**	**$ 4,161**	**$ 949**	**$ 2,831**	**$ 16,507**

During the three months ended March 31, 2012, the Company incurred the following exploration expenditures:

	Scarlet West	Scarlet East	Sixty Mile	Face	Newt	Yukon General	Total
Camp expenses	$ 14,573	$ -	$ -	$ -	$ -	$ -	$ 14,573
Field expense	518	-	-	518	-	-	1,036
Geological fees	15,712	12,239	2,340	4,300	5,944	3,204	43,739
Geophysical	542	-	9,321	-	-	-	9,863
Licenses and taxes	774	-	1,661	-	-	402	2,837
Office and administration	-	-	-	109	-	-	109
Shipping	17	-	4	31	-	-	52
Travel	1,881	120	-	-	-	-	2,001
Vehicles	109	-	-	-	-	-	109
Mapping	51	-	-	-	-	-	51
Balance, end of period	$ 34,177	$ 12,359	$ 13,326	$ 4,958	$ 5,944	$ 3,606	$ 74,370

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS

The Company's related parties with transactions during the three month period ended March 31, 2013 consist of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Radius Gold Inc. ("Radius")	Shared office, administrative and exploration related charges
Gold Group Management Inc. ("Gold Group")	Shared office, administrative and exploration related charges
Mill Street Services Ltd. ("Mill Street")	Management services

Balances and transactions with related parties not disclosed elsewhere in these financial statements are as follows:

a) During the period ended March 31, 2013, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, $68,545 in general and administrative expenses consisting of $21,303 in office and administration, $16,774 in public relations, $25,748 in salaries and benefits, and $4,720 in travel and accommodation costs. Salaries and benefits costs include those for the Vice President Corporate Development, Chief Financial Officer, and Corporate Secretary. Effective July 1, 2012, Gold Group is reimbursed by the Company for these shared costs and other business related expenses paid by Gold Group on behalf of the Company.

b) During the comparative period ended March 31, 2012, the Company reimbursed Radius, a company with common directors and officers, $26,891 in exploration related costs and a total of $31,191 in general and administrative expenses consisting of $10,134 in office and administration, $6,271 in public relations, $13,225 in salaries and benefits, and $1,561 in travel and accommodation costs. Salaries and benefits costs included those for the Vice President Corporate Development, Chief Financial Officer, and Corporate Secretary. Radius was reimbursed by the Company for these shared costs and other business related expenses paid by Radius on behalf of the Company. The cost-sharing arrangement with Radius terminated effective June 30, 2012.

c) Prepaid expenses and deposits include an amount of $61,000 (December 31, 2012: $61,000) paid to Gold Group as a deposit on the shared office and administrative services agreement that was effective July 1, 2012.

d) Amounts due to related parties as of March 31, 2013 consist of $43,110 (December 31, 2012: $22,444) due to Gold Group and $Nil (December 31, 2012: $17,539) due to Radius. The balance due to Gold Group is collateralized by a deposit and the amount due to Radius was unsecured and due on demand. The amounts due do not bear interest.

These transactions are measured at the fair value of the services rendered.

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

	Three months ended March 31, 2013	2012
Management fees	$ 10,500	$ -
Salaries and benefits	5,958	2,027
	$ 16,458	**$ 2,027**

There were no share-based payments to directors not specified as key management personnel during the periods ended March 31, 2013 and 2012.

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

General Objectives, Policies and Processes

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receive periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices affecting the Company are comprised of the following types of risk: interest rate risk and equity price risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's available-for-sale investments are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the available-for-sale investments are held. The common shares held in Cordoba, Solomon, and Voyager are monitored by Management with decisions on sale taken at Board level. A 10% decrease in fair value of the shares would result in a $20,600 decrease in equity.

b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and available-for-sale investments. The Company limits exposure to credit risk by maintaining its cash with chartered Canadian financial institutions. The Company does not have cash or available-for-sale investments that are invested in asset based commercial paper.

(Expressed in Canadian Dollars)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(cont'd)*

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At March 31, 2013, the Company had cash of $512,984 available to apply against short-term business requirements, current liabilities of $57,780, and a remaining flow-through expenditure commitment of $283,493. All of the Company's financial liabilities have contractual maturities of less than 45 days and are subject to normal trade terms.

Determination of Fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. All financial instruments at March 31, 2013 are carried at amortized cost, apart from the available-for-sale investments in public companies with shares in active markets of $195,000 which are carried at fair value. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Statement of Financial Position carrying amounts for cash, accounts payables and accrued liabilities, and due to related parties approximates fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

The Company has made the following designations of its financial instruments: cash as loans and receivables, investments as available-for-sale financial assets, and accounts payable and accrued liabilities and due to related parties as other financial liabilities.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in Levels 1 to 3 based on the degree to which the fair value is observable:

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

The available-for-sale investments for Cordoba and Solomon are based on quoted prices and are therefore considered to be Level 1.

The available-for-sale investment in Voyager was recorded at fair value when it was received and is carried at cost due to Voyager being a private company with no quoted market prices available. This investment is considered to be Level 2 on initial recognition and carried at cost thereafter.

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to advance its mineral properties. The Company's defines its capital as cash, shares and warrants. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support the acquisition and exploration of mineral properties. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for general administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes in the Company's approach to capital management during the period. As at March 31, 2013, the Company is not subject to any externally imposed capital requirements. The Company does not expect its capital resources to be sufficient to cover its corporate operating costs and possible property option payments through the next twelve months. As such, the Company will seek to raise additional capital and believes it will be able to do so, but recognizes the uncertainty attached thereto.

16. SEGMENTED REPORTING

The Company is organized into business units based on mineral properties and has one reportable operating segment, being that of acquisition and exploration and evaluation activities.

(the "Company")

MANAGEMENT'S DISCUSSION AND ANALYSIS
First Quarter Report – March 31, 2013

General

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the unaudited condensed interim financial statements of the Company for the three months ended March 31, 2013. The following information, prepared as of May 28, 2013, should be read in conjunction with the Company's unaudited condensed interim financial statements for three months ended March 31, 2013 and the related notes contained therein. The Company reports its financial position, results of operations and cash flows in accordance with International Financial Reporting Standards ("IFRS"). In addition, the following should be read in conjunction with the Financial Statements of the Company for the year ended December 31, 2012 and the related MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated. The March 31, 2013 financial statements have not been reviewed by the Company's auditors.

Additional information relevant to the Company's activities can be found on SEDAR at (www.sedar.com).

Forward Looking Information

This MD&A may contain "forward-looking statements" that reflect the Company's current expectations and projections about its future results. When used in this MD&A, words such as "will", "may", "should", "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements, which, by their very nature, are not guarantees of the Company's future operational or financial performance.

Forward-looking statements are statements that are not historical facts, and include but are not limited to:

a) Estimates and their underlying assumptions;
b) Statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business model, future operations, the impact of regulatory initiatives on the Company's operations, and market opportunities;
c) General industry and macroeconomic growth rates;
d) Expectations related to possible joint or strategic ventures; and
e) Statements regarding future performance.

Forward-looking statements used in this MD&A are subject to various risks, uncertainties and other factors, most of which are difficult to predict and generally beyond the control of the Company. These risks, uncertainties and other factors may include, but are not limited to unavailability of financing, failure to identify commercially viable mineral reserves, fluctuations in the market valuation for commodities, difficulties in obtaining required approvals for the development of a mineral project, and other factors.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks, uncertainties and other factors, including the risks, uncertainties and other factors identified above and elsewhere in this MD&A, actual events may differ materially from current expectations. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by securities law.

Business of the Company

The Company is a Vancouver-based mineral exploration company engaged in the acquisition and exploration of precious and base metals properties. Management is actively seeking prospective projects for possible acquisition, to add to the Company's current property portfolio described below.

Scarlet Property, Rackla Belt Area

The Company owns 743 claims (15,520 hectares, 38,370 acres) in the Rackla Belt area, of which 230 claims comprise the Scarlet East property and 513 claims comprise the Scarlet West property.

Scarlet East

The Scarlet East property covers what is believed to be the eastern extension of the belt of rocks that host ATAC Resources' Osiris and Conrad discoveries located northeast of Keno City, Yukon.

Mineralization in the Rackla belt shares many of the characteristics of Carlin-type gold deposits, including similar alteration assemblages and association with the low-temperature arsenic sulphides, realgar and orpiment. In the eastern part of the belt, host rocks are two 150-to-250-metre-thick limestone debris flow and turbidite units, referred to by Atac Resources as the Osiris and Isis horizons. Preliminary mapping over the Scarlet East property has identified similar carbonate stratigraphy and fold patterns.

Radius Gold Inc. ("Radius") conducted an exploration program in the 2011 summer season including geochemical surveys (stream sediment, soil and rock sampling), airborne geophysics (magnetic and radiometrics) and geological mapping. Results from the soil sample survey identified strongly anomalous values for gold and As-Hg-Sb-Tl pathfinder elements.

In March 2012, the Company granted to Strategic Metals Ltd. (Strategic") the option to acquire an undivided 60% interest in the Scarlet East claim block. Strategic can exercise the option by completing not less than 1,000 meters of drilling on or before December 31, 2012 (fulfilled), and incurring $5,000,000 in exploration expenditures on the property over a period of four years.

Strategic Metals Ltd. reported in a news release dated September 5, 2012 that mapping and drilling of the Scarlet East property identified favourable host rocks and several structurally complex zones that coincide with 2011 gold and arsenic soil geochemical anomalies. Although realgar was locally identified at surface within one of the soil anomalies no high gold values were returned from surface samples. A total of five diamond drill holes (1,167.68 m) were drilled in the 2012 exploration season and no significant gold values were returned from drill core samples. Strategic is applying for mining land use permits for the 2013 field season and in order to keep the option agreement in good standing, Strategic is required to spend an aggregate of $1,500,000 on the property before December 31, 2014.

Scarlet West

Although the property was initially staked for its potential to host lode gold deposits, work and research by Radius and Company personnel identified its potential to also host significant high grade Pb-Zn replacement or Mississippi Valley Type deposits.

At Scarlet West, lead-zinc mineralization and geochemical soil anomalies are found on the margins of a lower dolomite unit and as replacements and fillings in steeply dipping and crosscutting fault structures. In the 1970's McIntyre Mines identified three mineralized occurrences (White Ridge, Chopper Pad and Discovery Zone), all in the same stratigraphic horizon along a nine kilometer strike length. McIntyre Mines also located an additional zone, Puddle Zone, in a lower horizon that extends for at least two kilometers. Radius discovered an additional zone, the Larry Zone, in 2011 that is controlled by a fault structure that can be traced for four km. Although McIntyre Mines diamond drilled eight small diameter holes (total 816.5 m) on the Puddle and Discovery Zones, neither the drill hole locations or results are available.

In 2011 Radius collected 1,136 soil samples and carried out a 306 line km aeromagnetic and radiometric survey over the south eastern side of the property. The property was also geologically mapped at a reconnaissance scale.

In April 2012, an additional 15 claims were staked after claims held by a competitor over the Chopper Pad Zone lapsed. Exploration consisting of soil and rock sampling, prospecting and geological mapping commenced in late June and was completed at the end of July, 2012. A total of 2,399 soil samples and 95 rock samples were collected following up on anomalous values in soil for gold, thallium, mercury, arsenic, lead and zinc reported in 2011 and extending the soil sample coverage.

Geochemical results from rock and soil samples returned significant anomalies for zinc from the southeast side of the property. A linear zinc in soil anomaly extending over four kilometers that includes both the Chopper Pad and Discovery Zone was delineated. Most of the soil lines, spaced at 200 m, crossing the host carbonate horizon, contained two or more samples, spaced at 50 m, that contained >2,800 ppm to >10,000 ppm zinc. Coincident lead in soil anomalies range from 500 ppm to >1,000 ppm and several rock samples from the replaced carbonate mineralized horizon contained >2% zinc from highly leached and oxidized samples.

The White Ridge Zone, located on the northeast side of the property, has a gold in soil anomaly (>5 – 39 ppb) with scattered anomalous thallium values (>2 ppm) that was traced for 2 km to the east. Anomalous mercury values (>1,864 ppb) are restricted to the immediate area of the original carbonate hosted White Ridge Zone over an east-west strike length of one kilometer.

Expanded soil sample coverage over the Puddle Zone, located one kilometer north of the White Ridge Zone and also underlain by carbonates, identified a coincident arsenic (>63 ppm), antimony (>8 ppm) anomaly, with sporadic anomalies for mercury (>911 ppb), arsenic (>62 ppm), silver (>563 ppb), lead (>106) and zinc (>1,110 ppm). This soil anomaly extends over a one kilometer east-west strike length, extends 500 m north-south, and is open to the west.

No additional work is planned for the Scarlet West property at the present time and the claims are in good standing until 2017.

Sixty Mile Property

In August 2012 and in April 2013, the Company terminated several of its options to acquire claims in the Sixty Mile area, Yukon Territory. Accordingly, the Sixty Mile Property currently consists of 701 claims (14,600 hectares, 36,075 acres) of which 638 claims are owned outright and the balance are under option. The 100% owned claims are in good standing until 2018 or later.

The property is a large land position covering portions of the headwaters and drainage areas of the prolific Sixty Mile Gold Camp of the Yukon Territory which reportedly produced over 500,000 oz of gold from the creeks that drain the Company's holdings. The hard rock source for this placer gold has never been determined. The regional geology, geochemical signature and structural setting have similarities to the Jurassic age White Gold deposit and bedrock mineralization found in the Klondike district.

During 2011 and 2012, diamond drilling completed by Radius consisted of 26 holes (7,696 metres). Eighteen holes tested the Graben Fault Zone in the Sixty Mile River Valley and eight tested the Thrust Fault Zone. Significant gold bearing intervals are tabulated below.

Zone	Hole ID	From (m)	To (m)	Length (m)	Au (g/t)
Graben	DDH10-06	49.84	56.39	6.55	1.64
Graben	DDH10-07	88.39	146.67	58.28	0.31
Graben	DDH11-08	193.50	194.50	1.00	19.00
Graben	DDH11-10	249.00	250.50	1.50	132.90
Graben	DDH11-14	32.00	33.00	1.00	5.17
Thrust	DDH10-02	35.65	76.43	40.78	0.41
Thrust	including	35.65	43.28	7.63	1.06
Thrust	DDH10-02	223.6	249.94	26.34	0.34
Thrust	DDH10-03	35.05	45.72	10.67	0.46
Thrust	DDH10-04	193.55	201.19	7.64	0.32
Thrust	DDH11-15	193.00	196.50	3.50	1.50
Thrust	DDH11-15	233.17	251.05	17.88	0.44

Thrust	including	234.00	238.00	4.00	1.02
Thrust	DDH11-18	88.00	193.30	105.30	0.51
Thrust	including	141.93	166.00	24.07	1.57
Thrust	DDH11-19	224.50	228.60	4.10	1.84
Thrust	DDH11-20	182.98	185.65	2.67	1.06
Thrust	DDH11-20	201.78	202.75	0.97	1.79
Thrust	DDH11-20	272.00	273.03	1.03	1.40

The Thrust Fault Zone

In 2010 Radius identified orogenic gold mineralization, likely of Jurassic age, within a package of northeast trending brittle siliciclastic metasediments cut by thrust faults (the "Thrust Fault Zone"). This area is likely one of the sources for the extensive placer gold deposits that has been mined from the creeks that cut this unit. The host units are extensive, and there are multiple beds of quartzite hosting cross cutting, gold bearing veins. In 2010 four core holes drill tested this unit and anomalous gold was encountered over significant widths. In 2011 diamond drill holes DDH11-15, 18, 19 & 20 also tested the Thrust Fault Zone.

In April 2012, the Company received a report detailing the results of the geophysics (IP and EM) carried out over the area of the Thrust Fault Zone that was drill tested by Radius in 2011. The report concluded that the best drilling results obtained to date, 1.57 gpt Au over 24.07 m (141.93 m – 166.00 m) in DDH11-18, is found at the margin of a chargeable zone which is offset from a conductive zone. It is thought that this margin represents a contact or thrust plane which acted as a fluid contact. The report recommended that this contact be tested with additional drill holes along strike to the southeast. Samples from drill holes DDH11-19 and DDH11-20 contained significant gold and arsenic values and both holes were also drilled at the margins of chargeability/conductivity highs.

The Graben Fault Zone

The Graben Fault Zone is an epithermal porphyry target identified by Radius. It is located on the southeast margin and within the Sixty Mile river valley where highly altered Carmacks volcanic rocks, intruded by granitoids, are in fault contact with much older gneissic rocks of the Fifty Mile Batholith and schist units of the Yukon Tanana Terrane. The volcanics are strongly altered over an 8 km long strike length, and largely buried beneath placer gold-bearing river gravels, presenting a significant challenge for drill targeting. The initial exploration program comprised of grid-based auger drilling to test the top of bedrock. Clays in the bedrock sample were then identified by short wave infrared spectroscopy, and a Controlled Source Audio Frequency Magneto-telluric (CSAMT) geophysical survey was also used to identify resistivity highs and lows for drill targeting.

In 2010, Radius drilled two holes at the Toni occurrence testing the volcanic rocks proximal to the fault zone. Both holes returned highly anomalous gold values over plus-50-metre intervals with narrower intervals of potentially ore-grade material (see Radius's news release dated Nov. 16, 2010). Diamond drilling in 2011 followed up on these drill intersections, tested CSAMT and fault zone targets.

In 2012 the Company received a geophysical report with initial results and conclusions of the CSAMT survey that was carried out over the Graben Zone in 2011. Survey results, in addition to indicating complex geology and multiple structural trends, show that the Sixty Mile Fault is not a single structure but rather a broad number of broad shear zones, likely with some vertical movement. The central portion of the CSAMT grid, which is roughly coincident to the approximate 1.5 km by 0.4 km copper-molybdenum rock anomaly outlined by the auger drill samples on the same grid, contains a number of unexplained conductive contacts. Additional interpretative work is ongoing to determine how this fits with a porphyry target versus the original target of resistive (silica) gold bearing structures.

Drill holes DDH11-03, 04 and 05 spaced 400 m to 500 m apart, within or near the bedrock copper-molybdenum anomaly, intersected a previously unmapped, variably sericite and potassium feldspar altered feldspar porphyry body. The porphyry contains widespread disseminated pyrite and is cut by pyrite +/- chalcophyrite +/- molybdenite bearing fractures and stockworks with silica-sericite alteration haloes. Broad zones of anomalous copper were intersected in these holes with DDH11-05 averaging 538 ppm Cu over 268.5m from 8.8 m to end of drill hole. This porphyry yields a U-Pb zircon age of 68.0 +/- 0.6 Ma, similar to other copper – gold – silver mineralized systems identified in the Dawson Range, Yukon.

Future Work

The Company is actively seeking a joint venture partner to explore both the kilometre scale Graben Fault Zone, a Cu-Mo +/- Au Cretaceous porphyry target, and the Thrust Fault Zone, a Jurassic orogenic gold target.

Face Property

The Face property comprises 705 contiguous claims (14,730 hectares, 36,400 acres) in western Yukon, 8 km due east of Eagle, Alaska. The initial 94 claims were staked in 2010, centred on a government regional silt survey gold anomaly, located over carbonate rocks analogous to the Atac Resources' Rackla belt, and with a similar spatial relationship to the Dawson thrust. The claim block covers prospective stratigraphy and stream drainages with anomalous gold +/- arsenic +/- antimony +/- mercury values in stream sediment samples reported by the Geological Survey of Canada.

A first pass reconnaissance ridge-and-spur soil sampling (2077 samples) and stream sampling survey (114 samples) was undertaken by Radius in the summer of 2011 and the Company in 2012. Results define three broad coherent, kilometer scale, silver in soil anomalies (>1.7 ppm - >10.0 ppm Ag). Within these broad silver anomalies are samples anomalous in gold (>18 ppb) and arsenic (>28 ppm). Most of the silver anomalies also have coincident anomalous values for thallium, antimony, mercury, antimony, lead and zinc. Gossanous areas were noted in some of the areas with anomalous silver values. Based on current mapping, most of the anomalies are underlain by siliciclastic rocks and minor limy rocks of the Road River Group.

A magnetic airborne survey was carried out in late November 2011. The high resolution magnetic data, collected on lines flown at 200 m line spacing, highlights geological rock units and will continue to aid in future geological mapping and understanding the structural setting of the property. To date the aeromagnetic survey indicates that the underlying geology is more complex than shown on publicly available geology maps. Additional geological mapping is required to reconcile the aeromagnetic results with the geology.

Future Work

Additional work, consisting of soil grids and geological mapping, is required to complete property sample coverage and to follow up on the anomalous areas identified in 2012. This work will be a priority for the Company in 2013.

Iola Claims

In late October 2011, Radius staked 80 claims (1,670 hectares, 4,130 acres) over a silver-base metal target, the Yukon Minfile Iola occurrence. The Iola claims are located approximately 115 kilometres northeast of Whitehorse and are about 15 km from the South Canol Road. A short reconnaissance exploration program in June 2012 collected 439 soil, 19 rock and 3 stream sediment samples. It is an early stage property and geochemical results from the widespread samples show a coincident, northwest trending, silver, lead and thallium in soil anomaly over a 1 km by 1.5 km area in the center of the property. Forty of the soil samples contained silver values ranging between 3 ppm and 17 ppm. Twenty-eight soil samples, most from the west side of the property, returned between 10 - 92 ppb gold and one sample returned 1,097 ppb with most of these samples also containing anomalous arsenic values.

Future Work

A small program of reconnaissance geological mapping and geochemical surface sampling to follow-up on 2012 results is planned for 2013.

Ten Mile Creek Property

The Company had an option to acquire a 100% interest in the Ten Mile Creek property, and in turn had granted to Solomon Resources Limited ("Solomon") an option to earn a 51% interest in the property. In May 2012, the option to Solomon was terminated due to Solomon's failure to make the required option payments to the Company. Since then, the Company has not found a joint venture partner for this project, and accordingly, in May 2013 the Company decided to relinquish its option to acquire the property.

Rivier Property

The Company holds a 100% interest in the Rivier Property partly by staking and partly under an option agreement. Voyager Gold Corp. ("Voyager"), a private BC company, was in turn granted the option to acquire from the Company a 60% interest in the property. Voyager has to date issued to the Company 200,000 common shares of Voyager pursuant to its option agreement.

The Rivier claims are located 90 km southeast of Ross River, Yukon and cover an ultramafic body shedding anomalous gold values into stream sediments and soil. In 2011, Voyager completed a program of geological mapping and geochemical sampling followed by an airborne geophysical (magnetic and radiometrics) survey. Two zones of anomalous gold in soil, ranging from background to over 2,000 ppb Au, were identified. In 2012 Voyager intended to explore with an initial program of trenching and 500 m of diamond drilling exploration but poor market conditions precluded financing arrangements.

Future Work

Planned work by Voyager for 2013 consists of geological mapping and soil sampling to close off existing open gold in soil anomalies, complete sample coverage over prospective lithologies and suspected structures, and identify drill hole targets.

Qualified Person: Roger Hulstein, B.Sc., a member of the Association of Professional Engineers and Geoscientists of British Columbia, is the Company's Qualified Person as defined by National Instrument 43-101, and is responsible for the accuracy of the technical information in this MD&A.

Quarterly Information

The following table provides quarterly information for the period from incorporation on September 20, 2011 to March 31, 2013:

Quarter Ended	**Mar. 31, 2013 ($)**	**Dec. 31, 2012 ($)**	**Sep. 30, 2012 ($)**	**Jun. 30, 2012 ($)**	**Mar. 31, 2012 ($)**	**Dec. 31, 2011* ($)**
Exploration expenditures (net)	16,507	12,238	483,208	263,386	74,370	-
General and administrative expenses	99,904	123,376	226,368	82,907	50,467	31,396
Net loss	337,690	675,696	709,576	346,293	124,837	31,396
Basic and diluted loss per share	0.01	0.01	0.02	0.01	0.00	0.00

* Includes the period from incorporation on September 20, 2011 to December 31, 2011.

The net loss for the quarters ended March 31, 2013 and December 31, 2012 were both significantly impacted by impairment charges against available-for-sale investments of $135,000 and $318,750 respectively and write-downs of mineral properties of $90,406 and $221,332 respectively. The quarter ended September 30, 2012 recorded significantly higher general and administrative expenses compared to the other quarters presented due to a stock-based compensation expense of $137,951. Exploration expenditures increased in each quarter starting in the quarter ended March 31, 2012 until a peak was reached in the quarter ended September 30, 2012 which coincides with the winding down of the Yukon exploration season. Exploration expenditures were then reduced to a minimal amount for the next two quarters as most activities cease during the winter season.

Results of Operations

The quarter ended March 31, 2013 had a net loss of $337,690 compared to $124,837 for the quarter ended March 31, 2012, an increase of $212,853. The increase was mostly due to an impairment charge of $135,000 applied against available-for-sale investments and a write-off of exploration and evaluation assets of $90,406 during the current quarter. The comparative quarter did not record any such charges. Exploration expenditures in the current quarter totalled $16,507 compared to $74,370 in the comparative quarter, a decrease of $57,863.

General and administrative expenses for the quarter ended March 31, 2013 were $99,904 compared to $50,467 for the quarter ended March 31, 2012, an increase of $49,437. Notable general and administrative cost increases were $16,818 in office and administrative, $13,785 in salaries and benefits, $10,500 in management fees, and $9,953 in public relations. The increase in current quarter expenses reflects more corporate activity and also includes expenses such as management fees which were not incurred in the comparative period.

Mineral Property Expenditures

During the period ended March 31, 2013, the Company incurred exploration costs in the Yukon totalling $16,507 with the majority of the costs being $6,184 on the Scarlet West property and $4,161 on the Face property.

The most significant overall exploration cost for the period was $14,412 for geological fees.

Adoption of New and Amended IFRS Pronouncements

IAS 1 Presentation of Financial Statements (Amendment)

The amendments to IAS 1 require the grouping of items within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified. The statement of comprehensive loss in these condensed interim consolidated financial statements has been amended to reflect the presentation requirements under the amended IAS 1.

The mandatory adoption of the following new and revised accounting standards and interpretations on January 1, 2013 had no significant impact on the Company's financial statements for the current or prior periods presented:

IFRS 10 Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under previous IFRS, consolidation was required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12 Consolidation - Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under previous IFRS, entities had the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-monetary Contributions by Venturers.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under previous IFRS, guidance on measuring and disclosing fair value was dispersed among the specific standards requiring fair value measurements and in many cases did not reflect a clear measurement basis or consistent disclosures.

Amendments to other standards

In addition, there have been other amendments to existing standards, including IAS 19 Post-Employment Benefits, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

Future Accounting Changes

The following new standard has been issued by the IASB but is not yet effective:

IFRS 9 Financial Instruments

IFRS 9 is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2015. The Company is in the process of evaluating the impact of the new standard.

Liquidity and Capital Resources

The Company is in the exploration stage and therefore has no cash flow from operations. The principal sources of funds since incorporation have been $1.0 million received upon completion of a spin-out transaction in 2011 whereby certain assets were distributed from Radius to the Company, and a private placement closed during 2012 which raised gross flow-through proceeds of $300,000 and gross non-flow-through proceeds of $849,000. The flow-through proceeds of $300,000 must be spent by the Company on eligible exploration activities by December 31, 2013.

As at March 31, 2013, current assets were $806,762 of which $512,984 was cash and $206,000 was the fair value of available-for-sale investments. Current liabilities were $113,653, resulting in a working capital position of $693,109. As at March 31, 2013, the Company has incurred $16,507 of its $300,000 exploration expenditure commitment. Existing funds continue to be used for exploration activities on the Company's properties to fulfill the remaining flow-through commitment and for general working capital purposes.

The Company does not expect its current capital resources to be sufficient to cover its corporate operating costs and possible property option payments through the next twelve months. As such, the Company will seek to raise additional capital and believes it will be able to do so, but recognizes the uncertainty attached thereto. Actual funding requirements may vary from those planned due to a number of factors, including the progress of property acquisition and exploration activity.

Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to advance its mineral properties. The Company's defines its capital as cash, shares and warrants. In order to facilitate the management of its capital requirements, the Company prepares periodic budgets that are updated as necessary. The Company manages its capital structure and makes adjustments to it to effectively support the acquisition and exploration of mineral properties. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for general administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes in the Company's approach to capital management during the period. As at March 31, 2013, the Company is not subject to any externally imposed capital requirements.

Financial Instruments and Risk Management

The Company is exposed through its operations to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the Company's interim financial statements.

General Objectives, Policies and Processes:

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receive periodic reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

a) Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices affecting the Company are comprised of the following types of risk: interest rate risk and equity price risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company does not have any borrowings. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions. The Company considers this risk to be immaterial.

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's available-for-sale investments are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the available-for-sale investments are held. The common shares held in Cordoba, Solomon, and Voyager are monitored by Management with decisions on sale taken at Board level. A 10% decrease in fair value of the shares would result in a $20,600 decrease in equity.

b) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and available-for-sale investments. The Company limits exposure to credit risk by maintaining its cash with chartered Canadian financial institutions. The Company does not have cash or available-for-sale investments that are invested in asset based commercial paper.

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At March 31, 2013, the Company had cash of $512,984 available to apply against short-term business requirements, current liabilities of $57,780 and a flow-through expenditure commitment of $283,493. All of the Company's financial liabilities have contractual maturities of less than 45 days and are subject to normal trade terms.

Determination of Fair Value:

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. All financial instruments at March 31, 2013 are carried at amortized cost, apart from the available-for-sale investments in public companies with shares in active markets of $195,000 which are carried at fair value. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The Statement of Financial Position carrying amounts for cash, accounts payables and accrued liabilities, and due to related parties approximates fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

The Company has made the following designations of its financial instruments: cash as loans and receivables, investments as available-for-sale financial assets, and accounts payable and accrued liabilities and due to related parties as other financial liabilities.

Fair Value Hierarchy:

Financial instruments that are measured subsequent to initial recognition at fair value are categorized in Levels 1 to 3 based on the degree to which the fair value is observable:

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

The available-for-sale investments for Cordoba and Solomon are based on quoted prices and are therefore considered to be Level 1.

The available-for-sale investment in Voyager was recorded at fair value when it was received and is carried at cost due to Voyager being a private company with no quoted market prices available. This investment is considered to be Level 2 on initial recognition and carried at cost thereafter.

Related Party Transactions

The Company's related parties with transactions during the three month period ended March 31, 2013 consist of directors, officers and the following companies with common directors:

Related party	Nature of transactions
Radius Gold Inc. ("Radius")	Shared office, administrative and exploration related charges
Gold Group Management Inc. ("Gold Group")	Shared office, administrative and exploration related charges
Mill Street Services Ltd. ("Mill Street")	Management services

During the period ended March 31, 2013, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, $68,545 in general and administrative expenses consisting of $21,303 in office and administration, $16,774 in public relations, $25,748 in salaries and benefits, and $4,720 in travel and accommodation costs. Salaries and benefits costs include those for the Vice President Corporate Development, Chief Financial Officer, and Corporate Secretary. Effective July 1, 2012, Gold Group is reimbursed by the Company for these shared costs and other business related expenses paid by Gold Group on behalf of the Company.

During the comparative period ended March 31, 2012, the Company reimbursed Radius, a company with common directors and officers, $26,891 in exploration related costs and a total of $31,191 in general and administrative expenses consisting of $10,134 in office and administration, $6,271 in public relations, $13,225 in salaries and benefits, and $1,561 in travel and accommodation costs. Salaries and benefits costs included those for the Vice President Corporate Development, Chief Financial Officer, and Corporate Secretary. Radius was reimbursed by the Company for these shared costs and other business related expenses paid by Radius on behalf of the Company. The cost-sharing arrangement with Radius terminated effective June 30, 2012.

Prepaid expenses and deposits include an amount of $61,000 (December 31, 2012: $61,000) paid to Gold Group as a deposit on the shared office and administrative services agreement that was effective July 1, 2012.

Amounts due to related parties as of March 31, 2013 consist of $43,110 (December 31, 2012: $22,444) due to Gold Group for reimbursement of shared costs and $Nil (December 31, 2012: $17,539) due to Radius for reimbursement of shared costs. The balance due to Gold Group is collateralized by a deposit and the amount due previously to Radius was unsecured and due on demand. The amounts due do not bear interest.

These transactions are measured at the fair value of the services rendered.

Key management compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management compensation comprises:

	Three months ended March 31, 2013	2012
Management fees	$ 10,500	$ -
Salaries and benefits	5,958	2,027
	$ 16,458	**$ 2,027**

There were no share-based payments to directors not specified as key management personnel during the periods ended March 31, 2013 and 2012.

Other Data

Additional information related to the Company is available for viewing at www.sedar.com.

Share Position and Outstanding Warrants and Options

As at May 28, 2013, the Company had 50,493,872 common shares issued and outstanding and the following share purchase warrants and incentive stock options are currently outstanding:

WARRANTS

No. of warrants	Exercise price	Expiry date
36,067,625	$0.30	June 7, 2013
7,171,875	$0.10	October 10, 2014
43,239,500		

STOCK OPTIONS

No. of options	Exercise price	Expiry date
1,320,000	$0.15	July 19, 2022

Critical Accounting Estimates and Judgments

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

The key areas of judgment applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

a) The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company.

   If, after exploration and evaluation expenditure is capitalized, information becomes available suggesting that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount, the Company carries out an impairment test at the cash generating unit or group of cash generating units level in the period the new information becomes available.

b) The Company has not recognized a deferred tax asset as management believes that it is not probable that taxable profit will be available against which a deductible temporary difference can be utilized.

c) The determination of when an investment is impaired required significant judgment. In making this judgment, the Company evaluates, amongst other things, the duration and extent to which the fair value of the investment is less that its original cost at each reporting period.

The key estimate applied in the preparation of the financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

a) The provision for income taxes and recognition of deferred income tax assets and liabilities.

Risks and Uncertainties

Mineral Property Exploration and Mining Risks

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that option agreements, claims and leases are in good standing; and obtaining permits for drilling and other exploration activities.

Joint Venture Funding Risk

The Company's strategy includes seeking partners through joint ventures to fund exploration and project development. The main risk of this strategy is that funding partners may not be able to raise sufficient capital in order to satisfy exploration and other expenditure terms in a particular joint venture agreement. As a result, exploration and development of one or more of the Company's property interests may be delayed depending on whether the Company can find another partner or has enough capital resources to fund the exploration and development on its own.

Commodity Price Risk

The Company is exposed to commodity price risk. Declines in the market price of gold, base metals and other minerals may adversely affect the Company's ability to raise capital or attract joint venture partners in order to fund its ongoing operations. Commodity price declines could also reduce the amount the Company would receive on the disposition of one of its mineral properties to a third party.

Financing and Share Price Fluctuation Risks

The Company has limited financial resources, has no source of operating cash flow and has no assurance that additional funding will be available to it for further exploration and development of its projects. Further exploration and development of one or more of the Company's projects may be dependent upon the Company's ability to obtain financing through equity or debt financing or other means. Failure to obtain this financing could result in delay or indefinite postponement of further exploration and development of its projects which could result in the loss of one or more of its properties.

Securities markets have at times in the past experienced a high degree of price and volume volatility, and the market price of securities of many companies, particularly those considered to be exploration stage companies such as the Company, have experienced wide fluctuations in share prices which have not necessarily been related to their operating performance, underlying asset values or prospects. There can be no assurance that these kinds of share price fluctuations will not occur in the future, and if they do occur, how severe the impact may be on the Company's ability to raise additional funds through equity issues.

Political and Regulatory Risks

The Company is currently operating in Canada which has a stable political and regulatory environment. However, changing political aspects may affect the regulatory environment in which the Company operates.

Insured and Uninsured Risks

In the course of exploration, development and production of mineral properties, the Company is subject to a number of hazards and risks in general, including adverse environmental conditions, operational accidents, labor disputes, unusual or unexpected geological conditions, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, and earthquakes. Such occurrences could result in damage to the Company's properties or facilities and equipment, personal injury or death, environmental damage to properties of the Company or others, delays, monetary losses and possible legal liability.

Although the Company may maintain insurance to protect against certain risks in such amounts as it considers reasonable, its insurance may not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate future profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Environmental and Social Risks

The activities of the Company are subject to environmental regulations issued and enforced by government agencies. Environmental legislation is evolving in a manner that will require stricter standards and enforcement and involve increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on properties in which the Company holds interests which are unknown to the Company at present. Social risks are considered low in Canada, the principal country of operation of the Company, but a change in social expectations could add new layers of risk to the viability of exploration and development properties.

Competition

The Company will compete with many companies and individuals that have substantially greater financial and technical resources than the Company for the acquisition and development of its projects as well as for the recruitment and retention of qualified employees.