RACKLA METALS INC

FINANCIAL REVIEW

Third Quarter Ended September 30, 2013

RACKLA METALS INC

(An Exploration Stage Company)

CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine months ended September 30, 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 nine months ended September 30, 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:		**September 30, 2013**		**December 31, 2012**
ASSETS		(Unaudited)		(Audited)
Current assets				
Cash	$	422,350	$	629,217
Available-for-sale investments (Note 6)		18,500		341,000
Taxes receivable		26,424		22,437
Prepaid expenses and deposits (Note 13)		61,000		80,861
		528,274		1,073,515
Non-current assets				
Property and equipment (Note 7)		15,012		16,848
Exploration and evaluation assets (Note 8)		4,490,098		4,601,014
		4,505,110		4,617,862
TOTAL ASSETS	**$**	**5,033,384**	**$**	**5,691,377**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	161,510	$	33,751
Due to related parties (Note 13)		41,129		39,983
Other liability (Note 9)		-		60,000
Total liabilities		202,639		133,734
Shareholders' equity				
Share capital (Note 10)		7,301,555		7,301,445
Other equity reserves (Note 10(c))		143,996		143,996
Deficit		(2,614,806)		(1,887,798)
Total shareholders' equity		4,830,745		5,557,643
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**5,033,384**	**$**	**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 NOVEMBER 26, 2013:

"Simon Ridgway"	*"William Katzin"*
Simon Ridgway, Director	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)
(Expressed in Canadian Dollars)

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
EXPLORATION EXPENDITURES (Notes 12 and 13)	$ 416,014	$ 483,208	$ 443,712	$ 820,964
GENERAL AND ADMINISTRATIVE EXPENSES				
Amortization	612	480	1,836	1,440
Legal and audit fees	2,310	1,942	9,930	10,078
Management fees (Note 13)	10,500	10,500	31,500	21,000
Office and administrative (Note 13)	24,946	32,245	78,592	54,949
Public relations (Note 13)	1,713	5,101	21,962	18,632
Salaries and benefits (Note 13)	19,767	35,009	73,137	90,746
Share-based compensation	-	137,951	-	137,951
Transfer agent and regulatory fees (Note 13)	792	1,119	10,383	11,865
Travel and accommodation (Note 13)	1,977	2,021	11,014	13,081
	62,617	226,368	238,354	359,742
Loss before other items	(478,631)	(709,576)	(682,066)	(1,180,706)
OTHER ITEMS				
Gain on sale of available-for-sale investments (Note 6)	178,474	-	178,474	-
Loss on impairment of available-for-sale investments (Note 6)	(750)	-	(172,500)	-
Write-down of exploration and evaluation asset costs (Note 8)	(20,510)	-	(110,916)	-
Loss before income taxes	(321,417)	(709,576)	(787,008)	(1,180,706)
Future income tax recovery (Note 9)	53,075	-	60,000	-
Net loss for the period	**$ (268,342)**	**$ (709,576)**	**$ (727,008)**	**$ (1,180,706)**
Other comprehensive loss				
Items that may be reclassified subsequently to profit or loss:				
Fair value losses on available-for-sale investments	-	(40,500)	-	(253,500)
Total comprehensive loss	**$ (268,342)**	**$ (750,076)**	**$ (727,008)**	**$ (1,434,206)**
Basic and diluted loss per share	$(0.01)	$(0.02)	$(0.01)	$(0.03)
Weighted average number of common shares outstanding	50,494,238	36,438,566	50,494,022	36,220,399

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 nine months ended September 30, 2013 and 2012

(Expressed in Canadian Dollars)

				Other equity reserves				
	Number of common shares	**Share capital**	**Share subscriptions received**	**Share-based payments**	**Share purchase warrants**	**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	-	-	-	-	-	-	(1,180,706)	(1,180,706)
Shares issued for property acquisition	569,996	65,350	-	-	-	-	-	65,350
Shares subscriptions received	-	-	68,000	-	-	-	-	68,000
Fair value losses on available-for-sale investments	-	-	-	-	-	(253,500)	-	(253,500)
Share-based compensation	-	-	-	137,951	-	-	-	137,951
Balance, September 30, 2012	**36,637,622**	**6,228,745**	**68,000**	**137,951**	**-**	**(309,750)**	**(1,212,102)**	**4,912,844**
Loss for the period	-	-	-	-	-	-	(675,696)	(675,696)
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 subscriptions received	-	-	(68,000)	-	-	-	-	(68,000)
Share issuance costs	-	(35,800)	-	-	6,045	-	-	(29,755)
Fair value losses on available-for-sale investments	-	-	-	-	-	(9,000)	-	(9,000)
Transfer of impairment on investment	-	-	-	-	-	318,750	-	318,750
Balance, December 31, 2012	50,493,872	7,301,445	-	137,951	6,045	-	(1,887,798)	5,557,643
Loss for the period	-	-	-	-	-	-	(727,008)	(727,008)
Warrants exercised	366	110	-	-	-	-	-	110
Balance, September 30, 2013	**50,494,238**	**$ 7,301,555**	**$ -**	**$ 137,951**	**$ 6,045**	**$ -**	**$ (2,614,806)**	**$ 4,830,745**

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)
(Expressed in Canadian Dollars)

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Cash provided by (used in):				
OPERATING ACTIVITIES				
Net loss for the period	$ (268,342)	$ (709,576)	$ (727,008)	$ (1,180,706)
Items not involving cash:				
Amortization	612	480	1,836	1,440
Gain on sale of available-for-sale investments	(178,474)	-	(178,474)	-
Loss on impairment of available-for-sale investments	750	-	172,500	-
Write-down of exploration and evaluation asset costs	20,510	-	110,916	-
Deferred income tax recovery	(53,075)	-	(60,000)	-
Share-based compensation	-	137,951	-	137,951
	(478,019)	(571,145)	(680,230)	(1,041,315)
Changes in non-cash working capital items:				
Advances and other receivables	-	(225)	-	(300)
Taxes receivable	(17,340)	(23,683)	(3,987)	(48,804)
Prepaid expenses	1,750	(27,313)	19,861	(87,745)
Due to related parties	26,135	153,844	1,146	163,274
Accounts payable and accrued liabilities	157,014	156,619	127,759	280,918
	(310,460)	(311,903)	(535,451)	(733,972)
FINANCING ACTIVITIES				
Proceeds on issuance of common shares	-	-	110	-
Share subscriptions received	-	68,000	-	68,000
	-	68,000	110	68,000
INVESTING ACTIVITIES				
Acquisition of exploration and evaluation assets	-	(26,000)	-	(240,279)
Proceeds from sale of available-for-sale investments	328,474	-	328,474	-
	328,474	(26,000)	328,474	(240,279
Increase (decrease) in cash	18,014	(269,903)	(206,867)	(906,251)
Cash, beginning of period	404,336	363,166	629,217	999,514
Cash, end of period	**$ 422,350**	**$ 93,263**	**$ 422,350**	**$ 93,263**

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 September 30, 2013, the Company had not yet achieved profitable operations, has accumulated losses of $2,614,806 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:

i) 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.

ii) 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.

iii) 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:

i) 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 September 30, 2013, available for sale investments consisted of 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 September 30, 2013. During the period ended September 30, 2013, the Company sold its 600,000 common shares in Cordoba Minerals Corp. (“Cordoba”), a public company with common directors and officers, for proceeds of $328,474.

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 September 30, 2013, the further decline in value of the Solomon shares by $22,500 was recorded as an impairment as well. During the current period and prior to the sale of the Cordoba shares, the Company recorded an additional impairment of $150,000 on the Cordoba shares. The disposition of the Cordoba shares resulted in gain of $178,474 charged to operations. As at September 30, 2013, the carrying amount for the available-for-sale investments was $18,500 (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
Disposition of investments	(150,000)	-	-	(150,000)
Impairment of investments	(150,000)	(22,500)	-	(172,500)
Balance, September 30, 2013	**$ -**	**$ 7,500**	**$ 11,000**	**$ 18,500**

(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, September 30, 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		1,836
Balance, September 30, 2013	**$**	**4,048**
Carrying amounts		
At December 31, 2012	$	16,848
At September 30, 2013	**$**	**15,012**

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following costs of its mineral property interests as at September 30, 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	-	-	-	-	65,350
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)	-	-	(20,510)	(110,916)
Balance, September 30, 2013	**$ 895,541**	**$ 3,316,264**	**$ 77,025**	**$ -**	**$ 201,268**	**$ -**	**$ -**	**$ 4,490,098**

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 638 claims, which are 100% owned.

The Company held option agreements with various landowners to acquire a 100% interest in another 115 claims which required cash payments and the issuance of shares over a four-year period. However, during the current period, the Company terminated options pertaining to all 115 claims.

(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 in 2012 and 2013.

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, 2014	50,000	200,000	200,000
By November 30, 2015	50,000	200,000	300,000
By November 30, 2016	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) Face Property – Yukon Territory

As of September 30, 2013, the Face Property is comprised of 529 claims that are 100% owned in the Dawson Mining District, Yukon. In September 2013, the Company let lapse 176 claims forming part of the Face Property.

v) 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.

vi) Iola Property – Yukon Territory

The Iola Property is comprised of 80 claims that are 100% owned in the Whitehorse Mining District, Yukon. Subsequent to the period end, the Company allowed the 80 claims to lapse and as a result, the property's carrying cost of $20,510 was written-off during the current period.

vii) Ten Mile Creek Property – Yukon Territory

The Ten Mile Creek Property, Yukon is comprised of 323 claims, of which the Company owned a 100% interest in 269 claims, and held an option (the "Option") to earn a 100% interest in 54 claims.

As at the start of the current period, the following cash and/or share payments to the property owner were required in order to exercise the 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.

In May 2013, the Company terminated the Option prior to making the 2013 payments noted above. As part of the termination requirements, the Company transferred all of its 100% owned claims to the property owner. As a result of the disposal of the Option and the 100% owned claims, the property's carrying cost of $90,406 was written-off during the current period.

viii) King Solomon's Dome Property – Yukon Territory

On August 30, 2013, the Company was granted the option to acquire a 50% interest in the King Solomon's Dome property located in the Dawson Mining District in the Yukon Territory from Kestrel Gold Inc. ("Kestrel"). In order to exercise the option, the Company was required to incur a total of $1,500,000 in exploration expenditures on the property, and make cash payments to Kestrel totaling $75,000, within twenty-four months. Subsequent to the period end, management decided to terminate the Company's option on the property.

During the period ended September 30, 2013, the Company incurred $271,643 in exploration expenditures on the property.

(Expressed in Canadian Dollars)

9. OTHER LIABILITY

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	(60,000)
Balance, September 30, 2013	**$ -**

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. As at September 30, 2013, the Company has fulfilled its $300,000 exploration expenditure commitment and therefore the liability reduced to nil.

(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.

During the nine month period ended September 30, 2013, the Company issued 366 common shares upon the exercise of 366 share purchase warrants at a price of $0.30 per share for gross proceeds of $110.

(b) Share Purchase Warrants

The following is a summary of changes in warrants from January 1, 2012 to September 30, 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
Expired	(36,067,259)	$0.30
Exercised	(366)	$0.30
Balance, September 30, 2013	**7,171,875**	**$0.10**

As at September 30, 2013, the following share purchase warrants were outstanding:

Expiry date	Number of warrants	Exercise price
October 10, 2014	7,171,875	$0.10

(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 September 30, 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	-	-	(80,000)	1,240,000	1,240,000
Weighted average exercise price		**$0.15**	**-**	**-**	**$0.15**	**$0.15**	**$0.15**

Fair Value of Options Issued During the Period

There were no options granted during the period ended September 30, 2013.

The weighted average remaining contractual life of the options outstanding at September 30, 2013 is 8.81 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 nine month period ended September 30, 2013 was $Nil (2012: $137,951).

As of September 30, 2013, there was no unrecognized compensation costs related to share-based payment awards not yet exercisable.

Amounts Capitalized Arising from Share-based Payments Transactions

Share-based payment transactions that were capitalized during the nine month period ended September 30, 2013 as part of exploration and evaluation acquisition costs were $Nil (2012: $65,350).

12. EXPLORATION EXPENDITURES

During the nine months ended September 30, 2013, the Company incurred the following exploration expenditures:

	King Solomon's Dome	Scarlet West	Scarlet East	Sixty Mile	Face	Iola	Yukon General	Total
Assays	$ -	$ 353	$ -	$ 624	$ 28,241	$ 1,592	$ -	$ 30,810
Camp expenses	10,819	1,245	-	-	13,342	355	2,102	27,863
Drilling	214,779	-	-	-	-	-	-	214,779
Field expense	1,138	-	-	-	2,013	-	-	3,151
Geological fees	37,285	5,127	440	5,617	65,649	8,385	4,171	126,674
Office and administration	290	-	-	-	38	-	300	628
Travel	7,332	-	-	659	26,015	5,801	-	39,807
Balance, end of period	**$ 271,643**	**$ 6,725**	**$ 440**	**$ 6,900**	**$ 135,298**	**$ 16,133**	**$ 6,573**	**$ 443,712**

During the nine months ended September 30, 2012, the Company incurred the following exploration expenditures:

	Scarlet West	Scarlet East	Sixty Mile	Face	Newt	Iola	Ten Mile Creek	Yukon General	Total
Assays	$ 62,683	$ -	$ -	$ 53,709	$ -	$ 11,346	$ -	$ -	$ 127,738
Camp expenses	107,257	-	1,755	25,261	-	19,814	-	-	154,087
Field expense	66,687	-	1,090	46,541	-	9,545	-	-	123,863
Geological fees	51,726	12,555	37,792	41,731	8,815	15,901	40,907	19,386	228,813
Geophysical	542	-	9,321	-	-	-	-	-	9,863
Licenses and taxes	12,020	-	10,004	3,339	-	82	-	320	25,765
Office and administration	1,501	-	93	471	-	948	-	341	3,354
Shipping	5,955	-	342	-	-	550	-	-	6,847
Travel	26,583	120	3,812	63,651	-	8,037	-	-	102,203
Vehicles	13,593	-	4,026	10,506	-	10,306	-	-	38,431
Balance, end of period	**$ 348,547**	**$ 12,675**	**$ 68,235**	**$ 245,209**	**$ 8,815**	**$ 76,529**	**$ 40,907**	**$ 20,047**	**$ 820,964**

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS

The Company's related parties with transactions during the period ended September 30, 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:

i) During the nine month period ended September 30, 2013, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, $13,947 (2012: $44,378) in exploration related costs and a total of $159,862 (2012: $66,317) in general and administrative expenses consisting of $65,334 (2012: $26,228) in office and administration, $17,933 (2012: $3,732) in public relations, $66,129 (2012: $34,828) in salaries and benefits, $2,565 (2012: $100) in transfer agent and regulatory, and $7,901 (2012: $1,429) 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.

ii) During the comparative nine month period ended September 30, 2012, the Company reimbursed Radius, a company with common directors and officers, $54,932 in exploration related costs and a total of $81,115 in general and administrative expenses consisting of $24,479 in office and administration, $9,428 in public relations, $40,493 in salaries and benefits, $2,663 in transfer agent and regulatory, and $4,052 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.

iii) 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.

iv) Amounts due to related parties as of September 30, 2013 consist of $41,129 (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.

(Expressed in Canadian Dollars)

13. RELATED PARTY TRANSACTIONS *(cont'd)*

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:

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Management fees	$ 31,500	$ 21,000
Salaries and benefits	14,083	15,895
Share-based payments	-	47,029
	$ 45,583	**$ 83,924**

Total share-based payments to directors not specified as key management personnel during the period ended September 30, 2013 were $Nil (2012: $23,514).

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.

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

a) Market Risk *(cont'd)*

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 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 $1,850 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 September 30, 2013, the Company had cash of $422,350 available to apply against short-term business requirements and current liabilities of $202,639. 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 September 30, 2013 are carried at amortized cost, apart from the available-for-sale investment in a public company with shares in an active market of $7,500 which is 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.

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

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 investment for Solomon is based on a quoted price and is 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 September 30, 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 future exploration expenditures 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.

17. EVENT AFTER THE REPORTING DATE

Subsequent to September 30, 2013, a total of 15,000 stock options exercisable at $0.15 per share expired unexercised.

RACKLA
METALS INC

(the "Company")

MANAGEMENT'S DISCUSSION AND ANALYSIS
Third Quarter Report – September 30, 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 nine months ended September 30, 2013. The following information, prepared as of November 26, 2013, should be read in conjunction with the Company's unaudited condensed interim financial statements for nine months ended September 30, 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 September 30, 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, Yukon, of which 230 claims comprise the Scarlet East property and 513 claims 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. In 2013 a detailed prospecting and geological mapping program along with some geochemical soil sampling was carried out between in July and August. Geochemical results were generally consistent with previous work programs.

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 by the Company 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

Due to market conditions, during the past 12 months the Company has terminated all of its options to acquire claims in the Sixty Mile area, Yukon Territory. Accordingly, the Sixty Mile Property currently consists of 638 claims (approximately 12,958 hectares, 33,016 acres) which are owned 100% by the Company. These claims are in good standing until 2016 or later. No further work is currently planned for this ground.

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 orogenic type Jurassic age White Gold deposit and bedrock mineralization found in the Klondike district. Radius found an orogenic bedrock source for the placer gold 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 northwest trending creeks that cut this unit. The host units are extensive with multiple beds of quartzite hosting cross cutting gold bearing quartz veins.

In addition Radius identified a porphyry copper target (the "Graben Fault Zone) within the Sixty Mile river valley where highly altered Carmacks volcanic rocks are intruded by granitoids with porphyry style copper mineralization. Surrounding the granitoids are irregular epithermal type quartz-carbonate-sulfide veins that locally contain gold.

Face Property

The Face property was reduced from 705 to 529 claims after 176 claims were allowed to lapse in September 2013. The remaining contiguous claims are located in western Yukon, 8 km due east of Eagle, Alaska. The initial 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 (2,077 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.

Work in July 2013 consisted of 1,109 soil and 115 rock samples, prospecting and reconnaissance geological mapping over gold and silver anomalies identified in 2011 and 2012. Although sampling in 2013 was hindered by overburden and permafrost, geochemical soil sample results identified an irregular shaped area anomalous in silver (>10 ppm Ag and up to 88 ppm Ag) located over an area of approximately one square kilometer. The silver anomaly is accompanied by anomalous zinc values (>500 ppm to 6000 ppm Zn) and is underlain by black shale, likely belonging to the Road River Group. Rock samples of the black shale contained similar values for silver and zinc. No significant gold values from the soil or rock samples were obtained in 2013. At the present time no additional work is planned. The work carried out to date over the silver anomaly will be filed for assessment to keep those claims in good standing.

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.

A short program of geochemical sampling and geological mapping following up on anomalous results obtained in 2012 was carried out during July 2013. As geochemical results were low for the elements of interest and further exploration work was not warranted, the claims were allowed to lapse.

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.

Voyager carried out a short program of geochemical mapping and soil, stream sediment and rock sampling, 139, 8 and 37 samples respectively, in 2013. Geochemical results included a number of anomalous values for gold in soil (>27 ppb gold) extending the known anomalies. Voyager is presently preparing a report with interpretation and recommendations.

King Solomon’s Mine Property

In late August 2013, the Company was granted an option to acquire a 50% interest in the King Solomon’s Dome Property located 30 km southeast of Dawon City in the Yukon. The Company completed a diamond drill program in September consisting of three holes (1,191m) spaced approximately 250 to 300m metres apart, to test known quartz veins, surface rock and soil geochemical anomalies and resistivity and induced polarization (IP) geophysical anomalies. The drill results show that all three holes intersected low grade gold mineralization with some short higher grade gold intervals, for example 4.89 g/t Au over 13cm in hole DDH13-02. Hole DDH13-02 cut several intervals of gold mineralization between 34m and 127m down hole which are believed to be related to the easterly dipping Sheba Vein system and its hanging wall mineralization (see Kestrel Gold Inc. news release: December 16, 2011). The gold mineralization, although generally low grade, shows continuity with surface trench sampling and remains open to depth.

The two zones of gold mineralization and increased sulphide content encountered in DDH13-01 and DDH13-03 are believed to correlate with the geophysical chargeability anomaly at depths of 217 – 224 metres and 189 – 195.5

metres respectively and also with increased sulphide content. No visible gold was encountered and no samples returned greater than 5 g/t Au in the three holes drilled.

The Company is not planning to undertake any further drilling and has relinquished its option on the Property.

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.

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 eight fiscal quarters ended September 30, 2013:

Quarter Ended	Sep. 30, 2013 ($)	Jun. 30, 2013 ($)	Mar. 31, 2013 ($)	Dec. 31, 2012 ($)	Sep. 30, 2012 ($)	Jun. 30, 2012 ($)	Mar. 31, 2012 ($)	Dec. 31, 2011 ($)
Exploration expenditures (net)	416,014	11,191	16,507	12,238	483,208	263,386	74,370	-
General and administrative expenses	62,617	75,833	99,904	123,376	226,368	82,907	50,467	31,396
Net loss	268,342	120,976	337,690	675,696	709,576	346,293	124,837	31,396
Basic and diluted loss per share	0.01	0.00	0.01	0.01	0.02	0.01	0.00	0.00

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 until the most recent quarter during which the Company carried out exploration programs on the King Solomon's Dome, Iola and Face properties.

Results of Operations

The quarter ended September 30, 2013 had a net loss of $268,342 compared to $709,576 for the quarter ended September 30, 2012, a decrease of $441,234. The difference is partially due to a gain on sale of available-for-sale investments of $178,474 recorded during the current quarter relating to the sale of common shares that the Company held in Cordoba Minerals Corp. ("Cordoba"). As well, the Company recorded a future income tax recovery of $53,075 during the current period whereas there was no such item in the comparative period. Also contributing to the lower net loss was a decrease in exploration expenditures. Exploration expenditures in the current quarter totalled $416,014 compared to $483,208 in the comparative quarter, a decrease of $67,194.

General and administrative expenses for the quarter ended September 30, 2013 totalled $62,617 compared to $226,368 for the quarter ended September 30, 2012, a decrease of $163,751. This decrease was due primarily to a stock-based compensation expense of $137,951 recorded in the comparative quarter whereas there was no such charge for the current quarter. Other notable decreases were $15,242 in salaries and benefits and $7,299 in office and administration. Salaries and benefits was less due to a reduction in corporate personnel. Office and administrative expenses include computer maintenance and software licensing costs which were higher in the comparative year.

The net loss for the nine month period ended September 30, 2013 was $727,008 compared to $1,180,706 for the nine month period ended September 30, 2012, a decrease of $453,698 due in large part to less exploration expenditures. Exploration expenditures in the current period totalled $443,712 compared to $820,964 in the comparative quarter, a decrease of $377,252. As in the quarterly comparison, the current period has recorded a gain of $178,474 for the sale of its Cordoba shares. However, this gain is more than offset by a loss on impairment of available-for-sale investments of $172,500 and a write-off of exploration and evaluation assets costs of $110,916 that were recorded during the current period. There were no such losses or write-offs recorded in the comparative period.

General and administrative expenses for the nine month period ended September 30, 2013 totalled $238,354 compared to $359,742 for the nine month period ended September 30, 2012, a decrease of $121,388. Also as in the quarterly comparison, the comparative period includes a stock-based compensation charge of $137,951 compared to no such charge in the current period. The only significant cost decrease was in salaries and benefits which was due to the same reason given in the quarterly comparison. Notable cost increases were $30,942 in office and administrative and $10,500 in management fees. The higher office and administrative costs reflect an increase in the Company's portion of share office expenditures and the addition of directors and officers insurance which took effect towards the end of the comparative period. Management fees were only incurred throughout part of the comparative period.

Mineral Property Expenditures

During the nine month period ended September 30, 2013, the Company incurred exploration costs in the Yukon totalling $443,712 with the majority of the costs being $271,643 on the King Solomon's Dome property and $135,298 on the Face property.

The most significant overall exploration costs for the period were $214,779 for drilling and $126,674 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. During the current period, the Company sold the 600,000 common shares it held in Cordoba for net proceeds of $328,474. Prior to that, 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 Company fulfilled its commitment to spend the 300,000 in flow-through funds during the current period.

As at September 30, 2013, current assets were $528,274 of which $422,350 was cash and $18,500 was the fair value of available-for-sale investments. Current liabilities were $202,639, resulting in a working capital position of $325,635. Existing funds continue to be used for exploration activities on the Company's properties 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 future exploration expenditures 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 September 30, 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 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 $1,850 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 September 30, 2013, the Company had cash of $422,350 available to apply against short-term business requirements and current liabilities of $202,639. 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 September 30, 2013 are carried at amortized cost, apart from the available-for-sale investment in a public company with shares in an active market of $7,500 which is 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 investment for Solomon is based on a quoted price and is 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.

<u>Related Party Transactions</u>

The Company's related parties with transactions during the nine month period ended September 30, 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 three and nine month periods ended September 30, 2013, the Company reimbursed Gold Group, a company controlled by the Chief Executive Officer of the Company, for the following costs:

	Three months ended September 30,		Nine months ended September 30,	
	2013	**2012**	**2013**	**2012**
General and administrative expenses:				
Office and administration	$ 23,010	$ 26,228	$ 65,334	$ 26,228
Public relations	532	3,732	17,933	3,732
Salaries and benefits	14,590	34,828	66,129	34,828
Transfer agent and regulatory fees	-	100	2,565	100
Travel and accommodation	1,977	1,429	7,901	1,429
	$ 40,109	**$ 66,317**	**$ 159,862**	**$ 66,317**
Exploration expenditures	**$ 13,947**	**$ 44,378**	**$ 13,947**	**$ 44,378**

Effective July 1, 2012, Gold Group is reimbursed by the Company for certain shared costs and other business related expenses paid by Gold Group on behalf of the Company. Salaries and benefits costs paid to Gold Group include those for the Vice President Corporate Development, Chief Financial Officer, and Corporate Secretary.

During the three and nine month periods ended September 30, 2012, the Company reimbursed Radius, a company with common directors and officers, for the following costs:

	Three months ended September 30,		Nine months ended September 30,	
	2013	**2012**	**2013**	**2012**
General and administrative expenses:				
Office and administration	$ -	$ 2,317	$ -	$ 24,479
Public relations	-	136	-	9,428
Salaries and benefits	-	203	-	40,493
Transfer agent and regulatory fees	-	19	-	2,663
Travel and accommodation	-	593	-	4,052
	$ -	**$ 3,268**	**$ -**	**$ 81,115**
Exploration expenditures	**$ -**	**$ 6,883**	**$ -**	**$ 54,932**

Radius was reimbursed by the Company for these shared costs and other business related expenses paid by Radius on behalf of the Company. Salaries and benefits costs included those for the Vice President Corporate Development, Chief Financial Officer, and Corporate Secretary. 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 September 30, 2013 consist of $41,129 (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 September 30, 2013	2012	Nine months ended September 30, 2013	2012
Management fees	$ 10,500	$ 10,500	$ 31,500	$ 21,000
Salaries and benefits	2,292	9,277	14,083	15,895
Share-based payments	-	47,029	-	47,029
	$ 12,792	**$ 66,806**	**$ 45,583**	**$ 83,924**

There were no share-based payments to directors not specified as key management personnel during the three and nine month periods ended September 30, 2013 (three and nine months ended September 30, 2012: $23,514).

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 November 26, 2013, the Company had 50,494,238 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
7,171,875	$0.10	October 10, 2014

STOCK OPTIONS

No. of options	Exercise price	Expiry date
1,225,000	$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.