



FINANCIAL REVIEW

First Quarter Ended March 31, 2012



(An Exploration Stage Company)

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three months ended March 31, 2012

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

NOTICE TO READER

In accordance with National Instrument 51-102 of the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed the unaudited condensed interim financial statements for the three months ended March 31, 2012. These financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company.

RACKLA METALS INC.

(An Exploration Stage Company)

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

As at	March 31, 2012	December 31, 2011
	(Unaudited)	(Audited)
ASSETS		
Current assets		
Cash	\$ 909,454	\$ 999,514
Available-for-sale investments (Note 6)	507,500	603,500
Advances and other receivables	242	-
Taxes receivable	7,406	1,622
	<u>1,424,602</u>	<u>1,604,636</u>
Non-current assets		
Equipment (Note 7)	14,642	15,122
Exploration and evaluation assets (Note 8)	4,516,717	4,516,717
	<u>4,531,359</u>	<u>4,531,839</u>
TOTAL ASSETS	\$ 5,955,961	\$ 6,136,475
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 61,172	\$ 36,779
Due to related party (Note 11)	39,877	23,947
Total liabilities	<u>101,049</u>	<u>60,726</u>
Shareholders' equity		
Share capital (Note 9)	6,163,395	6,163,395
Deficit	(156,233)	(31,396)
Accumulated other comprehensive loss	(152,250)	(56,250)
Total shareholders' equity	<u>5,854,912</u>	<u>6,075,749</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 5,955,961	\$ 6,136,475

APPROVED BY THE BOARD OF DIRECTORS AND AUTHORIZED FOR ISSUE ON MAY 29, 2012:

"Simon Ridgway", Director
Simon Ridgway

"William Katzin", Director
William Katzin

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

RACKLA METALS INC.

(An Exploration Stage Company)

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE LOSS (UNAUDITED)

For the three months ended March 31, 2012

(Expressed in Canadian Dollars)

	Three months ended March 31, 2012
EXPLORATION EXPENDITURES (Note 10)	\$ 74,370
GENERAL AND ADMINISTRATIVE EXPENSES	
Amortization	480
Legal and audit fees	859
Office and administrative (Note 11)	10,343
Public relations (Note 11)	9,099
Salaries and wages (Note 11)	13,314
Transfer agent and regulatory fees (Note 11)	7,350
Travel and accommodation (Note 11)	9,022
	50,467
Net loss for the period	\$ (124,837)
Other comprehensive loss	
Fair value losses on available-for-sale investments	(96,000)
Total comprehensive loss	\$ (220,837)
Basic and diluted loss per share	\$(0.003)
Weighted average number of common shares outstanding	36,067,626

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

RACKLA METALS INC.

(An Exploration Stage Company)

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended March 31, 2012

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Accumulated other comprehensive income (loss)	Deficit	Total
Shares issued upon incorporation on September 20, 2011	1	\$ 1	\$ -	\$ -	\$ 1
Loss for the period	-	-	-	(31,396)	(31,396)
Shares issued on spin-out transaction (Note 1)	36,067,625	6,176,467	-	-	6,176,467
Share issuance costs	-	(13,073)	-	-	(13,073)
Available-for-sale investments	-	-	(56,250)	-	(56,250)
Balance, December 31, 2011	36,067,626	\$ 6,163,395	\$ (56,250)	\$ (31,396)	\$ 6,075,749
Loss for the period	-	-	-	(124,837)	(124,837)
Available-for-sale investments	-	-	(96,000)	-	(96,000)
Balance, March 31, 2012	36,067,626	\$ 6,163,395	\$ (152,250)	\$ (156,233)	\$ 5,854,912

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

RACKLA METALS INC.

(An Exploration Stage Company)

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the three months ended March 31, 2012

(Expressed in Canadian Dollars)

	Three months ended March 31, 2012
Cash provided by (used in):	
OPERATING ACTIVITIES	
Net loss for the period	\$ (124,837)
Item not involving cash:	
Amortization	480
	(124,357)
Changes in non-cash working capital items:	
Advances and other receivables	(242)
Taxes receivable	(5,784)
Due to related parties	15,930
Accounts payable and accrued liabilities	24,393
	(90,060)
Decrease in cash	(90,060)
Cash - beginning of period	999,514
Cash - end of period	\$ 909,454

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

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

(Expressed in Canadian Dollars)

1. CORPORATE INFORMATION

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.

Pursuant to a plan of arrangement (the "Arrangement") with Radius Gold Inc. ("Radius") which was completed on December 8, 2011, Radius' interest in the Scarlet property, Sixty Mile area properties, Ten Mile Creek property, Rivier property, and other staked Yukon properties (collectively, the "Projects") were transferred into the Company, together with \$1.0 million in cash, and marketable securities consisting of 750,000 common shares of Solomon Resources Limited ("Solomon") and 600,000 common shares of Cordoba Minerals Corp. ("Cordoba") (formerly called Wesgold Minerals Inc.). Under the Arrangement, each Radius shareholder received one common share and one full warrant in the Company for every three Radius shares held. Each warrant entitles the holder to purchase one common share of the Company at \$0.30 for a period of 18 months from the date of listing of the Company on the TSX-V. Upon the completion of the spin-out transaction, Radius held 19.9% of the issued shares and warrants of the Company.

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 have been prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") on a basis consistent with the significant accounting policies disclosed in note 3 of the audited financial statements of the Company for the period ended December 31, 2011. The condensed interim financial statements do not include all of the information required for full annual financial statements.

The Company was incorporated on September 20, 2011 and, as such, there are no comparative operating results figures presented herein.

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 4.

Going Concern of Operations

These condensed interim financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Realization values may be substantially different from the carrying values shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At March 31, 2012, the Company had no revenue producing operations and accumulated losses of \$156,233 since inception. However, the Company has sufficient cash resources and a working capital surplus of \$1.3 million to meet its obligations for at least the next twelve months from the end of the reporting period. 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.

RACKLA METALS INC.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

(Expressed in Canadian Dollars)

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

The following new standards and interpretations have been issued by the IASB but are 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.

IFRS 13 Fair Value Measurement

IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value. The new requirements are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. Management has yet to assess the impact that IFRS 13 is likely to have on the Company's financial statements.

No additional new standards, amendments and interpretations have been early adopted in these financial statements and there are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- (a) The carrying value of Level 2 investment in marketable securities and the recoverability of the carrying value which are included in the statement of financial position;
- (b) The carrying value of the investment in exploration and evaluation costs and the recoverability of the carrying value which are included in the statement of financial position; and
- (c) The fair value of the exploration and evaluation costs determined through the Arrangement.

The financial statements were prepared on a historical cost basis except for financial instruments, which are classified as available-for-sale and measured at fair value.

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

(Expressed in Canadian Dollars)

5. CASH

Cash at banks earn variable interest depending on the amount that the bank's prime rate exceeds a certain rate.

6. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments are recorded at fair market value and consist of common shares in three other companies and therefore have no fixed maturity date or coupon rate.

As part of the spin-out transaction completed on December 8, 2011, Radius assigned to the Company marketable securities consisting of 600,000 common shares in Cordoba, a public company with common directors and officers, and 750,000 common shares in Solomon, a public company. Subsequent to the spin-out transaction, the Company received 200,000 common shares from Voyager Gold Corp. ("Voyager"), a private company with a common director, as an option payment pursuant to the Rivier Property option agreement. The private company shares were initially measured at fair value and are carried at cost at December 31, 2011. This transaction accounts for the \$11,000 acquisition costs recovery in Rivier.

As at March 31, 2012, the carrying amount for the available-for-sale investments was \$507,500 (December 31, 2011: \$603,500). An unrealized loss of \$56,250 was recorded in other comprehensive income during the period ended March 31, 2012.

There are no impairment provisions on the available-for-sale financial assets for the period ended March 31, 2012.

	Cordoba Minerals Corp.	Solomon Resources Limited	Voyager Gold Corp.	Total
Balance, September 20, 2011	\$ -	\$ -	\$ -	\$ -
Shares acquired on spin-out transaction (Note 1)	600,000	48,750	-	648,750
Acquisition of shares	-	-	11,000	11,000
Net change in fair value recorded in other comprehensive income	(60,000)	3,750	-	(56,250)
Balance, December 31, 2011	540,000	52,500	11,000	603,500
Net change in fair value recorded in other comprehensive income	(96,000)	-	-	(96,000)
Balance, March 31, 2012	\$ 444,000	\$ 52,500	\$ 11,000	\$ 507,500

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

(Expressed in Canadian Dollars)

7. EQUIPMENT

	<u>Leasehold improvements</u>
Cost	
Balance, September 20, 2011	\$ -
Additions	15,282
Disposals	-
Balance, December 31, 2011	15,282
Additions	-
Disposals	-
Balance, March 31, 2012	\$ 15,282
Accumulated amortization	
Balance, September 20, 2011	\$ -
Additions	160
Disposals	-
Balance, December 31, 2011	160
Additions	480
Disposals	-
Balance, March 31, 2012	\$ 640
Carrying amounts	
At December 31, 2011	\$ 15,122
At March 31, 2012	\$ 14,642

RACKLA METALS INC.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS

The Company has capitalized the following acquisition costs of its mineral property interests as at March 31, 2012

	Scarlet	Sixty Mile	Ten Mile Creek	Rivier	Face	Newt	Iola	Total
Balance - September 20, 2011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Acquired on spin-out transaction (Note ?)	886,745	3,209,664	15,406	83,275	90,785	221,332	20,510	4,527,717
Acquisition costs recovered	-	-	-	(11,000)	-	-	-	(11,000)
Balance - December 31, 2011	886,745	3,209,664	15,406	72,275	90,785	221,332	20,510	4,516,717
Balance - March 31, 2012	\$ 886,745	\$ 3,209,664	\$ 15,406	\$ 72,275	\$ 90,785	\$ 221,332	\$ 20,510	\$ 4,516,717

i) Scarlet Property – Yukon Territory

The Scarlet Property consists of 743 claims, of which 15 claims were staked subsequent to March 31, 2012, and are 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:

- \$500,000 on or before December 31, 2013;
- an additional \$1,000,000 on or before December 31, 2014;
- an additional \$1,500,000 on or before December 31, 2015; and
- an additional \$2,000,000 on or before December 31, 2016.

Strategic is also required to complete not less than 1,000 metres of drilling on or before December 31, 2012. 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 & Alaska

The Sixty Mile Property straddles the Yukon/Alaska border and consists of 945 claims as at December 31, 2011. 670 claims were acquired by Radius by staking or purchase from third parties, of which 640 claims are located in the Yukon and 30 claims in Alaska.

In 2009 and 2010, Radius entered into agreements with various landowners whereby it had the option to acquire a 100% interest in 275 of the Yukon claims in consideration of cash payments totaling \$837,300 and the issuance of a total of \$688,000 worth of shares of Radius, over a four-year period. Up to December 8, 2011, the date of the spin-out transaction, Radius had made option payments totaling \$368,800 cash and issued 332,021 shares with a fair value of \$192,000, and Radius completed its earn-in to acquire 18 of the optioned claims.

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

(Expressed in Canadian Dollars)

8. EXPLORATION AND EVALUATION ASSETS (cont'd)

ii) Sixty Mile Area – Yukon Territory & Alaska (cont'd)

As part of the Arrangement (Note 1), Radius assigned all of its rights to the Sixty Mile Property to the Company. After completing the cash payments and share issuances pursuant to the option agreements, the Company must pay annual advance royalty payments totaling \$204,000 to the property owners until such time as commercial production on the applicable property is achieved, at which time the property owner(s), as applicable, shall be entitled to NSR royalties ranging from 2.5% to 3.0%.

Subsequent to March 31, 2012, the Company made option payments totaling \$20,000 in cash and issued 133,333 shares with a fair value of \$20,000.

iii) Rivier Property – Yukon Territory

The Rivier Property consists of 116 claims located in the Watson Lake Mining District, Yukon.

On April 22, 2010 Roger Hulstein (“Hulstein”) staked 100 of the claims (the “Hulstein Claims”) comprising the Rivier Property. In accordance with an Agreement between Radius and Hulstein dated July 18, 2010, Radius was granted the option (the “Hulstein Option”) to earn a 100% interest in the Hulstein Claims. On September 10, 2010, Radius acquired the other 16 Rivier claims by staking (the “Staked Claims”). Subsequently, as part of the Arrangement, Radius assigned all of its rights and obligations in the Hulstein Option and the Staked Claims to the Company. In order to exercise the Hulstein Option, the Company must pay to the property owner a total of \$175,000 cash and issue a total of 200,000 shares over four years according to the following schedule:

- a) \$25,000 cash and 25,000 common shares upon signing (cash paid and shares issued by Radius);
- b) \$10,000 cash and 25,000 common shares on or before July 18, 2011(cash paid and shares issued by Radius);
- c) \$20,000 cash and 50,000 common shares on or before July 18, 2012;
- d) \$40,000 cash and 50,000 common shares on or before July 18, 2013; and
- e) \$80,000 cash and 50,000 common shares on or before July 18, 2014.

Pursuant to an agreement dated September 1, 2011, Radius granted to Voyager the option (the “Rivier Option”) to acquire a 60% interest in the Property. The Rivier Option was subsequently assigned to the Company as part of the Arrangement (Note 1).

In order to keep the Rivier Option in good standing, Voyager must, over a three year period, 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 completion of the Assignment from Radius (shares received December 9, 2011)	\$ -	200,000	\$ -
By December 31, 2011	-	-	100,000
On public listing of Voyager	-	200,000	-
By November 30, 2012	50,000	200,000	200,000
By November 30, 2013	50,000	200,000	300,000
By November 30, 2014	100,000	200,000	400,000
	\$ 200,000	1,000,000	\$ 1,000,000

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

(Expressed in Canadian Dollars)

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

iii) Rivier Property – Yukon Territory *(cont'd)*

The 200,000 Voyager shares received have a fair value of \$11,000.

The Company must keep the Hulstein Option in good standing as long as the Rivier Option remains outstanding. Assuming the Hulstein 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 Hulstein 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 Hulstein 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 Hulstein of \$1 million.

iv) Ten Mile Creek Property – Yukon Territory

The Ten Mile Creek Property, Yukon is comprised of 323 claims, of which 269 claims were acquired by Radius in April 2009 by staking, and 54 claims (the "Optioned Claims") were optioned to Radius in June 2009.

Radius had the option to earn a 100% interest in the Optioned Claims in consideration of conducting an initial sampling program of \$70,000 (completed by Radius) and cash and share payments to the property owner according to the following schedule:

- a) \$25,000 on signing of the agreement (paid by Radius);
- b) \$50,000 on or before May 31, 2010 (paid by Radius);
- c) \$75,000 on or before May 31, 2011 (paid by Radius);
- d) \$75,000 on or before May 31, 2012;
- e) \$75,000 on or before May 31, 2013; and
- f) 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.

As part of the Arrangement (Note 2), Radius assigned all of its rights to the Ten Mile Property to the Company. In addition to the above-noted cash payments and share issuances required to keep the option in good standing, commencing on May 31, 2014 and on May 31 each year thereafter, the Company must pay \$10,000 to the property owner until such time as commercial production of the Property is achieved, at which time the \$10,000 payments shall cease and the property owner shall be entitled to a 1.0% NSR royalty. As well, an underlying 1.5% NSR royalty is payable to Teck Resources Limited. The Company has the right at any time to reduce the property owner's NSR to 0.5% by paying \$500,000, or to 0.25% by paying \$1.0 million.

In September 2009, Radius granted to Solomon the option (the "Solomon Option") to acquire a 51% interest in the Ten Mile Creek Property. The Solomon Option was subsequently assigned to the Company as part of the Arrangement. Solomon can earn its interest in the Property by spending \$2.5 million on exploration and making staged cash and share payments of \$500,000 cash and 1 million shares of Solomon over three years. As at March 31, 2012, the Company owns 750,000 shares of Solomon pursuant to the Solomon Option.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

(Expressed in Canadian Dollars)

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

v) Snowcap Property – Yukon Territory

In 2009, Radius staked 198 claims in the Whitehorse Mining District, Yukon known as the Snowcap Property. By an agreement dated November 8, 2009, as amended, Radius granted to Cordoba the option to acquire a 60% interest in the Property in consideration of issuing to Radius an aggregate of 1,000,000 Cordoba common shares and incurring exploration expenditures of \$1,000,000, over a four-year period. Prior to terminating the option agreement in September 2011, Cordoba had issued 600,000 common shares to Radius which were then assigned to the Company as part of the Arrangement (Note 1). On December 30, 2011, the Company disposed of the Snowcap claims to an unrelated third party for a nominal amount of \$1.

vi) Face Property – Yukon Territory

The Face Property was originally comprised of 270 claims in the Dawson Mining District, Yukon which were staked by Radius and subsequently assigned to the Company as part of the Arrangement (Note 1). Subsequent to March 31, 2012, the Company has expanded the Face Property by staking an additional 431 claims for a total of 701 claims.

vii) Newt Property – Yukon Territory

The Newt Property is comprised of 462 claims in the Dawson Mining District, Yukon which were staked by Radius and subsequently assigned to the Company as part of the Arrangement (Note 1).

viii) Iola Property – Yukon Territory

The Iola Property is comprised of 80 claims in the Whitehorse Mining District, Yukon which were staked by Radius and subsequently assigned to the Company as part of the Arrangement (Note 1).

RACKLA METALS INC.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

(Expressed in Canadian Dollars)

9. SHARE CAPITAL AND RESERVES

(a) Common Shares

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

There was no share capital activity during the three month period ended March 31, 2012.

(b) Share Purchase Warrants

The following is a summary of changes in warrants for the period of September 20, 2011 to March 31, 2012:

	Number of warrants	Weighted average exercise price
Balance, at incorporation on September 20, 2011	-	-
Issued	36,067,625	\$0.30
Balance, December 31, 2011	36,067,625	\$0.30
Balance, March 31, 2012	36,067,625	\$0.30

As at March 31, 2012, the following share purchase warrants were outstanding:

Expiry Date	Number of warrants	Exercise price
June 7, 2013	36,067,625	\$0.30

(c) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's statement of financial position include 'Deficit' and 'Accumulated Other Comprehensive Loss/Income'.

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.

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

(Expressed in Canadian Dollars)

10. EXPLORATION EXPENDITURES

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

	Scarlet West	Scarlet East	Sixty Mile	Face	Newt	Yukon General	2012
Camp Expenses	\$ 14,573	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,573
Field Expense	518	-	-	518	-	-	1,036
Geological Fees	15,712	12,239	2,340	4,300	5,944	3,204	43,739
Geophysical	542	-	9,321	-	-	-	9,863
Licenses and taxes	774	-	1,661	-	-	402	2,837
Office and administration	-	-	-	109	-	-	109
Shipping and couriers	17	-	4	31	-	-	52
Travel	1,881	120	-	-	-	-	2,001
Vehicles	109	-	-	-	-	-	109
Mapping	51	-	-	-	-	-	51
Balance, end of period	\$ 34,177	\$ 12,359	\$ 13,326	\$ 4,958	\$ 5,944	\$ 3,606	\$ 74,370

11. RELATED PARTY TRANSACTIONS

The Company's related parties with transactions during the three month period ended March 31, 2012 consist of directors, officers and companies with common directors as follows:

Related Party	Nature of Transactions
Radius Gold Inc.	Shared office, administrative and exploration related charges

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

- During the period ended March 31, 2012, the Company incurred \$58,082 in office and administration, public relations, salary and wages, travel and accommodation costs, and geological fees charged by Radius. In addition, \$15,282 of leasehold improvement costs was paid by Radius on behalf of the Company. Radius is reimbursed by the Company for these shared costs and other business related expenses paid by Radius on behalf of the Company.
- The due to related party amount of \$39,877 as of March 31, 2012 is due to Radius. The balance is unsecured, due on demand and does not bear interest.

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

Key management compensation

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

	Three months ended March 31, 2012
Salaries and benefits	\$ 2,027

RACKLA METALS INC.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed to the following financial risks:

- Market Risk
- Credit Risk
- Liquidity Risk

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

General Objectives, Policies and Processes

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

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

a) Market Risk

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

Interest Rate Risk

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

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's marketable securities are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the marketable securities are held. The marketable securities held in Cordoba, Solomon, and Voyager are monitored by Management with decisions on sale taken at Board level. A 10% decrease in fair value of the shares would result in a \$50,750 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 marketable securities. The Company limits exposure to credit risk by maintaining its cash with chartered Canadian financial institutions. The Company does not have cash or marketable securities that are invested in asset based commercial paper.

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

(Expressed in Canadian Dollars)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At March 31, 2012, the Company had cash of \$909,454 available to apply against short-term business requirements and current liabilities of \$101,049. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Determination of Fair value

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. All financial instruments at March 31, 2012 are carried at amortized cost, apart from the available-for-sale investments in public companies of \$496,500 which are carried at fair value. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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

The Company has made the following designations of its financial instruments: cash as loans and receivables and accounts payable and accrued liabilities and due to related parties as other financial liabilities.

Fair Value Hierarchy

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

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

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

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

RACKLA METALS INC.

(An Exploration Stage Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the three months ended March 31, 2012

(Expressed in Canadian Dollars)

13. 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. As at March 31, 2012, the Company is not subject to any externally imposed capital requirements. The Company expects its current capital resources to be sufficient to carry out its general and administrative operating costs for the next twelve months but will likely need to raise additional capital resources in order to fulfil planned mineral property acquisition and exploration activities for the next twelve months.

14. SEGMENTED REPORTING

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



(the "Company")

MANAGEMENT'S DISCUSSION AND ANALYSIS First Quarter Report – March 31, 2012

General

This Management's Discussion and Analysis ("MD&A") supplements, but does not form part of, the unaudited condensed interim financial statements of the Company for the three months ended March 31, 2012. The following information, prepared as of May 29, 2012, should be read in conjunction with the Company's unaudited condensed interim financial statements for three months ended March 31, 2012 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 audited financial statements of the Company for the period ended December 31, 2011 and the related MD&A. All amounts are expressed in Canadian dollars unless otherwise indicated. The March 31, 2012 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.

Business of the Company

The Company was incorporated in September 2011 pursuant to a spin-out transaction (the "Spin-Out") with Radius Gold Inc. ("Radius") to create two strategically positioned companies, one focused on Latin America and the other focused on the Yukon. The Spin-Out was completed on December 8, 2011, and Radius's interests in the Scarlet property, Sixty Mile area properties, Ten Mile Creek property, Rivier property, and other staked Yukon properties were transferred to the Company, together with \$1.0 million in cash, and marketable securities consisting of 750,000 common shares of Solomon Resources Limited ("Solomon") and 600,000 common shares of Cordoba Minerals Corp. ("Cordoba") (formerly called Wesgold Minerals Inc.).

As a result of the Spin-Out, Radius shareholders received one common share and one warrant in the Company for every three Radius shares held and Radius also received common shares and warrants to hold a 19.9% ownership interest in the Company. Each warrant entitles the holder to purchase one common share of the Company at \$0.30 for a period of 18 months.

The current status of the Company's properties is described below:

Scarlet Property, Rackla Belt Area

The Company owns 743 claims in the Rackla Belt area, of which 230 claims comprise the Scarlet East property and 513 claims comprise the Scarlet West property.

Scarlet East

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

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 conducted an exploration program in the 2011 summer season to target both claim blocks with geochemical surveys (stream sediment, soil and rock sampling), airborne geophysics (magnetic and radiometrics) and geological mapping.

First pass geological mapping of the property was undertaken and ridge-and-spur soil samples and stream sediment samples were collected at the Scarlet East property. Results from this program were disclosed in Radius's news releases of July 13 and 26, 2011. Based upon soil results anomalous in Au-As-Hg-Sb-Tl in an area of orange-weathering limestone, a full soil sampling grid based on 50 x 50 or 50 x 100 m sampling was undertaken on the Scarlet East property in August 2011. In total, over 8,700 soils were collected. Rock prospecting resulted in 164 rock samples, and a stream sediment survey resulted in 239 samples. Management is of the view that strongly anomalous values in all the major elements were confirmed in the soil sampling program.

In March 2012, the Company signed a binding letter of intent with Strategic Metals Ltd. (Strategic") granting Strategic the option to acquire an undivided 60% interest in the Scarlet East claim block. Strategic can exercise the option by making \$5,000,000 in exploration expenditures on the property as follows:

- \$500,000 on or before December 31, 2013;
- an additional \$1,000,000 on or before December 31, 2014;
- an additional \$1,500,000 on or before December 31, 2015; and
- an additional \$2,000,000 on or before December 31, 2016.

Strategic is also required to complete not less than 1,000 meters of drilling on or before December 31, 2012.

Scarlet West

A much more limited program of soils was undertaken later in the 2011 season on the Scarlet West property. Although the property was initially staked for its potential to host lode gold deposits, work and research by Radius 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 1136 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 addition to confirming the lead-zinc potential of the property soil samples from the northern portion over the Larry and Puddle Zones, locally contained anomalous values for gold (up to 39 ppb), mercury, arsenic and thallium.

In May 2012, an additional 15 claims were staked after claims held by a competitor over the Chopper Pad Zone lapsed. Exploration plans in 2012 for Scarlet West include additional soil sampling and geological mapping to delineate the prospective stratigraphy for lead – zinc mineralization and on the north side of the property for its gold bearing potential. The goal is to define drill targets and have drill ready targets at the completion of this program.

Sixty Mile Property

The Sixty Mile Property consists of 945 claims, of which 670 claims are owned outright and the balance are under option from third parties. The Property is a large land position covering 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 setting of International Tower Hill's (TSX-V: ITH.V) major Livengood gold discovery in Alaska, a multi-million ounce gold discovery driven by the search for the source of placer gold in that area.

During 2011, a diamond drill program was completed by Radius consisting of 20 holes (5,273 metres). Sixteen holes tested the Graben Fault Zone in the Sixty Mile River Valley and four tested the Thrust Fault Zone. Significant gold bearing intervals are tabulated below.

Zone	Hole ID	From (m)	To (m)	Length (m)	Au (g/t)
Graben	DDH11-08	193.50	194.50	1.00	19.00
Graben	DDH11-10	249.00	250.50	1.50	132.90
Graben	DDH11-14	32.00	33.00	1.00	5.17
Thrust	DDH11-15	193.00	196.50	3.50	1.50
Thrust	DDH11-15	233.17	251.05	17.88	0.44
Thrust	including	234.00	238.00	4.00	1.02
Thrust	DDH11-18	88.00	193.30	105.30	0.51
Thrust	including	141.93	166.00	24.07	1.57
Thrust	DDH11-19	224.50	228.60	4.10	1.84
Thrust	DDH11-20	182.98	185.65	2.67	1.06
Thrust	DDH11-20	201.78	202.75	0.97	1.79
Thrust	DDH11-20	272.00	273.03	1.03	1.40

The Thrust Fault Zone

In 2010 Radius identified orogenic gold mineralization within a package of northeast trending brittle siliclastic metasediments cut by thrust faults (the “Thrust Fault Zone”). This area is likely one of the sources for the extensive placer gold deposits that has been mined from the creeks that cut this unit. The host units are extensive, and there are multiple beds of quartzite hosting cross cutting, gold bearing veins. In 2010 four core holes drill tested this unit and anomalous gold was encountered over down hole widths of up to 79 m. Holes DDH11-15, 18, 19 & 20 tested the Thrust Fault Zone.

Drill hole DDH11-15 targeted mineralization down dip of mineralization intersected in the upper portions of 2010 drill holes DDH10-1, 2 and 3. Sample results from hole 15 are similar to those received in 2010 including a 4.0 meter section (from 234.00 – 238.00 m) that graded 1023 ppb gold. Drill hole DDH11-18 targeted a brittle quartz rich unit intersected in DDH10-3 that returned 160 ppb gold over 79.27 m. The drilling direction of DDH11-18 was close to right angles to that of DDH10-03 as the purpose of hole 18 was to intersect the quartz veins at a high angle compared to the low angles observed in drill core in 2010. Best results from DDH11-18 include 1.5 g/t Au over 24 meters (from 141.78 m – 166.00 m), where visible gold in quartz veins was observed, within a broader 105.30 m interval that graded 507 ppb (from 88.00 – 193.30 m).

Drill hole DDH11-19, located approximately 950 m northwest of DDH11-15, 18 and DDH10-1, 2 & 3, targeted resistivity and induced polarization (IP) anomalies. The best result was 1837 ppb over 4.10 m (from 224.50 m – 228.60 m) from a quartz veined quartz rich schist unit.

Drill hole DDH11-20, targeted the thrust fault zone where it crosses a ridge, approximately 2.1 km to the northeast of DDH11-19. Like DDH11-19, hole 20 targeted resistivity and IP anomalies. Best values included three narrow (0.97 m to 2.67 m) intervals of >1 g/t Au from a fault zone and sericite altered and silicified schist.

In April 2012, the Company received a report detailing the results of the geophysics (IP and EM) that was carried out over the area of the Thrust Fault Zone that was drill tested by Radius in 2011. This is currently being interpreted and incorporated into an exploration model. Although additional drilling of this zone is not currently planned, the objective of building an exploration model is to develop drill targets with gold grades similar or better than what was intersected in DDH11-18.

The Graben Fault Zone

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

Holes DDH11-08 and -09 tested the historic per occurrence (see Radius’s news release dated June 6, 2011) which lies within a zone of illite alteration that extends towards the east where holes DDH11-10 and 14 tested fault

structures. DDH11-08 intersected strongly bleached and sericite altered Carmacks Group andesite crosscut by narrow dolomite pyrite veins that contained 19.0 g/t Au from 193.5 m to 194.5 m.

Drill hole DDH11-10 intersected 132 g/t Au over 1.5 m. This hole was drilled 1.4 km east northeast of hole DDH11-08. The interval consisted of bleached, hematized and sericite altered quartz feldspar biotite schist cross cut by minor quartz/pyrite veins. The large scale of the alteration system which can be traced over an 8 km strike length, required that the 2011 drilling was very widely spaced in order to drill test several targets. While many of the holes returned disappointing results, especially the follow-up holes at the Toni occurrence, the high grade intercepts in holes DDH11-08 and -10 are potentially related to an alteration zone that can be traced for a distance of 2 km, requiring further follow up work. DDH11-14, collared approximately 400 m east of DDH11-10, intersected a 1.0 m interval of propylitic altered andesite with limonitic zones that graded 5172 ppb gold.

In 2010, Radius drilled two holes at the Toni occurrence testing the volcanic rocks proximal to the fault zone. Both holes returned highly anomalous gold values over plus-50-metre intervals with narrower intervals of potentially ore-grade material (see Radius's news release dated Nov. 16, 2010). The initial 2011 drill holes (DDH11-01, 02, 03 and 06) targeted down dip and along strike of last year's hole DDH10-06 at the Toni occurrence, and while these holes returned erratic anomalous gold values with some narrow >1g/t Au intervals, the drilling did not identify potential for a bulk-tonnage gold target at Toni.

Holes DDH11-04, 05, 07, 11, 12 and 13 tested potential silica bodies outlined by the geophysical program but none of these geophysical anomalies proved to have merit as gold targets. DDH11-09, 16 and 17 did not return any significant gold values.

Management is currently awaiting a geophysical report with the results and conclusions of the CSAMT (Controlled Source Audio Frequency Magnetotelluric) survey that was carried out over the Graben Zone in 2011. Once the report is received, the results will be used to help evaluate the Graben Zone for additional epithermal gold targets. Pending the report and identifying new drill targets no additional drilling is planned on this target.

Drill holes DDH11-03, 04 and 05 spaced 400 m to 500 m apart intersected a previously unmapped, sericitically-altered feldspar porphyry body that contains widespread disseminated pyrite and is cut by pyrite +/- chalcophyrite-molybdenite bearing fractures and stockworks with silica-sericite alteration haloes. Disseminated molybdenite is also present. Broad zones of anomalous copper were intersected in these holes with the best being DDH11-03 which averaged 380 ppm copper over 294 m starting at 25.45 to the end of the drill hole. This porphyry yields a U-Pb zircon age of 68.0 +/- 0.6 Ma, similar to other copper – gold – silver mineralized systems identified in the Yukon. Bedrock sampling in the overburden covered valley identified a northeast trending copper anomaly (>350 ppm Cu) over an approximate 1.5 km by 0.4 km area. A major mining company has expressed an interest in the copper potential of the porphyritic granitoid intersected in DDH11-03, 04 and 05 and is evaluating the data.

Face Property

The Face property comprises 701 contiguous claims in western Yukon, 8 km due east of Eagle, Alaska. The initial 94 claims were staked in 2010, centred on a government regional silt survey Au anomaly, located over carbonate rocks analogous to the Atac Resources' Rackla belt, and with a similar spatial relationship to the Dawson thrust.

A first pass reconnaissance ridge-and-spur soil sampling and stream sampling survey was undertaken by Radius in the summer of 2011 with 155 soils and 31 stream sediments collected on the western half of the property. Results define a roughly east-west striking zone with coincident Au-Ag-Tl-Hg-Sb-As-Pb-Cu anomalies, in both soils and stream sediments. Based upon these results, the claim block was increased to 270 claims in August 2011.

A magnetic airborne survey was carried out in late November 2011. The high resolution magnetic data, collected on lines flown at 200 m line spacing, highlights geological rock units and will aid in geological mapping and understanding the structural setting of the property in 2012.

An additional 431 claims were staked in April 2012, extending the claim block to the northeast. These claims cover prospective stratigraphy and stream drainages with anomalous gold+/-arsenic +/- antimony+/-mercury values in stream sediment samples reported by the Geological Survey of Canada.

A greatly expanded soil grid survey and geological mapping is planned for the summer of 2012 to further delineate and extend the anomalous zones identified in 2011 and to follow up on anomalous stream sediment samples reported by the Geological Survey of Canada. The goal of this work is to identify potential drill targets.

Iola Claims

In late October 2011, Radius staked 80 claims (1,670 Ha) over a silver - base metal target, the Yukon Minfile, Iola occurrence. It is located approximately 115 kilometres northeast of Whitehorse and is about 15 km from the South Canol Road. It is an early stage property and planned work in 2012 will consist of a soil sample survey, prospecting and geological mapping.

Ten Mile Creek Property

The Company has an option to acquire a 100% interest in the Ten Mile Creek property, and in turn Solomon has an option to earn a 51% interest in the property. The property comprises 323 mineral claims located approximately 30 kilometres north-northwest of the White Gold Property of Kinross Gold Corp. and 60 kilometres north of the Coffee Gold Project of Kaminak Gold Corp. Solomon has identified a number of gold in bedrock and soil anomalies within the property.

Solomon's 2011 exploration program included expanded soil geochemical grids, airborne geophysics and geological mapping that demonstrated that the Jval Vein System is the surface expression of an extensive structurally controlled gold system that dominates the northernmost portion of the property and extends over an area 2700 meters by 3880 meters in size (see Solomon's September 19, 2011 news release). Previous work on this zone returned trench results of 1.6 grams/tonne (g/t) gold over 25 meters (including 11.1 g/t gold over three meters) and 1.0 g/t gold over 19 meters (including 8.5 g/t over 1.5 meters). Within this vein system are at least two discrete gold in soil geochemical anomalies, the Skukum and Jack London anomalies, that have gold values up to 1436 ppb and 787 ppb respectively.

In addition Solomon has identified another gold in soil anomaly, the Klondike Kate Zone, located approximately four kilometers east of the Skukum Zone, that measures about 1950 m by 800 m with gold values up to 698 ppb.

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. Voyager intends to continue with exploration work in 2012 to identify the source of the anomalous gold values with an initial program of trenching and 500m of diamond drilling.

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.

Selected Quarterly Information

The following table provides quarterly information for the period from incorporation on September 20, 2011 to March 31, 2012:

Quarter Ended	March 31, 2012	December 31, 2011*
	(\$)	(\$)
Exploration expenditures (net)	74,370	-
General and administrative expenses	50,467	31,396
Net loss	124,837	31,396
Basic and diluted loss per share	0.003	0.004

* The quarter ended December 31, 2011 includes the period from incorporation on September 20, 2011 to December 31, 2011.

Results of Operations

The Company was incorporated on September 20, 2011 and, as such, there are no comparative figures presented herein.

The quarter ended March 31, 2012 recorded a net loss of \$124,837. Exploration expenditures were recorded for the first time during this quarter and totaled \$74,370 of which \$46,536 was spent on the Scarlet properties, \$13,326 on the Sixty Mile property, \$5,944 on the Newt property, \$4,958 on the Face property, and \$3,606 on general Yukon exploration activities. Also during this period, the Company incurred general and administrative expenses of \$50,467. The primary costs impacting this period were \$13,314 in salaries and wages, \$10,343 in office and administrative, \$9,099 in public relations, \$9,022 in travel and accommodation, and \$7,350 in transfer agent and regulatory fees. Other significant costs were \$4,182 in office and administration and \$3,000 in public relations.

Future Accounting Changes

The following new standards and interpretations have been issued by the IASB but are 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.

IFRS 13 Fair Value Measurement

IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value. The new requirements are effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. Management has yet to assess the impact that IFRS 13 is likely to have on the Company's financial statements.

No additional new standards, amendments and interpretations have been early adopted in these financial statements and there are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Liquidity and Capital Resources

The Company is in the exploration stage and therefore has no cash flow from operations. The principal source of funds since incorporation has been the \$1.0 million received upon completion of the Spin-Out transaction.

As at March 31, 2012, current assets were \$1,424,602 of which \$909,454 was cash and \$507,500 the fair value of available-for-sale investments. Current liabilities were \$101,049, resulting in a working capital position of \$1,323,553. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

The Company expects its current capital resources to be sufficient to carry out its general and administrative operating costs for the next twelve months but will likely need to raise additional capital resources in order to fulfil planned mineral property acquisition and exploration activities for the next twelve months. Actual funding requirements may vary from those planned due to a number of factors, including the progress of property acquisition and exploration activity. Management believes it will be able to raise equity capital as required, but recognizes the uncertainty attached thereto.

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. 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.

As at March 31, 2012, 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 these financial statements.

General Objectives, Policies and Processes:

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

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

a) Market Risk

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

Interest Rate Risk

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

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company's marketable securities are exposed to significant equity price risk due to the potentially volatile and speculative nature of the businesses in which the marketable securities are held. The marketable securities held in Cordoba, Solomon, and Voyager are monitored by Management with decisions on sale taken at Board level. A 10% decrease in fair value of the shares would result in a \$50,750 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 marketable securities. 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.

Determination of Fair Value:

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. All financial instruments at March 31, 2012 are carried at amortized cost, apart from the available-for-sale investments of \$507,500 which are carried at fair value. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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

The Company has made the following designations of its financial instruments: cash as loans and receivables 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 marketable securities investments for Cordoba and Solomon are based on quoted prices and are therefore considered to be Level 1.

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

Related Party Transactions

The Company's related parties with transactions during the three month period ended March 31, 2012 consist of directors, officers and companies with common directors as follows:

<u>Related Party</u>	<u>Nature of Transactions</u>
Radius Gold Inc.	Shared office, administrative and exploration related charges

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

- a) During the period ended March 31, 2012, the Company incurred \$58,082 in office and administration, public relations, salary and wages, travel and accommodation costs, and geological fees charged by Radius. In addition, \$15,282 of leasehold improvement costs was paid by Radius on behalf of the Company. Radius is reimbursed by the Company for these shared costs and other business related expenses paid by Radius on behalf of the Company.
- b) The due to related party amount of \$39,877 as of March 31, 2012 is due to Radius. The balance is unsecured, due on demand and does not bear interest.

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

Key management compensation

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

**Three months ended
March 31, 2012**

Salaries and benefits	\$ 2,027
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Other Data

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

Share Position and Outstanding Warrants and Options

As at May 29, 2012, the Company had 36,200,959 common shares issued and outstanding and the following share purchase warrants are currently outstanding:

No. of warrants	Exercise price	Expiry date
36,067,625	\$0.30	June 7, 2013

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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statement of financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- (a) The carrying value of Level 2 investment in marketable securities and the recoverability of the carrying value which are included in the statement of financial position;
- (b) The carrying value of the investment in exploration and evaluation costs and the recoverability of the carrying value which are included in the statement of financial position; and
- (c) The fair value of the exploration and evaluation costs determined through the Spin-Out.

Forward Looking Information

Certain statements contained in this MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

Risks and Uncertainties

The business of mineral exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. The Company does not currently hold any properties with a known commercial deposit. Operations, status of mineral property rights, title to properties, and recoverability of amounts shown for mineral properties can be affected by changing economic, regulatory and political situations. Other risks facing the mineral exploration industry include competition, environmental and insurance risks, fluctuations in metal prices, share price volatility, and uncertainty of additional financing.