ARNEVUT RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2012

Dated: April 24, 2013

A. Introduction

The following is management's discussion and analysis ("MD&A") of the operations, results and financial position of ARNEVUT Resources Inc. ("ARNEVUT" or the "Company") for the year ended December 31, 2012, which should be read in conjunction with the Company's Audited financial statements for the year ended December 31, 2012. This MD&A was prepared on April 24, 2013.

Unless otherwise noted, amounts are in Unites States dollars.

ARNEVUT Resources Inc. is a development stage junior exploration company engaged in the identification, acquisition, evaluation, exploration and development of mineral properties in the United States. The recoverability of amounts recorded for mineral properties and capital exploration is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain the necessary financing to develop the properties, and upon attaining future profitable production from the properties or sufficient proceeds from disposition of the properties.

Additional information relating to the Company is available on the Company's website at www.ARNEVUTResources.com.

ARNEVUT Resources Inc. was incorporated on July 7, 2007 under the laws of the state of Colorado in the United States. The Company's mineral properties consist of East Canyon, Island Mountain, and Zia Claims. The properties are located in the states of Nevada, New Mexico, and Utah in the United States.

During fiscal 2011 and into mid-2012, the Company had limited business activity due to a lack of working capital. Although world economies have improved since March 2009, the money supply in the capital markets are still very tight and now very selective where investments are being made in the mineral exploration sector. The Company has been competing for capital mainly in the Canadian capital markets where it is competing against other Canadian Public Issuers who are raising capital for international mining properties and in some case Canadian properties that take advantage of the Canadian tax benefits of Flow-Through Shares. These types of investments are more popular with Canadian investors due to their tax benefits, which makes it much it much more difficult for non-Canadian Issuers to raise capital for non-Canadian mineral properties. The Company's properties are all located in the United States (Nevada, Utah, and New Mexico) so it is not possible to take advantage of Flow-Through Shares as an investment incentive.

B. Summary of Mineral Properties

Island Mountain Property

This gold-silver property in Elko County in northeastern Nevada is our most advanced property. The Company currently holds 51% ownership in the property. Drilling (330 drill holes from 1982-2004) has progressed to the point that approximately 510,000 ounces of historical gold resources (NI 43-101 compliant) are known. However, drilling has not been sufficient to define the lateral or vertical limits of the gold deposits or to confirm mineability of the deposits. The deposits in this property fit the Carlin-type gold deposit model, and comparison with other mines and deposits in the Jerritt Canyon Trend suggest that there should be significant to larger deposits at depth beyond what has been drilled thus far. There also are vein-type gold deposits in a central intrusive and disseminated gold in skarns surrounding the intrusive. If the Jerritt Canyon deposit model holds true, then the property has potential for upwards of 1,500,000 ounces, with 1,000,000 in the oxide zone likely. Results from 19 holes drilled in 2012 are under review. Thirty additional drill holes are permitted and are planned to be drilled in Summer-Fall of 2013. Additional geophysical, geological, and especially drilling work needs to be performed to confirm the quality and extents of the deposits and convert resources into reserves so that the property can be permitted for production. The controlling option agreement requires at least 3 more years of work commitments by the Company to get the property to that point.

East Canyon Property

The Company holds 100% interest in an option agreement on 10 unpatented lode claims on the border of Nevada and Utah approx. 45 miles north of Wendover, Utah. ARNEVUT also holds a lease on a state section to the south of the lode claims and is in negotiation for leases of privately controlled mineral rights. The claims and state section are in the Lucin mining district in Elko County, Nevada and Box Elder County, Utah. The Lucin District is a past producer of copper, lead, silver, and zinc with minor gold. This area is part of the Long Canyon Trend of gold deposits and anomalies in northeastern Nevada and northwestern Utah. The unpatented claims cover the largest cluster of surface gold geochemical anomalies in the Lucin District. The state section lease covers an area of silver, lead, and zinc geochemical anomalies. Drilling is required to prove the resources based on surface and geophysical anomalies. Geological, geochemical, and geophysical mapping and surveys are planned for 2013 to identify drilling targets for permitting in 2014.

Zia Property

ARNEVUT owns a group of 79 uranium claims in northern New Mexico in the Grants uranium district. Mineralization is known to exist in this property, but drilling is needed to confirm resources identified in past drilling from which the drill records are not available. The property is adjacent to the La Jara Mesa property held by Laramide Resources and for which a mine permit is under review. This property has been optioned to PME Energy Corp. and is subject to earn-in requirements over a period of 4 years.

C. Results of Operations

The Company incurred a consolidated net loss for the twelve months ending December 31, 2012 of $1,890,481 compared to $645,860 for the twelve months ending December 31, 2011. The increase in loss in 2012 compared to 2011 is primarily due to significant increases in exploration expenses of $1,654,913 (2011 - $202,386), and auditing, accounting and legal costs of $74,153 (2011 - $58,359). The increase in exploration expense is due to increased exploration activity on the Company's mineral projects, principally the Island Mountain Property. The increase in consulting expense is due to services provided for work on the Company's mineral projects, for investigating sources of financing and evaluating prospective new mineral properties. Most other costs during the current year are comparable to the previous year's costs.

Island Mountain Property

The Company is focused on the exploration and development of the Island Mountain Property in Elko County, Nevada as its primary property. Project expenditures according to Company project records were $1,644,727 for the twelve-month period between November 16, 2011 and November 16, 2012. The work requirement amount for this period, under the option agreement between the Company and Gateway Gold (USA) Corp. ("Gateway") (now owned by Victoria Gold Corp.), was $1,350,000.

Note that the 2012 audited Financial Statements for the Company show different amounts than the above due to differences in categorization of expenses and other costs for auditing purposes versus Company project tracking purposes. In the Consolidated Financial Statements, the Company spent a total of $1,610,610 for the twelve months ending December 31, 2012 compared to $178,119 the twelve months ending December 31, 2011 for the Island Mountain Property. Geological consulting costs were $179,229 for the twelve months ending December 31, 2012 (2011 - $147,304) and exploration and surveying costs were $1,169,700 (2011 – $496).

ARNEVUT in 2010 was able to locate and acquire the assay data from some of the older drilling that Gateway had not provided to them. This lead to a NI 43-101 compliant resource estimate effective as of March 2012. Following this, ARNEVUT was able to attract sufficient private funds to commence a major drilling program in September 2012. This new funding was secured through a private placement subject to a Memorandum of Understanding ("MOU") with The Precious Minerals and Energy Company Sàrl ("PME") on September 21, 2012 for financing the Company's corporate and project activities. The funding committed for 2012 was US$1,800,000 in three tranches completed on October 19, 2012.

By mid-November, 2012, 18 reverse circulation holes and one diamond drill hole had been completed for a total of 14,583 feet (4,446 meters) drilled and 2,877 samples of cuttings and core taken for analyses. The data generated in the new drilling program is being collated and analyzed over the winter and spring months and will be used to plan renewed drilling in 2013 and a 2014 program as well. This information is not yet at a stage where it can be integrated into a new resource estimate. A revised NI 43-101 report was completed in early 2013 to describe the project work.

Also see Note 6(a) of the 2012 Consolidated Financial Statements for details on the agreement between the Company and Gateway (Victoria Gold Corp.) including a comparison table.

East Canyon Property

On October 20, 2009, the Company obtained an option agreement on 100% of ten lode claims comprising the East Canyon Property in Box Elder County, Utah and Elko County, Nevada. In January 2011, the Company obtained a lease on a Utah State Section to the south of the 10 claims, thereby expanding the property and covering additional metal anomalies. Negotiations are underway with owners of private mineral rights to further expand the property. The property is subject to a 2.5% NSR royalty on base metals and 3% NSR on precious metals. The Company can purchase the property including the NSR for $4,000,000 in cash or shares of the company prior to production activities commencing. The Company spent a total of $25,330 less a recovery of capitalized costs of $3,000 for the twelve months ending December 31, 2012 compared to $13,157 for the twelve months ending December 31, 2011 on the East Canyon Property. The Company is continuing an exploration program that will include geophysical surveys, soil sampling, additional prospecting and mapping, and an initial drilling program planned in 2014.

Zia Property

The Company spent a total of $18,973 for the twelve months ending December 31, 2012 compared to $11,110 for the twelve months ending December 31, 2011 on the Zia Property. Subsequent to December 31, 2012, the Company completed an option agreement with PME Energy Inc. ("PME Energy"), a Colorado Corporation in which PME holds the majority of common shares and whereby PME Energy assumes all expenditures related to the ZIA property such as claim fees, required permits for exploration, and a reasonable amount of exploration starting in 2013 and with a 4-year earn-in period.

D. Summary of Annual Financial Information

Consolidated Balance Sheet

	December. 31, 2012 (Audited) $	December 31, 2011 (Audited) $
ASSETS		
CURRENT		
Cash	*198,033*	*559*
Marketable Securities	*-*	*300*
	198,033	*859*
NON-CURRENT		
Exploration and Evaluation Assets	*623,675*	*512,775*
Reclamation Bond	*110,380*	*41,080*
	734,055	*553,855*
LIABILITIES		
CURRENT		
Trade and Other Payables	*37,409*	*77,667*
Due to Related Parties	*392,273*	*319,877*
	429,682	*397,544*
SHAREHOLDERS' EQUITY		
Share Capital	*3,818,222*	*1,582,505*
Deficit	*(3,315,816)*	*(1,425,335)*
	502,406	*157,710*
	932,088	*554,714*

GENERAL AND ADMINISTRATIVE EXPENSES

	December 31, 2012 (Audited) $	December 31, 2011 (Audited) $
Audit, Accounting and Legal	*74,153*	*58,359*
Administration	*30,163*	*30,076*
Consulting	*103,657*	*318,029*
Due Diligence	*-*	*790*
Dues and Subscriptions	*1,036*	*5,773*
Meals and Entertainment	*1,280*	*2,173*
Office and Miscellaneous Expense (Recovery)	*5,445*	*(3,118)*
Rent	*12,100*	*14,300*
Telephone	*2,499*	*3,574*
Travel	*4,935*	*9,648*
	235,268	*439,604*
EXPLORATION COSTS	*1,654,913*	*202,386*
LOSS BEFORE OTHER ITEMS	*(1,890,181))*	*(641,990)*
Unrealized Loss on Marketable Securities	*(300)*	*(3,870)*

NET LOSS FOR THE YEAR	*(1,891,481)*	*(645,860)*
Other Comprehensive Income	*-*	*-*
COMPREHENSIVE LOSS FOR THE YEAR	*(1,891,481)*	*(645,860)*
WEIGHTED AVERAGE NUMBER OF SHARES	*28,246,880*	*17,893,681*
BASIC AND DILUTED LOSS PER SHARE	*(0.07)*	*(0.04)*

STATEMENT OF CASH FLOWS

OPERATING ACTIVITIES		
Net Loss for the Year	*(1,890,481)*	*(645,860)*
Non-Cash Items		
Shares Issued for Services	*-*	*164,000*
Unrealized Loss on Marketable Securities	*300*	*3,870*
	(1,890,181)	*(477,990)*
Change in Non-Cash Working Capital Accounts		
Trade and Other Payables	*(40,258)*	*(1,833)*
Due to Related Parties	*72,396*	*94,322*
	(1,858,043)	*(385,501)*
FINANCING ACTIVITIES		
Shares Issued for Cash	*2,235,717*	*306,250*
INVESTING ACTIVITIES		
Resource Property Expenditures	*(110,900)*	*(23,100)*
Reclamation Bond	*(69,300)*	*-*
	(180,200)	*(23,100)*
INCREASE (DECREASE) IN CASH	*197,474*	*(102,351)*
Cash, Beginning of the Year	*559*	*102,910*
CASH, END OF THE YEAR	*198,033*	*559*

E. Financial Conditions, Liquidity & Capital Resources

	December, 31, 2012	December 31, 2011
Cash	$ 198,033	$ 559
Working Capital Deficiency	(231,649)	(396,685)

This decrease in working capital deficiency for the current year is due to common share financings completed during the current year and exercise of warrants increasing the Company's cash position. The Company currently has adequate working capital but may require cash to fund ongoing general and administrative costs. It is likely that future operations will be financed through the issuance of common shares from private placements.

As of December 31, 2012 the Company had $198,033 in cash compared to $559 on December 31, 20011. The increase in cash position during the current year is from financings completed during the year and from cash received from the exercise of warrants.

Net cash used in operating activities for the year ended December 31, 2012 was $1,858,043 compared to $385,501 the previous year. The cash used in operating activities for the current year consists primarily of operating loss and a change in non-cash working capital.

Net cash provided by financing activities for the year ended December 31, 2012 was $2,235,717 compared to $306,250 provided during the previous year. The cash provided by financing activities for the current year was primarily raised by private placements and the exercise of warrants.

Net cash used by investing activities for the year ended December 31, 2012 was $180,200 compared to $23,100 used during the previous year. Net cash used during the current period consists primarily of expenditures on mineral properties.

As is typical for a company at this stage of development, the auditors have issued a going concern opinion. This means that there is substantial doubt that the Company can continue as an ongoing business for the next twelve months unless additional capital is obtained to provide for ongoing working capital requirements. The Company remains dependent upon its ability to obtain outside financing through the issuance of additional shares of its common stock until it can achieve sustained profitability through profitable mining operations, or the receipt of proceeds from the disposition of its mineral property interests. The Company's business now focuses on, and is expected to continue to focus on, acquiring, exploring and evaluating mineral properties, and either joint venturing, developing these properties further, or disposing of them when the evaluation is completed.

F. Related Party Information

The Company entered into consulting agreements with key management in 2010. These agreements provide for payment of management and consulting fees and expenses depending on the cash position of the Company and on a month-to-month basis. The agreements also provide for buyout in the case of unilateral cancellation of the contract by the Company or buyouts for other entities (“poison pill provisions"). Payment for contract cancellation may be in cash or shares of the Company (the surviving entity).

The Company also has consulting agreements with consultants used on a needs basis that include provisions for confidentiality, non-compete and payment of fees and expenses. These agreements generally do not extend to surviving companies in the case of the Company non-continuing of operation but do maintain a minimum of a two-year period for confidentiality and non-compete.

G. Subsequent Events and Outlook

Majority Ownership of Island Mountain Property

The Company achieved a 51% ownership in the Island Mountain Property on January 16, 2013 after completing the required $2,500,000 minimum expenses on the property under the First Option of the option agreement with Gateway (Victoria Gold Corp.). This completion of a key aspect of the option agreement was confirmed by Victoria Gold Corp. management. The Company also elected to pursue the Second Option under the option agreement, which requires the expenditure of an additional $2,500,000 on property activities and payments of $75,000 and 600,000 common shares to Victoria Gold Corp. by January 16, 2015. Completion of the Second Option will result in 65% ownership of the Island Mountain property by the Company.

Farm-out of Zia Claims

Completed a farm-out option agreement for the Zia Clams uranium project farm-out to PME Energy on January 26, 2013 whereby PME Energy will control 75% of the property upon completion of $200,000 expenditure over the first four years of the agreement. PME Energy assumes all expenditures related to the ZIA property such as claim fees, required permits for exploration, and a reasonable amount of exploration work starting in 2013. The Company’s senior management and geologists will provide technical and managerial services at reasonable consulting rates to PME Energy as needed. The Zia Claims is not a core asset of the Company, but will provide some small income to the Company through this option agreement and ultimately may be advanced by PME Energy to a saleable or production stage property.

Acquisition of Blair Property

The Company began the process of acquiring a new exploration property in southwestern Utah, referred to as the “Blair Property” in March 2013. A Utah State Section lease has been acquired on a key portion of this property and staking of unpatented claims for the remainder of the property is in progress.

Shareholder Approval of Reverse Split of Company’s Common Shares and Amendment to Articles of Incorporation.

On April 12, a Special Meeting of the Company’s shareholders was held to vote on 1) a 3:1 reverse split of the Company’s outstanding common stock and 2) an amendment to the Company’s Articles of Incorporation in Colorado to allow majority voting of shareholders without requiring a meeting of all shareholders. Both measures passed with no dissent. The outstanding common shares were reversed from 48,108,101 to 15,618,571 shares.

Appointment of Suzanne Bachmann as Director of Company

At the request of PME, a change in a member of the Company’s board of directors was performed on April 15, 2013. Ms. Suzanne Bachmann replaced Mr.Hansjörg Eberle as one of the PME directors on the board.

Purchase of Field Housing and Storage Facility

On April 19, 2013, ARNEVUT entered into a purchase agreement for real estate in the community of Wild Horse, Nevada, which is close to their Island Mountain gold-silver property. This purchase will provide housing and storage facilities for geological and other project staff within a 15 minute drive of the Island Mountain property and reduce related field costs compared to more distant housing options. Closing on this purchase is planned for mid-May 2013.

ARNEVUT Initial Public Offering

The Company initiated plans to compete a listing on the TSX-V Exchange through the use of an Initial Public Offering ("IPO") and to raise up to CD$3,500,000 through a Concurrent Financing primarily for continued exploration on the Island Mountain Property and advance exploration work on the East Canyon Property. The IPO is anticipated to be in completed in the 3rd Quarter 2013.

H. Disclosure Controls and Procedures

The internal control systems for accounting and corporate governance have not changed significantly since the twelve-month period ending December 31, 2011. The Board of Directors reviews the interim and annual financial statements and, when appropriate, a Management Discussion and Analysis. The Audit Committee consists of two independent directors (Henry Neugebauer and William Boberg) and a Company management representative (William R. Wilson, CFO) as Chairman. Audit committee meetings generally are held by telephone conference call to review and discuss the interim and annual financial statements and, when required, the Management Discussion and Analysis prior to recommendation for approval being made to the Board of Directors regarding these statements.

The Company does not have a Board of Directors corporate governance committee. The Company uses best practices developed by Management over a long period of time working in publically traded mining companies in the United States and Canada. This experience and the day-to-day operations within the Company and in other positions provide up-to-date systems that monitor funds sources and uses, Company procedures and environmental compliance.

I. Risk and Uncertainties

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentration of credit risk through cash and cash equivalents. The Company limits its exposure to credit loss by placing its cash with major institutions.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in the market interest rates. The Company is exposed to interest rate risk to the extent that the cash maintained at the financial institutions is subject to a floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant. The Company's other financial assets and liabilities do not comprise any interest rate risk since they do not bear interest.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The Company's approach to managing liquidity risk is to ensure that will have sufficient liquidity to meet liabilities when due.

Fair Value

The recorded value of the Company's financial assets and liabilities, except for amounts due to related parties, approximate their fair values due to their demand nature and their short term maturity.

Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital and deficit.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to the determination of environment obligations and impairment of mineral properties and deferred cost. Actual results may differ from these estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Risk and Uncertainties

The Company's Operations and results are subject to a number of different risks at any given time. These factors include but are not limited to disclosure regarding exploration, additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards, insurable risk and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulation risk.

(a) The state of the capital markets, which will affect the ability of the Company to finance further mineral property acquisitions and expand its contemplated exploration programs;
(b) The prevailing market prices for base metals and precious metals;
(c) the consolidation and potential abandonment of the Company's property as exploration results provide further information relating to the underlying value of the property;
(d) The ability of the Company to identify and successfully acquire additional mineral properties in which the Company may acquire an interest whether by option, joint venture or otherwise, in addition to or as an alternative to the property.

Nature of Mineral Exploration and Mining

There is no known economic recoverable mineral resource upon any of the Principal Properties. Development of any of the Principal Properties will follow only upon obtaining satisfactory exploration results. Mineral exploration and development involves a high degree of risk and of those properties which are explored, few are developed into producing mines. The Company provides no assurance that its mineral exploration and development activities will result in any discoveries of bodies of commercial ore. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors out of the Company's control.

Mineral Deposits and Productions Costs; Metal Prices

Many factors affect the economics of developing mineral deposits, including variations in ore grade, cost of operations, and price fluctuations in of products sold. Metal prices influence heavily the value of the Principal Properties. Metal prices can and do change by substantial amounts over short periods of time, and are affected by numerous factors beyond the Company's control, including changes in supply and demand, international economic and political trends, inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities, and increased production arising from improved mining and production methods and new discoveries. The Company provides no assurance that the prices of mineral products will be sufficient to ensure that any of the Principal Properties can be mined profitably.

Depending on the price received for minerals produced, the Company may determine that it is impractical to commence or continue commercial production. The grade of any ore ultimately mined from a mineral deposit may differ from that predicted by drilling results.

Exploration and Development Risks

The only sources of future funds for further exploration programs which are presently available to the Company are the sale of equity capital, or the offering by the Company of an interest in its properties to be earned by another party carrying out further exploration. There is no assurance that such sources of financing will be available on acceptable terms, if at all. In the event that commercial quantities of minerals are found on the Company's properties, the Company does not have the financial resources at this time to bring a mine into production.

All of the Company's properties are in the exploration stage only and none of the properties contain a known body of commercial ore. The Company currently operates at a loss and does not generate any revenue from its mineral properties. The exploration and development of mineral deposits involve significant financial risks over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. Major expenditures may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the Company's exploration programs will result in a profitable commercial mining operation.

Additional Financing

The Company has limited financial resources and provides no assurance that it will obtain additional funding for further exploration and development of its projects or to fulfill its obligations under applicable agreements. The Company provides no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's Properties with the possible dilution or loss of such interests. Further, revenues, financings and profits, if any, will depend upon various factors, including the success, if any, of exploration programs and general market conditions for natural resources. The Company provides no assurance that it can operate profitably or that it will successfully implement its plans for its further exploration and development of its Properties.

Permits and Licenses

The Company will require licenses and permits from various governmental and non-governmental authorities for its operations. The Company has obtained, or plans to obtain all necessary licenses and permits required carrying on the activities it is currently conducting or which it proposes to conduct under applicable laws and regulations. However, such licenses and permits are subject to change in regulations and in various operating circumstances. The Company provides no assurance that it will obtain all necessary licenses and permits required to carry out exploration, development and mining operations.

Political Regulatory Risks

Any changes in government policy may result in changes to laws affecting ownership of assets, mining policies, monetary policies, taxation, rates of exchange, environmental regulations, labor relations, repatriation of income and return of capital. This may affect both the Company's ability to undertake exploration and development activities in respect of the Principal Properties in the manner currently contemplated, as well as its ability to continue to explore, develop and operate the Principal Properties. The possibility that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

Currency Risk

Currency fluctuations may affect the cash flow which the Company may realize from its operations, since most mineral commodities are sold in a world market in United States dollars. The Company's costs are incurred primarily in United States dollars with some fund financing completed in Canadian dollars.

Dependence on Key Individuals

The Company is dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on the Company. In addition, the Company will be highly dependent upon contractors and third parties in the performance of its exploration and development activities. The Company provides no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Company or be available upon commercially acceptable terms.

Competitive Factors in the Precious and Base Metals Markets

Most mineral resources including precious and base metals are essentially commodities markets in which we would expect to be a small producer with an insignificant impact upon world production. As a result, production, if any, would be readily sold and would likely have no impact on world market prices. In recent months due to the significant downturn in the world economies has driven the commodities prices much lower which has made raising capital more difficult more competitive than some past years.

Overall the upward trend in the price of gold in the last three years has ranged between US$1,000 and $1,880 an ounce above US$1,500 in 2012. The gold price strength has not been consistent, with a very volatile and weak equity market particularly for junior exploration companies. The Company successfully acquired a strong financial partner with PME. Their continued support tends to strengthen the Company's ability to raise equity through other financial sources and to continue exploration on the Company's properties in 2013 and 2014.

J. Changes in Accounting Policies Including Adoptions

Accounting Policies

The accounting policies and methods employed by the Company determine how it reports its financial condition and results of operations, and may require management to make judgments or rely on assumptions about matters that are inherently uncertain. The Company's results of operations are reported using policies and methods in accordance with IFRS. In preparing financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the period. Management reviews its estimates and assumptions on an ongoing basis using the most current information available.

Accounting Standards Issued But Not Yet Effective

A number of new accounting standards, amendments to standards, and interpretations are issued but not yet effective up the date of issuance of the Company's consolidated financial statements. The Company intends to adopt the following standards when they become effective. These standards are required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted (see Note 4 of the 2012 audited financial statements). The Company has not yet determined the impact of these standards on its consolidated financial statements.

K. Proposed Transactions

There are no new acquisitions or proposed transactions contemplated as of the date of this report.

L. Forward Looking Statements

Some of the statements contained in this report are forward-looking statements, such as estimates and statements that describe the Company's future plans, expectations, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Forward-looking statements may be identified by such terms as "believes," "anticipates," "intends," "expects," "estimates," "may," "could," "will," or "plan." Since forward-looking statements are based on assumptions and address future events or conditions, by their very nature they involve inherent risks and uncertainties. Actual results relating to, among other things, results of exploration, reclamation, capital cost, and the Company's financial condition and prospects could differ materially from those currently anticipated in such statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. Important factors that could cause actual results to differ from these forward-looking statements include those described under the heading "Other Risks" elsewhere in this MD&A. Therefore, the reader is cautioned not to place undue reliance on forward-looking statements. Further, the Company disclaims any obligation or intention to update or to revise any forward-looking statement, whether as a result of new information, future events, or otherwise except as may be required under applicable securities legislation. The information contained within this discussion, by its very nature, is not a thorough summary of all matters and developments concerning the Company. This information should be considered with all of the disclosure documents of the Company.

The information contained herein is not a substitute for a detailed investigation or an analysis of any issue related to the Company. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented.