CANADIAN SILVER HUNTER INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEARS ENDED

DECEMBER 31, 2012 AND 2011

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Canadian Silver Hunter Inc. (the "Company" or "Silver Hunter") constitutes management's review of the factors that affected the Company's financial and operating performance for the years ended December 31, 2012 and 2011. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited financial statements of the Company for the years ended December 31, 2012 and 2011, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee. Information contained herein is presented as of March 28, 2013, unless otherwise indicated.

The following MD&A, particularly under the heading "Capital Resources" and ''Additional Disclosure for Entities Without Significant Revenue'', contains forward-looking information that involves numerous risks and uncertainties. The forward-looking information is not historical fact, but rather is based on the Company's current plans, objectives, goals, strategies, estimates, assumptions and projections about the industry, business and future financial results. The Company's actual results could differ materially from those discussed in such forward-looking statements.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Additional information relating to the Company is available free of charge on the System for Electronic Document Analysis and Retrieval (SEDAR) website at **www.sedar.com.**

Caution Regarding Forward-looking Statements

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the Company's goal of creating shareholder value by concentrating on the acquisition of properties prospective for precious metals; its ability to meet its operating costs for the twelve-month period ending December 31, 2013; the plans, costs, timing and capital for future exploration and development of the Company's current and future property interests, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; sensitivity analysis on financial instruments that may vary from amounts disclosed; prices and price volatility for precious metals; and general business and economic conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, price volatility for precious metals, changes in equity markets, timing and availability of external financing on acceptable terms, the uncertainties involved in interpreting geological data, the possibility that future exploration results will not be consistent with the Company's expectations, increases in costs, environmental compliance and changes in environmental legislation and regulation, exchange rate fluctuations, changes in economic and political conditions and other risks involved in the mining industry, as well as those risk factors listed in the "Risk Factors" section below. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about the following: the availability of financing for the Company's exploration and development activities; operating and exploration and development costs; its ability to retain and attract skilled staff and consultants; timing of the receipt of regulatory and governmental approvals for exploration projects and other operations; market competition; and general business and economic conditions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statement, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements.

Description of Business

The Company is an exploration stage business enterprise incorporated under the Business Corporations Act (Ontario) on April 7, 2006, and is principally engaged in the business of exploring for and developing base and precious metal mineral properties. Substantially all of the efforts of the Company are devoted to these business activities and to date the Company has not earned significant revenues.

The Company is in the exploration stage and is subject to the same risks and challenges as other companies in a comparable stage of development. These risks include, but are not limited to, the dependence on key individuals, successful exploration, and the ability to secure adequate financing to meet the minimum capital required to successfully complete its planned work programs on mineral properties. The financial statements for the years ended December 31, 2012 and 2011, have been prepared using accounting policies applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interests in the underlying properties, the discovery of economically recoverable reserves and the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest in accordance with industry standards, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory requirements.

The financial statements have been prepared in accordance with IFRS applicable to a going concern. Accordingly they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to sell its assets and liquidate its liabilities at amounts different from those presented in the financial statements.

On July 28, 2011, the Company successfully secured financing through completion of its initial public offering (the "Offering"), raising aggregate gross proceeds of $2,500,000.

At December 31, 2012, the Company had a working capital surplus of $839,447 (December 31, 2011 - $1,821,827). The Company had accumulated losses of $1,050,569 (December 31, 2011 - $643,760) and expects to incur further losses in the development of its business.

While the Company has been successful in securing financing, there is no assurance that it will be able to do so in the future. The Company will require additional financing in order to conduct its planned work programs on mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. Accordingly, the financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern. If the going concern assumption is not used, then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to the financial statements.

Overall Performance

On July 14, 2011, the Company filed a final prospectus in the provinces of Alberta, British Columbia and Ontario, and had earlier received conditional approval to list the Company's common shares on the TSX Venture Exchange (the "TSXV"). A copy of the Company's prospectus can be viewed on SEDAR at **www.sedar.com**.

On July 28, 2011, the Company completed its Offering and raised total gross proceeds of $2,500,000.

The net proceeds to the Company raised pursuant to the Offering are being used to conduct an extensive two-phase exploration program on the Company's Keeley Frontier project, which includes Veinlode (defined below) (Keeley Frontier project and Veinlode, together referred to as the "Keeley Frontier Project"), as well as for general working capital purposes.

The recommended two-phase exploration program on the Keeley Frontier Project is to include diamond drilling, geological surveying, and compilation work of defined targets. The proposed two-phase budget for exploration on the Keeley Frontier Project is estimated to cost a total of approximately $1.1 million. The net proceeds of the Offering will be used for the completion of Phase I in the amount of approximately $600,000, and approximately $500,000 for the partial completion of Phase II.

The officers and directors of the Company are Jeffrey Hunter (President, Chief Executive Officer ("CEO"), Secretary and a Director), Carmelo Marrelli (Chief Financial Officer ("CFO")), Shastri Ramnath (Director), and Robert Gordon (Director).

On September 13, 2012, the Company granted 100,000 stock options to a director of the Company with an exercise price of $0.20 per common share and an expiry date of September 13, 2017.

On November 20, 2012, the Company closed its acquisition of a one-third interest in Veinlode Silver Mines Limited ("Veinlode"), thereby acquiring an indirect interest in certain claims adjacent to the Company's Keeley Frontier Project. Pursuant to the transaction, the Company acquired, from an arm's length vendor, 13,333 of the 40,000 outstanding common shares of Veinlode in exchange for consideration comprised:

- 13,333 common shares of the Company (issued and valued at $933), and
- a cash payment of $15,000 (paid).

Veinlode was inactive at the time of the transaction with its only asset being certain mineral claims.

Pursuant to its Normal Course Issuer Bid, the Company is entitled to repurchase for cancellation a maximum of 1,314,200 common shares during the 12-month period ending July 25, 2013. During the year ended December 31, 2012, 100,500 (2011 – nil) common shares were purchased for cash consideration of $6,550 (2011 – $nil). As of December 31, 2012, the 100,500 repurchased common shares have not been cancelled. The amount by which the repurchase amount is less than the stated capital of the shares has been credited to deficit.

Trends

The Company anticipates that it will continue to experience net losses as a result of ongoing exploration and development of properties prospective for precious metals and operating costs until such time as revenue generating activity is commenced. The Company's future financial performance is dependent on many external factors. Both the price of, and the market for, precious metals are volatile, difficult to predict, and subject to changes in domestic and international political, social, and economic environments. Circumstances and events such as economic conditions and volatility in the capital markets could materially affect the future financial performance of the Company. See "Caution Regarding Forward-looking Statements" and "Risk Factors".

Interest in Exploration Property and Exploration and Evaluation Expenditures

Pursuant to an agreement dated April 7, 2006, the Company acquired a 100% interest in certain mineral exploration interests and all technical information and data related to the Keeley Frontier Project, from an arm's length corporation in exchange for the issuance of 228,000 shares of the Company. The Keeley Frontier Project, located in South Lorrain Township, Larder Lake Mining Division, Ontario, consists of 13 patented mining claims.

Exploration Program

Silver Hunter continues to explore for additional new mineralized structures by prospecting and power stripping, utilizing detailed geophysics (EM, I.P.) to prioritize structures to drill, focusing on highly conductive areas close to the upper contact of the Nipissing diabase sill. As the sill becomes deeper to the west, drilling and downhole geophysics will become the main method of delineating structures and determining areas of high conductivity near the upper contact of the sill. The aggregate expenditure covering the two phases of exploration is estimated to be $1,100,000.

Phase I Exploration Drill Results

The Company completed a six hole 2,058 metre drilling program on the Keeley Frontier Project in February 2012. Final assay results including infill sampling, second lab check assaying and screen metallic assaying have now been received (June 2012) and compiled. Significant silver-bearing zones were intersected in four of the six holes.

Highlights

- Diamond drill hole CSH12-03 returned significant silver values between 111.0 and 122.3 metres downhole, including the following screen metallic assays:
    - 1517.0 g/tonne over 0.3 metres
    - 479 g/tonne over 0.4 metres
    - 91 g/tonne over 0.3 metres

The entire interval starting at 111.0 metres returned a composite silver value of 72.47 g/t Ag over 11.3 metres, including 168.22 g/t over 4.2 metres, with no individual silver assay below 2.4 g/t. This zone appears to be related to a new silver-bearing structure, hence the geometry is unknown, and true thickness cannot be determined. Surface prospecting is currently underway in the vicinity of CSH12-03. Historical information indicates that no drilling has been done in this area, and only one 1920's era exploration drift extended close to this area (eighth level- # 40 vein).

As well, anomalous silver, cobalt and copper values occur throughout the upper portion of CSH12-03 associated with faulting, lamprophyre dykes and syenite bodies.

Other highlights include:

- CSH12-04 returned a composite silver assay of 25.9 g/tonne over 4.3 metres, starting at 254 metres downhole. These results appear to correlate to the north extension of the Beaver Lake Fault.

- CSH12-05 returned a composite silver value from the Beaver Lake Fault of 398.42 g/tonne over 1.9 metres; however 0.9 metres of this intersection was lost core or void due to the hole intercepting what is interpreted to be old workings at 258.8 metres downhole.

- CSH12-06 was drilled to test within 25 metres below and west of CSH12-05 in order to avoid the historic drift/stope area and returned a composite silver value of 58.21 g/t over 0.95 metres.

Table I: Drilling Results

Drillhole	***From (m)***	***To (m)***	***Silver gpt***	***Length (m)***	***True Width Factor***	***Comment***
CSH12-01	105.8	106.1	6.5	0.3	N.A.	anomalous As, Cu, Bi, Co; Beaver Lake Fault
CSH12-02	285.75	286.05	3.3	0.3	N.A.	anomalous Cu, Bi, Co, Pb; Beaver Lake Fault
CSH12-03	111	122.3	72.5	11.3	N.A.	New Zone
Including	117.9	122.3	168.2	4.4	N.A.	New Zone
Including	121.6	122.3	923.9	0.7	N.A.	New Zone
CSH12-04	254	258.3	25.9	4.3	approx 80%	Beaver Lake Fault - North Drift Extension
CSH12-05	248	249.9	412.6	1.5	approx 85%	Beaver Lake Fault; includes drift rubble/lost core
CSH12-06	253.85	254.8	58.2	0.95	approx 85%	Beaver Lake Fault

In November of 2012 the Company completed a power-stripping and channel sampling program near Gibson Lake on the main Keeley Frontier claim block.

A total of 50.45 metres of channel cuts were completed and assayed for silver and trace elements. The average length weighted composite for all 77 channel samples taken is 11.33 g/t Ag, 0.12% Pb, 0.14% Zn and 0.12% Cu. Silver values ranged from 0.4 g/t to 190 g/t, with only seven samples assaying below 1.0 g/t Ag. A similar widespread dispersion of Pb, Zn and Cu values was also noted, with a high correlation to Ag values. Selected highlights include:

- Channel line 7 returned composite silver values of 69.3 g/t Ag over the full length of 2.9 metres, including 86.8 g/t Ag over 2.25 metres.
- These samples also include base metal values of 0.91% Pb, 0.65% Zn, 0.28% Cu over 2.25 metres.
- One sample returned a value of 174 g/t Ag and 1.46% Pb over 0.95 metres.
- Channel line 8 returned a composite silver value of 28.0 g/t Ag over 2.05 metres, with 0.58% Pb, and 0.69% Zn. The composite included 70 g/t Ag 1.31% Pb, 1.64% Zn and 0.42% Cu over 0.6 metres.
- Channel line 2 returned a composite silver value of 70.4 g/t Ag over 1.85 metres, including 190 g/t Ag over 0.6 metres.
- Five (5) grab samples of tailings material (sand, silt and clay) exposed at various depths in one location by an excavator at depths ranging from surface to 1.8 metres depth returned silver values of 404 g/t Ag, 191 g/t Ag, 175 g/t Ag, 124 g/tonne and 74.8 g/t Ag.

Table II: Proposed Phase I Budget

Activity	Budgeted Expenditure Based on Prospectus ($)	Actual Expenditures (Completed) ($)	Under Budget ($)
Geophysical Survey	140,000	68,950	71,050
Drilling	299,000	237,800	61,200
Mob/Demob	10,000	nil	10,000
Geologist	33,000	95,930	(62,930)
Assistant	12,000	18,432	(6,432)
Assaying	30,000	4,556	25,444
Core Boxes	6,400	2,728	3,672
Accommodation	9,000	8,919	81
Rentals	20,000	9,306	10,694
Communication	1,000	nil	1,000
Travel	2,400	nil	2,400
Reporting	10,000	nil	10,000
Contingency	27,200	nil	27,200
Total	**600,000**	**446,621**	**153,379**

- As Silver Hunter continues to explore for additional new mineralized structures by prospecting and power-stripping, detailed geophysics (EM, I.P.) will be used to prioritize structures to drill, focusing on highly conductive areas close to the upper contact of the Nipissing diabase sill.
- Targets on the eastern portion of the property can be examined by power-stripping old showings, channel sampling, detailed geophysics and shallow drilling. As the productive zone above the diabase dips deeper to the west, drilling and down hole geophysics will be needed.
- The budget for calendar 2013 is estimated to be $60,000.

Table III: Proposed Phase II Budget

Activity	Budgeted Expenditure Based on Prospectus ($)	Revised Budgeted Expenditure ($)
Geophysical Survey	70,000	75,000
Compilation	35,000	25,000
Drilling	650,000	250,000
Mob/Demob	8,000	8,000
Geologist	66,000	60,000
Assistant	24,000	22,000
Assaying	30,000	10,000
Core Boxes	6,400	3,400
Accommodation	24,000	10,000
Rentals	40,000	10,000
Communication	2,000	2,000
Travel	4,800	4,800
Reporting	10,000	10,000
Contingency	29,800	9,800
Total	**1,000,000**	**500,000**

Management has revised the budgeted expenditure for Phase II to more accurately reflect projected spending based on current conditions and results. Subject to additional financing raised, the Company will proceed on to Phase II.

As of December 31, 2012, costs associated with surface prospecting and ongoing geological mapping amounted to $131,438.

Project Logistics and QA/QC

All analyses reported in this MD&A are from assay certificates which passed both Silver Hunter, AGAT Laboratories Ltd. ("AGAT"), and ALS Chemex QA/QC procedures.

All drill core was logged at Silver Hunter's core shack facility in North Cobalt, Ontario. Samples were split and sent for aqua regia digestion and multi-element (including Ag, Co, Ni, Bi, Sb) analysis (ICP-OES finish) at AGAT in Mississauga, Ontario. The drilling program was carried out under contract by Laframboise Drilling Inc. of Earlton, Ontario, managed by JVX Ltd., and supervised by David R. Jamieson, P.Geo, and Dean R. Cutting, P.Geo.

AGAT is a fully accredited laboratory and conforms with the requirements of CAN-P-4E (ISO/IEC 17025:2005) and CAN-P-1579 by the Standards Council of Canada. AGAT provides delivery of split core samples from the Silver Hunter core shack in North Cobalt, to the preparation lab in Sudbury, Ontario. Analysis is performed at AGAT facilities in Mississauga, Ontario. QA/QC programs include the use of standard and blank samples inserted into the assay stream by Silver Hunter personnel every 25 samples in addition to the lab's internal QA/QC programs. Samples assaying greater than 100 g/t Ag are fire assayed with a gravimetric finish. QA/QC also included sending selected pulp samples for check assays at an independent lab (ALS Chemex) using both four acid (MEMS-61) and aqua regia (MEMS-41) digestions for multi-element analysis.

Selected higher grade silver and several random sample rejects were chosen for screen metallic analysis for silver only, at AGAT. A final silver number for the database and this MD&A was arrived at by averaging geochemical values; geochemical values were replaced by fire assay or screen metallic analyses when available. QA/QC results indicate that the AGAT aqua regia digestion and multi-element analytical procedures used on this program are reliable. Screen metallic assaying is required to more accurately quantify silver values in higher grade portions of the mineralized zones due to the presence of coarse native silver.

Gerald Harron, P.Eng., is the "Qualified Person" under National Instrument 43-101 for all technical information contained in this MD&A.

Results of Operations

During the year ended December 31, 2012, the Company recorded a net loss of $429,783, primarily as a result of management and consulting fees associated with the administration of the Company, and professional and general costs incurred to administer the day to day operations and reporting requirements of the Company.

Non-Exploration Expenses

During the year ended December 31, 2012, the most significant non-exploration expenses were the following:

- A $231,889 charge for management and consulting fees, the more significant components being $120,000 and $54,000 in remuneration for the Company's CEO and CFO.
- $111,542 in professional fees, representing costs incurred for general legal and audit services.
- $95,619 in general and administrative costs, including communication, travel and accommodation, insurance and sundry operating expenditures.

During the three months ended December 31, 2012, the most significant non-exploration expenses were the following:

- A $60,743 charge for management and consulting fees, the more significant components being $30,000 and $13,500 in remuneration for the Company's CEO and CFO.
- $26,652 in professional fees, representing costs incurred for general legal and audit services.
- $20,916 in general and administrative costs, including communication, travel and accommodation, insurance and sundry operating expenditures.

Exploration Expenses

During the year ended December 31, 2012, the most significant capitalized acquisition and exploration expenses were as follows:

- Drilling expenses of $252,251 paid to Laframboise Drilling Inc.
- Geophysical consulting fees of $148,881.

During the three months ended December 31, 2012, the most significant capitalized acquisition and exploration expenses were as follows:

- Drilling expenses of $14,528 paid to Laframboise Drilling Inc.

- Consulting fees of $30,010.

Year Ended December 31, 2012, Compared to Year Ended December 31, 2011

The Company incurred a loss of $429,783 for the year ended December 31, 2012, compared with a loss of $408,291 for the year ended December 31, 2011. Compensation paid to the Company's CFO increased to $54,000 from $21,046 in the comparative period, in part driven by the increased activity during the current period. Professional fees increased by $47,782 to $111,542 because the Company incurred increased general legal fees and other professional fees due to increased activity in the current period compared to the comparative period of 2011. Office and general administrative costs increased by $38,333 to $95,619 because the Company incurred business development expenses to raise its profile to potential investors.

Three Months Ended December 31, 2012, Compared to Three Months Ended December 31, 2011

The Company incurred a loss of $105,665 for the three months ended December 31, 2012, compared with a loss of $81,157 for the three months ended December 31, 2011. The increase in expenses over the comparative period is driven by increased activity during the current period. Professional fees increased by $5,584 to $26,652 because the Company incurred higher general legal fees and other professional fees due to increased activity in the current period compared to the corresponding period of 2011. Office and general administrative costs increased by $2,045 to $20,916 because the Company incurred business development expenses to raise its profile to potential investors.

Selected Annual Information

The following table sets out selected financial information for the Company as at December 31, 2012, December 31, 2011 and December 31, 2010 and for the year ended December 31, 2012, December 31, 2011 and December 31, 2010. It should be read in conjunction with the Company's audited financial statements attached hereto:

Description	Year Ended December 31, 2012 ($)	Year Ended December 31, 2011 ($)	Year Ended December 31, 2010 ($)
Net sales/total revenues	nil	nil	nil
Total net loss[(1)(2)]	(429,783)	(408,291)	(83,826)
Net loss per common share on a basic and diluted basis [(3)(4)]	(0.02)	(0.03)	(0.01)
Description	**As at December 31, 2012**	**As at December 31, 2011**	**As at December 31, 2010**
Total assets	1,680,701	2,109,084	266,839
Current liabilities	67,578	67,661	34,053
Deficit	(1,050,569)	(643,760)	(235,469)

(1) Loss from continuing operations attributable to owners of the parent, in total;

(2) Loss attributable to owners of the parent, in total;

(3) Loss attributable to owners of the parent, on a per-share and diluted per-share basis; and declared per-share for each class of share; and

(4) Loss from continuing operations attributable to owners of the parent, on a per-share and diluted per share basis.

- The net loss for the year ended December 31, 2012, consisted primarily of (i) management and consulting fees of $231,889; (ii) professional fees of $111,542; and (iii) office and general administrative of $95,619. This was offset by interest income of $10,358.
- The net loss for the year ended December 31, 2011, consisted primarily of (i) management and consulting fees of $292,595; (ii) professional fees of $63,760; and (iii) office and general administrative of $57,286. This was offset by interest income of $6,476.
- The net loss for the year ended December 31, 2010, consisted primarily of (i) management and consulting fees of $34,400; (ii) professional fees of $10,766; and (iii) office and general administrative of $25,097.
- As the Company has no revenue, its ability to fund its operations is dependent upon securing financing. See "Trends" and "Risks factors".

Liquidity and Financial Position

The activities of the Company, principally the acquisition, exploration, and development of properties prospective for base and precious minerals, are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. There is no assurance that future equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable to it, if at all. See "Caution Regarding Forward-looking Statements" and "Risk Factors".

During year ended December 31, 2012, the Company did not raise any funds through equity transactions. Funds expended during this period were used primarily to carry out exploration activities, and for general working capital expenditures. As at December 31, 2012, the Company had a working capital surplus of $839,447 (December 31, 2011 - $1,821,827). The Company's continuing operations are dependent on its ability to secure equity and/or debt financing, with which it intends to maintain its proposed mineral exploration programs on the claims and also identify, evaluate and acquire, if appropriate, interests in other mineral properties. The circumstances that could affect the Company's ability to secure equity and/or debt financing are, without limitation, as follows:

- the state of capital markets generally;
- the prevailing market prices for base and precious minerals;
- the potential abandonment of the Keeley Frontier Project as exploration results provide further information relating to the underlying value of the project;
- changes in laws, regulations and political conditions; and
- the ability of the Company to realize satisfactory terms in its negotiation of work contracts relating to the Keeley Frontier Project.

The current trends are relatively favourable for the Company but could change at any time and negatively affect the Company's operations and business. Other than as disclosed in this MD&A, the Company is not aware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's business, financial condition or results of operations. See "Caution Regarding Forward-looking Statements" and "Risk Factors".

Use of Proceeds

The use of the net proceeds of $2,083,503 from the Offering completed in fiscal 2011 is consistent with the Company's stated business objectives (see "Business Objectives and Milestones" below), and the total budget will be allocated as follows: (See "Caution Regarding Forward-looking Statements"):

Expenditure	Funds Required
General & Administrative Budget – Eighteen Month Period Ending January 31, 2013	$550,000
Phase I Exploration Program on the Keeley Frontier Project (completed)	$446,621
Phase II Exploration Program on the Keeley Frontier Project	(1) $500,000
General & Administrative Budget – Eleven Month Period Ending December 31, 2013	(2) $255,500
Calendar 2013 estimated exploration budget	$60,000
Unallocated Working Capital	$271,382
Total Expenditures	**$2,083,503**

(1) If the Company is to proceed with Phase II, it will require additional financing.
(2) Salaries - $143,000; Marrelli Support Services Inc. ("Marrelli Support") for the CFO function - $38,500; Legal and audit services - $50,000; Transfer Agent & Regulatory Fees - $12,000; and Office and Operating Costs - $12,000 (Includes DSA Corporate Services Inc. ("DSA")) – See "Transactions with Related Parties" below.

The estimated administration costs for the Company to achieve its stated business objectives over the eighteen-month period following completion of the Offering are $550,000. An estimated breakdown of these costs is as follows:

	Estimated Cost for Eighteen Month Period Ending January 31, 2013	Spent to December 31, 2012	Remaining Balance to Spend
Executive Salaries	$240,000	$250,627	($10,627)
Rent	40,000	nil	40,000
Office & Operating Costs	125,000	87,243	37,757
Legal & Audit Fees	70,000	159,102	(89,102)
Transfer Agent & Regulatory Fees	35,000	26,526	8,474
Miscellaneous	40,000	14,392	25,608
Total	**$550,000**	**$537,890**	**$12,110**

Given that the Company is still in the exploration phase and has not earned any revenue since its inception, and while the Company intends to spend the funds available to it as stated, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary.

The Company believes it currently has sufficient funds to meet its general and administrative for the twelve month period ending December 31, 2013, in the amount of $286,056 and its Phase I exploration program on the Keeley Frontier Project in the amount of $600,000 (completed and under budget). A

Phase II program of 5,000 metres of diamond drilling and compilation work is partly contingent upon encouraging results being obtained in the Phase I program on the Keeley Frontier Project. The estimated expenditure associated with the Phase II program is $500,000. If the Company is to proceed with Phase II, it will require additional financing. The Company's working capital of $839,447 as of December 31, 2012, is anticipated to be adequate for it to continue operations at the current level for the twelve month period ending December 31, 2013, even if its expected plans discussed above do not materialize and new plans are developed. However, to meet long-term business plans, exploring the Keeley Frontier Project is an important component of the Company's financial success.

Business Objectives and Milestones

The Company expects to accomplish the following objectives or milestones using the net proceeds of the Offering:

	Event	Time Frame
1.	Phase I exploration program	January 2012 – April 2012 (completed)
2.	Commence Phase II exploration on the claims	On completion of a financing

(See "Caution Regarding Forward-looking Statements").

Capital Resources

The Company has limited capital resources and has to rely upon the sale of its equity and/or debt securities for cash required for acquisition, exploration and development of mineral resource properties. Since the Company does not expect to generate any revenues in the near future, it must continue to rely upon the sale of its equity and/or debt securities to raise capital. There can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required at any particular time or for any period or, if available, that it can be obtained on terms satisfactory to the Company. See "Caution Regarding Forward-looking Statements" and "Risk Factors".

The Company's use of cash is currently and is expected to continue to be focused on two principal areas, namely the funding of its general and administrative expenditures and the funding of its investment activities. Investing activities include the cash components of the cost of acquiring and exploring the Company's mineral claims. The Company will require additional financing in order to conduct its planned work programs on mineral properties, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. See "Caution Regarding Forward-looking Statements" and "Risk Factors".

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent on its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operation. See "Caution Regarding Forward-looking Statements" and "Risk Factors".

The Company is currently seeking additional sources of liquidity.

Other than as disclosed in this MD&A, the Company does not have any commitments for capital expenditures as at the date hereof.

Selected Quarterly Information

Three Months Ended	Total Revenue ($)	Profit or Loss: Total ($)	Profit or Loss: Basic and Diluted Loss Per Share ($)	Total Assets ($)
2012-December 31	-	(105,665) [(1)]	(0.01)	1,680,701
2012-September 30	-	(106,257) [(2)]	(0.01)	1,758,034
2012-June 30	-	(95,309) [(3)]	(0.01)	1,869,052
2012-March 31	-	(122,552) [(4)]	(0.01)	2,093,063
2011-December 31	-	(81,157) [(5)]	(0.00)	2,109,084
2011-September 30	-	(229,148) [(6)]	(0.02)	2,167,431
2011-June 30	-	(67,620) [(7)]	(0.01)	251,628
2011-March 31	-	(30,366) [(8)]	(0.00)	269,115

Notes:

(1) Net loss of $105,665 principally relates to management and consulting fees of $60,743, professional fees of $26,652, and office and general administrative of $20,916. All other expenses related to general working capital purposes.

(2) Net loss of $106,257 principally relates to management and consulting fees of $59,282, professional fees of $22,693, and office and general administrative of $25,315. All other expenses related to general working capital purposes.

(3) Net loss of $95,309 principally relates to management and consulting fees of $58,002, professional fees of $23,262, and office and general administrative of $16,357. All other expenses related to general working capital purposes.

(4) Net loss of $122,552 principally relates to management and consulting fees of $53,862, professional fees of $38,935, and office and general administrative of $33,031. All other expenses related to general working capital purposes.

(5) Net loss of $81,157 principally relates to management and consulting fees of $45,337, professional fees of $21,068, and office and general administrative of $18,871. All other expenses related to general working capital purposes.

(6) Net loss of $229,148 principally relates to management and consulting fees of $45,291, share-based payments of $133,425, professional fees of $30,292, meals and entertainment of $6,616 and office and general administrative of $15,061. All other expenses related to general working capital purposes.

(7) Net loss of $67,620 principally relates to management and consulting fees of $53,792, professional fees of $5,000, meals and entertainment of $3,592 and office and general administrative of $4,757. All other expenses related to general working capital purposes.

(8) Net loss of $30,366 principally relates to management and consulting fees of $14,750, professional fees of $7,400 and office and general administrative fees of $6,369. All other expenses related to general working capital purposes.

Off-Balance-Sheet Arrangements

As of the date of this MD&A, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

Proposed Transactions

There are no proposed transactions of a material nature being considered by the Company other than that which is disclosed in this MD&A. The Company continues to evaluate properties and corporate entities that it may acquire in the future.

Transactions with Related Parties

The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-related entities on an arm's length basis.

Related parties include management, the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. The Company entered into the following transactions with related parties:

During the year ended December 31, 2012, the Company paid salaries in the amount of $36,000 (2011 - $17,250) for services provided by the spouse of an officer who is also a director of the Company.

In accordance with IAS 24, key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key management of the Company was as follows.

	Year Ended December 31, 2012 ($)	Year Ended December 31, 2011 ($)
Jeffrey Hunter, CEO [1]	120,000	120,000
Marrelli Support [2]	54,000	21,046
DSA [2]	13,957	4,510

[1] The Company has entered into an agreement (the "Executive Employment Agreement") with an officer (Jeffrey Hunter) (the "Officer") of the Company to provide services to the Company in the general capacity of President and CEO and to undertake the duties and exercise the powers associated with this role. Under the terms of the Executive Employment Agreement, the Officer is contracted by the Company for an indefinite term, commencing January 1, 2012. The Company will pay the Officer $120,000 base salary per annum.

[2] Carmelo Marrelli, the CFO of the Company, is an officer of Marrelli Support, a firm providing accounting services and an officer of DSA, a firm providing corporate secretarial and regulatory filing services to the Company. As at December 31, 2012, these firms were owed $6,164 (2011 - $5,165) and these amounts were included in trade and other payables. These amounts are unsecured, non-interest bearing and due on demand.

In particular, Carmelo Marrelli is the president of Marrelli Support and DSA is a private company controlled by Carmelo Marrelli, the CFO of the Company. Carmelo Marrelli is also the corporate secretary and sole director of DSA.

[3] The Board of Directors does not have employment or service contracts with the Company, and directors did not receive any remuneration for their services and are not entitled to any termination benefits. None of the directors is entitled to pension benefits.

Share-based payments were as follows:

Share-based payments	Year Ended December 31, 2012 ($)	Year Ended December 31, 2011 ($)
Shastri Ramnath, Director	7,100	nil
Douglas Melville Flett, former Director	nil	17,790
Robert L. Gordon, Director	nil	17,790
Jeffrey Hunter, Director and CEO	nil	71,160
Carmelo Marrelli, CFO	nil	17,790
Audrey Lee, Employee	nil	8,895
Total	**7,100**	**133,425**

Critical Accounting Judgments and Estimates

The application of the Company's accounting policies in compliance with IFRS requires the Company's management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant assumptions about the future and other sources of uncertainty that management has made at the reporting 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:

Impairment of interest in exploration property and deferred exploration and evaluation expenditures

While assessing whether any indications of impairment exist for interest in exploration property and exploration and evaluation expenditures, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of exploration and evaluation assets. Internal sources of information include the manner in which exploration and evaluation assets are being used or are expected to be used and indications of expected economic performance of the assets. Reductions in silver price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's exploration and evaluation assets.

Estimation of decommissioning and restoration costs and the timing of expenditure

Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine or restoration of the property. Such estimates are subject to change based on changes in laws and regulations and negotiations with regulatory authorities.

Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws. Future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

Share-based payments

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Significant Accounting Policies

Basis of Preparation

The financial statements have been prepared on the historical cost basis as set out in the accounting policies below. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, and cashable Guaranteed Investment Certificates which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Presentation Currency

The financial statements are presented in Canadian dollars, the currency of the primary economic environment in which the Company operates.

Financial Instruments

The Company does not have any derivative financial instruments. Financial assets are initially recorded at fair value and designated upon inception into one of the following categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL"). Loans and receivables are recognized on the date of origination. All other financial assets are recognized on the trade date at which the Company becomes party to the contractual provisions of the instrument.

Cash and amounts recoverable are classified as loans and receivables and are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Cash equivalents are classified as FVTPL.

A financial asset is classified at FVTPL if it is classified as held for trading or is designated as such upon initial recognition. Realized and unrealized gains and losses are reflected in the statement of comprehensive loss. Transaction costs associated with fair value through profit or loss financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership to another entity. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Financial liabilities are initially recorded at fair value and designated upon inception as fair value through profit or loss or other financial liabilities. Trade and other payables are recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Trade and other payables are classified as other financial liabilities and are initially recognized at fair value. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expire.

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on 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 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of December 31, 2012 and 2011, the Company classified its cash equivalents as Level 2 within the fair value hierarchy.

Interest in Exploration Properties and Exploration and Evaluation Expenditures

All direct costs related to the acquisition of exploration property interests are capitalized into intangible assets on a property by property basis pending determination of the technical feasibility and commercial viability of the project. Exploration and evaluation expenditures are recorded at cost at the date of acquisition. All direct costs related to the acquisition, exploration and development of exploration properties are capitalized until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be impairment. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit-of-production method following commencement of production. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss in the statements of loss and comprehensive loss.

Investments in Associated Companies

The equity method is used to account for investments in associated companies where the Company has significant influence. The share of earnings, gains and losses, realized dispositions and write downs to reflect other than temporary impairment are recognized in income. The loss in value of an investment in an associated company is considered to be other than a temporary decline when there is significant or prolonged decline in the fair value of an investment below its carrying value.

Decommissioning, Restoration and Similar Liabilities

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset as soon as the obligation to incur such costs arises. The timing of the actual expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Changes in estimates of decommissioning costs are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit and loss. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company had no material restoration, rehabilitation and environmental provisions as at December 31, 2012 and 2011.

Provisions

A provision is recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in provision due to passage of time is recognized as interest expense.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. At the end of each reporting date, provisions are reviewed and adjusted to reflect the current best estimate of the expenditure required to settle the obligation.

The Company had no material provisions as at December 31, 2012 or 2011.

Equipment

Equipment is stated at cost less accumulated amortization and accumulated impairment losses. Computer equipment is amortized on a straight line basis over four years based on the estimated useful life of the equipment. Furniture and fixtures are amortized on a declining balance basis at 30% per annum.

Impairment of Non-Financial Assets

At each reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is an indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the statements of loss and comprehensive loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

At the end of each reporting date, the Company assesses whether there is any indication that previously recognized impairment losses no longer exist, except for impairment losses related to goodwill. If such an indication exists, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss in the statement of loss and comprehensive loss.

Income Taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Loss per Share

The Company presents basic and diluted loss per share data for its Shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares. The Company's diluted loss per share for the periods presented does not include the effect of stock options and warrants as they are anti-dilutive.

Segment Reporting

The Company operates in a single reportable operating segment, the acquisition, exploration and development of silver projects in Canada. As operations comprise a single reporting segment, amounts disclosed in the financial statements also represent segment amounts.

Share Capital

Shares are classified as equity. Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

Share-based Payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in the share-based payment note.

The fair value is determined at the grant date of the equity-settled share-based payments and is recognized on a graded vesting basis over the period during which the employee becomes unconditionally entitled to the equity instruments, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

New Standards Not Yet Adopted and Interpretations Issued but Not Yet Effective

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or IFRIC that are mandatory for accounting periods beginning after December 31, 2012, or later periods. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

(i) IFRS 9 – Financial instruments ("IFRS 9") was issued by the IASB in October 2010 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015. Earlier adoption is permitted.

(ii) IFRS 10 – Consolidated financial statements ("IFRS 10") was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. IFRS 10 is effective for annual period beginning on or after January 1, 2013.

(iii) IFRS 11 – Joint arrangements ("IFRS 11") was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013.

(iv) IFRS 12 – Disclosure of interests in other entities ("IFRS 12") was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013.

(v) IFRS 13 – Fair value measurement ("IFRS 13") was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRSs. The key points of IFRS 13 are as follows:

- fair value is measured using the price in a principal market for the asset or liability, or in the absence of a principal market, the most advantageous market;
- financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity's net risk exposure;
- disclosures regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;
- a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
- a narrative must be provided discussing the sensitivity of fair value measurements categorized under Level 3 of the fair value hierarchy to significant unobservable inputs;
- and information must be provided on an entity's valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

(vi) IAS 1 – Presentation of financial statements ("IAS 1") was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

(vii) IAS 28 - Investments in Associates and Joint Ventures ("IAS 28") was issued by the IASB in May 2011 and supersedes IAS 28 - Investments in Associates and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 defines significant influence as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. IAS 28 also provides guidance on how the equity method of accounting is to be applied and also prescribes how investments in associates and joint ventures should be tested for impairment. The amendments to IAS 28 are effective for annual periods beginning on or after January 1, 2013.

(viii) IAS 32 – Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014. Earlier adoption is permitted.

Capital Management

The Company manages its capital to ensure that funds are available or are scheduled to be raised to provide adequate funds to carry out the Company's defined exploration programs and to meet its ongoing administrative costs. The Company considers its capital to be equity, comprising issued capital, reserves and deficit, which at December 31, 2012, totalled $1,613,123 (December 31, 2011 - $2,041,423).

This capital management is achieved by the Board of Directors' review and acceptance of exploration budgets that are achievable using existing resources and the timely matching and release of the next stage of expenditures with the resources made available from private placements or other financings.

The Company is not subject to any material externally imposed capital requirements or covenants.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

There were no changes in the Company's approach to capital management during the years ended December 31, 2012 and 2011.

Financial Instruments

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate, and commodity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management. There have been no changes in the risks, objectives, policies and procedures from the previous period.

Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company has no significant concentration of credit risk arising from its operations. Cash and cash equivalents are held at select Canadian financial institutions, from which management believes the risk of loss to be remote. Financial assets included in amounts recoverable as at December 31, 2012, comprise $18,530 (December 31, 2011 - $39,854) of sales tax due from the Government of Canada and interest receivable on the Company's cash equivalent balances. Amounts recoverable are in good standing as of December 31, 2012. Management believes that the credit risk concentration with respect to amounts recoverable is low.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient working capital to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at December 31, 2012, the Company had a working capital balance of $839,447 (December 31, 2011 - $1,821,827) to settle current liabilities of $67,578 (December 31, 2011 - $67,661). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. The Company has no contractual obligations other than trade and other payables.

Market risk

(a) Interest rate risk

The Company has cash and cash equivalent balances and no interest-bearing debt. The Company's current policy is to invest surplus cash in guaranteed investment certificates or interest bearing accounts of select major Canadian chartered banks. The Company regularly monitors compliance to its cash management policy.

(b) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and all expenditures are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

(c) Commodity price risk

The Company is exposed to price risk with respect to silver prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to silver price movements and volatility. The Company closely monitors silver prices to determine what course of action it should take.

Sensitivity analysis

As of December 31, 2012 and 2011, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to their short-term nature.

Based on management's knowledge and experience of the financial markets, the Company believes that there would be no material changes to its results for the year ended December 31, 2012, as a result of changes in interest and foreign exchange rates.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of silver. Silver prices have fluctuated significantly in recent years. There is no assurance that, even if commercial quantities of silver are produced in the future, a profitable market will exist for them. As of December 31, 2012, the Company was not a silver producer. Silver price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Management's Responsibility for Financial Information

The financial statements are the responsibility of the Company's management, and have been approved by the Board. The financial statements were prepared by the Company's management in accordance with IFRS. The financial statements include certain amounts based on estimates and assumptions. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects.

Share Capital

As at the date of this MD&A, the Company had a total of 18,201,333 common shares issued and outstanding. An additional 5,600,000 common shares are subject to issuance pursuant to outstanding warrants and agent's warrants, and an additional 750,000 common shares are subject to issuance pursuant to outstanding stock options.

Additional Disclosure for Entities without Significant Revenue

The balance of interest in exploration property and exploration and evaluation increased from $95,249 at December 31, 2008, to $104,814 at December 31, 2009, $156,653 at December 31, 2010, $206,484 at December 31, 2011, and $755,606 at December 31, 2012, as a result of the exploration expenditures on the Keeley Frontier Project.

Set forth below is a breakdown of office and general administrative costs incurred by the Company for the following years:

Office and General Administrative	Year Ended December 31, 2012 ($)	Year Ended December 31, 2011 ($)
Website	1,570	8,883
Repairs and maintenance	nil	312
Filing/listing fees	9,036	4,169
Telephone and internet	3,813	3,673
Bank charges	1,295	881
Meals and entertainment	12,361	12,876
Hotel and accommodation	16,749	1,311
Insurance	14,951	6,297
Printing & publication	2,497	1,100
Miscellaneous	112	6,503
Gas	2,788	2,379
Postage & courier	241	161
Travel and automotive	13,019	2,201
Transfer agent fees	7,496	5,686
Office supplies	2,286	779
Sustaining fees	5,200	nil
News releases	2,205	75
Total	**95,619**	**57,286**

Disclosure Controls

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements; and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company uses the Venture Issuer Basic Certificate, which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS). The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Risk Factors

An Investment in the Shares of the Company is Speculative in Nature and Involves a High Degree of Risk.

The operations of the Company are high-risk due to the nature and stage of development of the mineral properties in which it has an interest. The following describes some of the risks that could materially affect the Company's future operating results and cause actual events to differ materially from those described in forward-looking information. The Company may face additional risks and uncertainties other than those listed below (or elsewhere in this MD&A), including risks and uncertainties that are unknown to the Company and risks and uncertainties that the Company now believes to be immaterial, which could turn out to be material and have a material adverse effect on the Company's business. If any of the risks described below (or elsewhere in this MD&A) actually occur, the business, financial condition and/or results of operations of the Company could be materially adversely affected.

Working Capital and Liquidity

The Company's ability to continue its business operations is dependent on management's ability to secure financing. The Company's only source of liquidity is cash and cash equivalent balances. Liquidity requirements are managed based upon forecasted cash flows to ensure that there is sufficient working capital to meet the Company's obligations.

The Company may be required to seek additional sources of equity financing before the end of the 2013 financial year and is actively considering proposals. While the Company has been successful in raising such financing in the past, its ability to raise additional equity financing may be affected by numerous factors beyond its control, including, but not limited to, adverse market conditions, commodity price changes, economic downturn and other factors listed under this "Risk Factors" section. There can be no assurance that the Company will be successful in obtaining any additional financing required to continue its business operations and/or maintain its property interests, or that it will be obtained on terms favourable to the Company or provide the Company with sufficient funds to meet its objectives. Failure to obtain sufficient financing as and when required may result in delaying or indefinite postponement of exploration and/or development on any or all of the Company's properties or even a loss of property interest, which would have a material adverse effect on the Company's business, financial condition and results of operations.

Additional Equity Financing

The advancement, exploration and development of the Company's properties, including continuing exploration and development projects, and, if warranted, construction of mining facilities and commencement of mining operations, will require substantial additional financing. The most likely source of such future financing is through the sale of additional equity capital. However, there can be no assurance that such financing will be available to the Company, or that it will be obtained on terms favourable to the Company or provide it with sufficient funding to meet its capital and operating requirements. This may adversely affect the Company's business, financial condition and results of operations. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders.

Failure to obtain sufficient financing as and when required by the Company would result in a delay or indefinite postponement of exploration or development on any or all of the Company's properties or even a loss of a property interest. Such loss would have a material adverse effect on the Company's business, financial condition and results of operations. Global securities markets are volatile, which may result in difficulty raising equity capital. Market forces may render it difficult or impossible for the Company to secure investors at stock prices that will not lead to severe dilution to existing shareholders, or at all.

Going Concern

The Company's ability to continue as a going concern is dependent upon its ability in the future to achieve profitable operations and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due. There can be no assurance once a decision is made with respect to future activities that the Company will be able to execute on its plans. The financial statements of the Company do not include any adjustments related to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Nature of Mineral Exploration and Mining

The Company's future is dependent on its exploration and development programs. The exploration and development of mineral deposits involves significant financial risks over a prolonged period of time, which a combination of careful evaluation, experience and knowledge may not eliminate. Few properties that are explored are ultimately developed into economically viable operating mines. Major expenditure on the Company's exploration properties may be required in constructing mining and processing facilities at a site, and it is possible that even preliminary due diligence will show adverse results, leading to the abandonment of projects. It is impossible to ensure that preliminary feasibility studies or full feasibility studies on the Company's projects or the current or proposed exploration programs on any of the properties in which the Company has exploration rights will result in any profitable commercial mining operation. The Company cannot give any assurance that its current and future exploration activities will result in a discovery of mineral deposits containing mineral reserves.

Whether a deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting of metal concentrates, exchange controls and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of any or all of these factors may result in the Company not receiving an adequate return on invested capital or may have a material adverse effect on the Company's business and financial condition.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, railways, bridges, power sources and water supply are important determinants of capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations.

While the infrastructure surrounding the Company's claims is relatively strong based on typical mineral exploration standards, the claims are located in an area where weather and terrain may make it difficult and costly to operate. The claims are easily accessible with multiple gravel roads, but their location nonetheless poses the risk that the Company may be unable to further explore, develop or operate efficiently due to the unavailability of materials and equipment and unanticipated transportation costs. Exploration and development programs can only be carried out during limited times of the year. Construction and operational risks, including, without limitation, equipment and plant performance, harsh weather conditions, terrain, environmental, cost estimation accuracy and workforce performance and dependability will all affect the development and profitability of the Keeley Frontier Project. There is a hydro line running through the property, and water is accessible from Beaver Lake, but there can be no assurance that the existing infrastructure will be sufficient for the Company's objectives. In addition, there can be no assurance that any alternative infrastructure will be developed or that any alternative infrastructure, if constructed, will support the viability of the Keeley Frontier Project. In the event that the current infrastructure is not adequate, or that adequate infrastructure is not developed or is developed but does not support the viability of the Keeley Frontier Project, the existing challenges in respect of transporting materials into the area in which the claims are located, as well as transporting any future mined ores out, will continue, which may adversely affect the Company's operations.

First Nations

First Nations in Ontario are increasingly making land and rights claims to existing and prospective resource projects on lands asserted to be First Nation traditional or treaty lands. Should a First Nation make such a claim to the Company's properties and should such claim be resolved by government or the courts in favour of the First Nation, it could materially adversely affect the Company's business.

The Company is committed to working in partnership with local communities and First Nations in a manner which fosters active participation and mutual respect. The Company works towards minimizing negative project impacts, encouraging joint consultation processes, addressing certain decision making processes and maintaining meaningful ongoing dialogue with all participants in the region. Many of the Company's contractors and suppliers live and work in the region. The Company regularly consults with communities near its exploration activities to advise them of plans and answer any questions they may have about current and future activities. The objective is to operate to the benefit of the shareholders and the local communities using the resources and the environment today without compromising the long-term capacity to support post exploration and ultimately post mining land uses. Despite the foregoing, there can be no assurances that issues related to First Nations communities or interests will not arise.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and the acquisition of attractive mineral properties. The Company's ability to acquire properties in the future will depend on its ability to select and acquire suitable producing properties or prospects for mineral exploration. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects or be able to develop any market for its share of the raw material that may be produced from the claims. Any such inability could have a material adverse effect on the Company's business and financial condition.

Management

The success of the Company is currently largely dependent on the performance of its management. Shareholders will be relying on the good faith, experience and judgment of the Company's management and advisers in supervising and providing for the effective management of the business of the Company. The loss of the services of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its management or other qualified personnel required to operate its business. Failure to do so could have a materially adverse effect on the Company and its prospects.

Additionally, directors and officers of the Company may also serve as directors and/or officers of other reporting issuers from time to time.

Consequently, such directors and officers will be dividing their time between their duties to the Company and their duties to their other reporting issuers.

The Company has not purchased "key-man" insurance, nor has it entered into non-competition and non-disclosure agreements with management and has no current plans to do so.

Global Economic and Financial Markets

Recent market events and conditions, including disruption in the Canadian, U.S. and international credit markets and other financial systems and the deterioration of Canadian, U.S. and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements.

Notwithstanding various actions by U.S., Canadian and foreign governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions have caused the broader credit markets to further deteriorate and stock markets to be volatile. In addition, general economic indicators have deteriorated, including declining consumer sentiment, increased unemployment and declining economic growth and uncertainty about corporate earnings. These unprecedented disruptions in the credit and financial markets have had a significant material adverse impact on a number of financial institutions and have limited access to capital and credit for many companies, particularly resource exploration and development companies.

These disruptions could make it more difficult or expensive for the Company to obtain capital and financing for its operations. Access to additional capital may not be available on terms acceptable to the Company or at all.

Title Matters

The Company has taken reasonable measures, in accordance with industry standards for properties at the same stage of exploration, to ensure proper title to its properties. However, there is no guarantee that title to any of its properties will not be challenged or impugned. Title insurance generally is not available for mining claims in Canada and the Company's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be limited. The Company's properties may be subject to prior unregistered liens, agreements, transfers or claims, including native land claims, and title may be affected by, among other things, undetected defects. In addition, the Company may be unable to operate the properties as permitted or to enforce its rights thereon. The failure to comply with all applicable laws and regulations, including a failure to pay taxes and carry out and file assessment work, may invalidate title to portions of the properties where the mineral rights are not held by the Company.

Environmental Risks and Hazards

All phases of the operations of the Company are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards may exist on the properties in which the Company holds interests that are unknown to the Company at present and which have been caused by previous or existing owners or operators of the properties.

Although the Company intends to comply fully with all environmental regulations, failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Governmental Regulation

The operations of the Company are subject to extensive laws and regulations governing exploration, development, production, land use, land claims that may be brought by First Nations and other aboriginal groups, exports, taxes, labour standards, waste disposal, protection and remediation of the environment, reclamation, historic and cultural resources preservation, mine safety and occupational health, handling, storage and transportation of hazardous substances and other matters. Moreover, it is possible that future regulatory developments, such as increasingly strict environmental protection laws, regulations and enforcement policies thereunder, and claims for damages to property and persons resulting from the operations of the Company, could result in substantial costs and liabilities in the future. In particular, the *Mining Act* (Ontario) was amended on October 28, 2009. Many of the amendments prescribe processes that will be detailed in regulations that are expected to continue to be developed throughout 2011. Although the timelines and ultimate implications of these amendments are unclear, the amended *Mining Act* and the regulations developed thereunder are expected to include, among other things, provisions mandating consultations with First Nations communities affected by exploration, development and mining activities. Such amendments may adversely impact the operations of the Company.

Permitting

The operations of the Company are subject to receiving and maintaining permits from appropriate governmental authorities. Although the Company currently has all required permits for its operations, there is no assurance that delays will not occur in connection with obtaining all necessary renewals of such permits for the existing operations, additional permits for any possible future changes to operations or additional permits associated with new legislation. Prior to any development on any of its properties, the Company must receive permits from appropriate governmental authorities. There can be no assurance that the Company will continue to hold all permits necessary to develop or continue operating at any particular property.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws, may have a material adverse impact on the Company, resulting in increased capital expenditures or production costs, reduced levels of production or abandonment or delays in development of properties.

No Revenues and History of Losses

The Company's properties are in the exploration stage and are not commercially viable at this time. The Company has not recorded any revenues from mining operations and there is no certainty that the exploration expenditures on the search and evaluation of mineral deposits will result in discoveries of commercial quantities of ore or that the Company will generate revenue, operate profitably or provide a return on investment in the future. There can be no assurance that significant additional losses will not occur in the future. The operating expenses and capital expenditures may increase in subsequent years with advancing exploration, development and/or production of the properties. The Company does not expect to receive revenues from operations in the foreseeable future. The Company expects to incur losses until such time as its properties enter into commercial production and generate sufficient revenue to fund its continuing operations. The development of the Company's properties will require the commitment of substantial resources and there can be no assurance that the Company will be able to finance its operations externally.

There can be no assurance that the Company's exploration programs will result in locating commercially exploitable mineral ores or that its properties will be successfully developed. There can be no assurance that the underlying assumed levels of expenses will prove to be accurate.

Commodity Prices

The development of the Company's properties is dependent on the future price of minerals and metals. As well, the profitability of the Company's commercial operations, if any, will be significantly affected by changes in the market price of minerals and metals.

Commodity prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. Such factors include, but are not limited to, interest and exchange rates, inflation or deflation, fluctuations in the value of the US dollar and foreign currencies, global and regional supply and demand, and political and economic conditions. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of commodities has historically fluctuated widely and future price declines could cause the development of any future commercial production from the Company's properties to be impracticable or uneconomical. Such fluctuations in commodity prices could have a material adverse effect on the Company's business and financial condition.

Insurance Risk

The Company's operations are, and will continue to be, subject to all of the hazards and risks normally associated with exploration, development and production, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The Company's activities may be subject to prolonged disruptions due to weather conditions, depending on the location of operations in which the Company has interests. Hazards, such as unusual or unexpected formations, rock bursts, pressures, adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, and natural phenomena such as inclement weather conditions, floods and earthquakes, flooding or other conditions may be encountered in the drilling and removal of material. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to the Company's properties or the properties of others, delays in mining, monetary losses and possible legal liability.

While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks is such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs that could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the Company's earnings and competitive position in the future and, potentially, its financial position and results of operation.

Conflicts of Interest

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration, development and mining operations and consequently there exists the possibility for such directors and officers to be in a position of conflict.

The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest they may have in any project or opportunity of the Company. In addition, each of the directors is required by law to declare their interest in and refrain from voting on any matter in which such directors may have a conflict of interest.

Market Price of the Shares

There can be no assurance that an active public market for the Company's shares will develop or be sustained. If an active public market does not develop, the liquidity of an investor's shares may be limited and the share price may decline below the Issue Price.

Worldwide securities markets have been experiencing a high level of price and volume volatility and market prices of securities of many companies, particularly those considered exploration or development stage companies, have experienced declines in prices that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. As a consequence, market forces may render it difficult or impossible for the Company to secure buyers of its securities at a price that will not lead to severe dilution to existing shareholders, or at all. In addition, shareholders may realize less than the original amount invested on sale of their Company shares during periods of such market price decline.

Option and Joint Venture Agreements

The Company may enter into option agreements and joint ventures as a means of gaining property interests and raising funds. Any failure of any partner to meet its obligations to the Company or other third parties, or any disputes with respect to third parties' respective rights and obligations, could have a material adverse effect on such agreements. In addition, the Company may be unable to exert direct influence over strategic decisions made about properties that are subject to the terms of these agreements.

Commitments

The Company has entered into an Executive Employment Agreement with Jeffrey Hunter to provide services to the Company in the general capacity of President and CEO and to undertake the duties and exercise the powers associated with this role. Under the terms of the Executive Employment Agreement, Mr. Hunter is contracted by the Company for an indefinite term, commencing January 1, 2012. The Company will pay him $120,000 base salary per annum.

Contingencies

The Company's exploration and evaluation activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

Subsequent event

Pursuant to its Normal Course Issuer Bid, the Company is entitled to repurchase for cancellation a maximum of 1,314,200 common shares during the 12-month period ending July 25, 2013. On January 3, 2013, 5,000 common shares were purchased for cash consideration of $275.