ETHOS CAPITAL CORP.

FOR THE YEAR ENDED DECEMBER 31, 2010

Management's Discussion & Analysis

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INTRODUCTION

This Management's Discussion and Analysis ("MD&A") includes financial information from, and should be read in conjunction with, the audited financial statements of Ethos Capital Corp. ("the Company") for the year ended December 31, 2010 and 2009. The Company reports its financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles in Canadian dollars. This MD&A was prepared with information available as of April 20, 2011. Additional information and disclosure relating to the Company can be found on SEDAR at **www.sedar.com**

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements. Forward-looking statements included in or incorporated by reference in this document, include without limitation, statements with respect to:

- success of future exploration programs
- title claims
- liquidity
- effects of accounting policy changes

Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to:

- fluctuations in the currency markets such as Canadian dollar, U.S. dollar and Mexican peso;
- fluctuations in the prices of metals and other commodities;
- changes in government legislation, taxation, controls, regulations and political or economic developments in Canada and Mexico or other countries in which the Company carries or may carry on business in the future;
- risks associated with mining activities;
- the speculative nature of exploration, including the risk of obtaining necessary licenses and permits, and quantities or grades of reserves;
- the nature of mineral exploration and mining and the uncertain commercial viability of certain mineral deposits;
- the Company's lack of operating revenues; and
- the Company's ability to obtain necessary financing to fund the development of its mineral properties or the completion of further exploration programs.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. Based on current available information, the Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that those expectations will prove to be correct. The forward-looking statements in this MD&A are expressly qualified by this statement, and readers are advised not to place undue reliance on the forward-looking statements.

OVERVIEW

The Company was incorporated on March 12, 2007 under the British Columbia Business Corporations Act. In 2007, the Company completed an initial public offering ("IPO") and was publicly listed as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange ("the TSX-V"). In 2008, the Company announced a proposed Qualifying Transaction. In July 2009, the TSX-V accepted the Company's Qualifying Transaction and filing statement, and the Company began trading on the TSX-V as a Tier 2 company under the symbol ECC and on the OTCQX under the symbol ETHOF beginning in March 2011. The Company's principal business activities are the identification, exploration and development of economically viable mineral properties.

HIGHLIGHTS

- During 2010, the Company completed 3 equity financings raising gross cash proceeds of $5.8 million.

- During 2010, the Company completed its initial exploration program on its mineral properties in Mexico, the Santa Teresa and Corrales properties, both under an option agreement. In 2011, the Company initiated and completed a ground magnetic survey at its Corrales property and intends to further drill test the Corrales property.

- In November 2010, the Company obtained the option to acquire a 100% interest in two prospective gold properties located 120 km south of Dawson City, Yukon. The Betty and Wolf properties were identified by experienced target generator Shawn Ryan, and are located in the highly prospective White Gold area, which includes two significant gold discoveries, the Golden Saddle deposit (Kinross Gold Corporation) and the Coffee Creek prospects (Kaminak Gold Corporation).

- In March 2011, the Company obtained the option to acquire a 100% interest in two prospective gold properties located 70km and 120 km respectively south of Dawson City, Yukon. The Bridget and Hen properties were also identified by Shawn Ryan. The two prospective gold properties are strategically located in the White Gold region of the Dawson Range, respectively east and north of Kaminak's Coffee Creek prospects.

- In April 2011, the Company engaged Canaccord Genuity Corp. (the "Agent") to act as agent in connection with a proposed private placement of up to $15,000,000 (the "Offering"). The proceeds will be raised by the issuance of any combination of units and flow-through shares of Ethos at a price of $1.00 per unit (the "Unit Offering Price") and $1.20 per flow-through share, subject to a maximum of $6,500,400 issued in flow-through shares. Each unit will consist of one common share and one half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share at a price of $1.35 per common share, for a period of 18 months following the date of closing. The proceeds of this Offering will be used to advance the Company's Canadian and Mexican projects and for general working capital purposes.

- The Management team, Advisory and Board were strengthened. During 2010, the Company appointed Dr. Mark Cruise and Mr. Peter Mordaunt to its Board and Mr. Gary Belik to its Advisory Committee. In February 2011, the Company appointed Mr. Peter Tallman, P.Geo., as its Chief Operating Officer.

Corrales, Mexico

At Corrales, carbonate hosted, silver-rich, polymetallic mineralization is exposed in numerous pits and shallow workings thought to date from the 1930's. The mineral occurrences and old workings are associated with expensive alteration that shares many similarities with those surrounding significant known productive systems elsewhere in this world-class polymetallic district. The hydrothermal system as presently defined measures 100 to 300 meters wide and approximately 1,100 meters long. This zone, exposed in essentially flat lying terrain at the edge of an extensive pediment area, is open for extension in three directions.

During the first quarter of 2010, the Company completed an induced polarization/resistivity survey and the results were inconclusive in tracing the surface oxide mineralization due to the presence of conductive overburden. A number of oxide type, zinc-lead-copper-silver occurrences are found within a zone of alteration and bleaching in essentially flat terrain.

During the second quarter of 2010, the Company completed a total of approximately 1,028 meters of percussion drilling in 40 vertical holes over the surface extent of the mineralized zone. Hole depth varied from 13.5 to 31.5 meters and was entirely in oxidized material. Each hole was sampled over its entire length at 1.5 meter intervals and a total of 642 samples were collected.

During the third quarter of 2010, the Company received positive results from its drilling program. Moderate to strongly anomalous values were encountered in 26 of the holes drilled defining a broad / strong / prospective multi-element Zn-Pb-Ag bearing zones. Highlights included hole 10-CO-02 which returned a 19.5 meter section averaging 25.5 g/t Ag, 0.14% Pb and 0.6% Zn and hole 10-C0-15A which returned a 31.5 meter interval averaging 38.05 g/t Ag, 1.2% Pb and 3.47% Zn.

In light of the success of this program, the Company suspended its drilling program at the Santa Teresa mineral property and moved the diamond drill rig to Corrales. A program of six diamond drill holes totalling 1,327 meters was completed. Selected sections of core were split, sampled and sent for analysis. Anomalous lead, zinc and silver values were encountered in every drill hole with hole No. CC-10-02 returning the best intersection with 15.5 meters averaging 9.7 g/t Ag, 1.2% Pb and 0.2% Zn, from 4.5 to 20.0 meters depth.

In 2011, the Company completed a ground magnetic survey of approximately 220 line kilometres. The survey was designed to prioritize drill targets (magnetic anomalies) within a large overburden covered area to the south and southeast of the Company’s most recent drilling which suggest an increase in both alteration and mineralization under cover.

During 2011, the Company intends to diamond drill test anomalies outlined by the magnetic survey on the Corrales property.

James M. Dawson, P. Eng., a consultant to the Company who supervised the work, and is a qualified person under the definition of National Instrument 43-101, has reviewed and approved the disclosure above.

Santa Teresa, Mexico

During the first quarter of 2010, at the Santa Teresa mineral property, extensive surface and underground mapping were carried out and this resulted in the identification of two main exploration targets, being the San Jose and the La Florida zones.

The San Jose zone is at least 500 meters long and has had limited artisanal production dating from the early 1900’s, from at least 4 sets of adits and internal shafts. The sampling program on the oxidized zinc-lead-copper-silver mineralization returned average grades in the area of 4 to 6% combined lead and zinc, 1 to 3 oz/ton of silver with locally significant copper and gallium with grab samples assaying as high as high 340g/ton of gallium.

The La Florida zone has been traced on surface for approximately 600 meters and had limited production from a number of underground workings over a vertical extent of approximately 120 meters. Several narrow vein/shear zones of oxidized zinc-lead mineralization are present within a permissive zone roughly 75 meters wide. The old workings targeted zinc/lead mineralization in steeply dipping composite veins and/or shears roughly 1.0 to 2.5 meters wide averaging 2 to 4% combined zinc/lead with low silver values of 5 to 10 g/ton. There is evidence of minor stringer-type mineralization between the wider structures and the presence of vanadium and gallium that may make a bulk-mineable scenario possible. Of the 81 samples taken from the old workings, 31 samples returned values greater than 1,000 ppm of vanadium (0.18% V_2O_5) and 5 samples returned values greater than 10,000 ppm of vanadium (1.8% V_2O_5). 19 samples reported values greater than 20 g/ton of gallium to a high of 161.5 g/ton of gallium. The Company plans to complete a program of detailed mapping and sampling of the underground workings to establish average grades over the entire width of the permissive zone.

James M. Dawson, P. Eng., a consultant to the Company who supervised the work, and is a qualified person under the definition of National Instrument 43-101, has reviewed and approved the disclosure above.

Betty and Wolf Mineral Properties, Yukon

In November 2010, the Company obtained the option to acquire a 100% interest in two prospective gold properties located 120 km south of Dawson City, Yukon. The Betty and Wolf properties were identified by experienced target generator Shawn Ryan, and are located in the highly prospective White Gold area, which includes two significant gold discoveries, the Golden Saddle deposit (Kinross Gold Corporation) and the Coffee Creek prospects (Kaminak Gold Corporation).

The Betty and Wolf properties are comprised of 802 claims (approximately 16,228 hectares) and are located in the highly prospective White Gold area in west-central Yukon. The newly recognized high-grade, lode gold mineralization in the area has led to two significant discoveries: the Golden Saddle deposit (Kinross Gold Corporation) and The Coffee Creek prospects (Kaminak Gold Corporation) in 2008 and 2010 respectively.

The Betty and Wolf claims are strategically located in the White Gold region of the Dawson Range, respectively northeast and southwest of, and on trend with, Kaminak's Coffee Property. The primary target on the Wolf and Betty properties is a near-surface, bulk tonnage gold setting analogous to Kinross Gold Corporation's recently acquired White Gold Project, and Kaminak Gold Corporation's newly discovered Coffee Project. The Betty and Wolf properties represent promising gold exploration targets in an emerging gold district with historic placer gold production and significant discoveries in 2008 and 2010.

Prospecting, geochemical sampling (601 soil samples) and ground magnetic surveying on the Wolf property has delineated 3 robust anomalies. Anomaly 1, the highest priority target measuring 710 meters in length, is defined by elevated gold (Au), arsenic (As) and antimony (Sb). This is similar to anomalies defined by Kaminak Gold Corporation on the Coffee Project and Underworld Resources on the White Gold project where subsequent trenching and drilling led to the discovery of significant bedrock gold mineralization. This anomaly is characterized by a robust multi-element, multi-line geochemical signature defined by Au (up to 25.2 ppb), As (up to 492 ppm) and Sb (up to 19.0 ppm), coincident with a magnetic low signature. Anomaly 2 consists of a coincident gold (up to 50.1 ppb) antimony (up to 97.7 ppm) geochemical anomaly measuring 610 meters by 300 meters. Anomaly 3 is a multi-line gold (up to 32.5 ppb) anomaly measuring 600 meters in length.

The Betty Property has not been systematically explored since the 1970's when the Marguerite Copper Showing was discovered on the western portion of the current claim block. This property has yet to be systematically explored and represents an attractive gold target for 2011.

(See Contractual Obligations for the terms and conditions required for the Company to exercise its option agreement for these two mineral properties.)

2011 Work Program

Ethos Capital Corp. management believes these two new properties represent opportunities for exploration for bulk tonnage gold mineralization in the emerging White Gold District. Summer 2011 exploration plans include follow-up soil geochemical surveys designed to infill and expand existing data, trenching of existing soil anomalies, ground magnetic surveying and geological mapping. The goal of this work is to identify and prioritize diamond drill targets.

Peter Tallman, P. Geo., Chief Operating Officer to the Company, is a qualified person under the definition of National Instrument 43-101 and has reviewed and approved the disclosure above.

Bridget and Hen Mineral Properties, Yukon

In March 2011, the Company obtained the option, subject to final regulatory approvals, to acquire a 100% interest in the Bridget and Hen mineral properties, which are located respectively 70 km and 120 km south of Dawson City, Yukon, in the prospective White Gold area where newly recognized high-grade, lode gold mineralization in the area has led to two significant discoveries: the Golden Saddle deposit (Kinross Gold Corporation) and The Coffee Creek prospects (Kaminak Gold Corporation) in 2008 and 2010 respectively. The Casino copper-molybdenum-gold deposit (being developed by Western Copper Corporation) is located nearby. The two properties, identified by experienced target generator Shawn Ryan, are comprised of a total of 1,385 claims (approximately 28,950 hectares) and are strategically located east and north of Kaminak's Coffee Property. Part of the Hen property adjoins Kinross Gold claims containing the new “JP Ross” discovery. The primary target on the Bridget and Hen properties is a near-surface, bulk tonnage gold setting analogous to Kinross Gold Corporation's recently acquired White Gold Project, and Kaminak Gold Corporation's newly discovered Coffee Project. The Bridget and Hen properties represent promising gold exploration targets in an emerging gold district with historic placer gold production and significant discoveries in 2008 and 2010.

In 1970, regional silt sampling by Silver Standard Resources Inc. identified the Bridget Property area as one of three significant copper-silver anomalies along with what is now the Minto mine (Capstone Mining Corp.) and the Lucky Joe prospect (Copper Ridge Explorations Inc.) in the region. In 2001 Shawn Ryan following up on government airborne magnetic surveying recognized the association of gold with the historically identified copper targets and the coincidence of this mineralization to magnetic highs.

The Bridget Property was explored by Shawn Ryan over three years between 2005 and 2008. Work included prospecting, geochemical sampling (a total of 1,455 soil samples collected) and ground magnetic surveying (~32 line kms) on the Bridget property. Soil sample analyses from the 2008 detailed soil grid indicate a geochemically anomalous area greater than 750 meters in length with copper >200 to 711 ppm coincident with anomalous bismuth (to 155 ppm) and molybdenum (to 322pmm) associated with a strong magnetic anomaly. The results suggest similarities with the Minto and Lucky Joe areas of mineralization.

The Bridget Property is surrounded by parts of the Hen Property and the package is contiguous with the Company’s Betty Property optioned from Shawn Ryan in November 2010 (see NR 30 November 2010). The area is highly prospective for White Gold District style gold mineralization such as Kinross’s White deposit and Kaminak’s Coffee prospects as well as porphyry copper-gold mineralization similar to Minto or Lucky Joe.

The Hen property has seen limited exploration. The property covers ~100 square kilometres centred on Henderson Creek which is a current and long-lived area of placer gold mining made famous by the American author Jack London who had a cabin on Henderson Creek during the Klondike gold rush. The Hen property covers an airborne magnetic anomaly and adjoins claims owned by Kinross who have made a gold discovery at the “JP Ross” prospect east of the Hen property boundary.

(See Contractual Obligations for the terms and conditions required for the Company to exercise its option agreement for these two mineral properties.)

2011 Work Program

Summer 2011 exploration plans include airborne magnetics and radiometric surveying plus ground follow-up soil geochemical surveys designed to infill and expand existing data, trenching of existing soil anomalies, ground magnetic surveying and geological mapping. The goal of this work is to identify and prioritize diamond drill targets.

Peter Tallman, P. Geo., Chief Operating Officer to the Company, is a qualified person under the definition of National Instrument 43-101 and has reviewed and approved the disclosure above.

SELECTED FINANCIAL INFORMATION

Fiscal Year ended	December 31, 2010	December 31, 2009	December 31, 2008
Total Revenue	Nil	Nil	Nil
Loss before Extraordinary Items	$809,337	$238,556	$77,204
Net Loss and Comprehensive Loss for the Period	$809,337	$238,556	$77,204
Net Loss Per Common Share Basis	$0.05	$0.02	$0.01
Total Assets	$7,745,190	$1,663,163	$1,970,351
Total Liabilities	$270,336	$20,229	$151,069
Cash Dividends per Common Share	Nil	Nil	Nil
Number of Common Shares Issued and Outstanding	24,065,540	11,200,000	10,930,000

There are no identifiable factors that will cause variations in the selected annual financial information.

RESULTS OF OPERATIONS

Year ended December 31 2010, compared to the Year ended December 31, 2009

The Company incurred a net loss of $809,337 for the year ended December 31, 2010 ($0.05 net loss per common share) compared to a net loss of $238,556 ($0.02 net loss per common share) for the year ended December 31, 2009, an increase of $570,781.

Consulting fees increased in 2010 by $147,274 when compared to 2009. $101,994 of that increase was the recording of share-based compensation in 2010 and the remaining increase was due to increased consulting work.

Investor relations costs increased in 2010 by $66,393 when compared to 2009. $25,893 of that increase was the recording of share-based compensation in 2010 and the remaining increase was due to investor relations costs in 2010 including a full year compared to a partial year of investor relations consulting in 2009.

Office and administrative costs, professional fees and travel and expenses increased to support the increased exploration and business development work during 2010.

SUMMARY OF QUARTERLY RESULTS

The following table summarizes selected financial information from the Company's unaudited financial statements for the last eight quarters.

Quarter Ended	Revenue	(Income) Loss	(Income) Loss Per Common Share	(Income) Loss Per Common Diluted Share
31-Dec-10	$0.00	$167,052	$0.01	$0.01
30-Sep-10	$0.00	$449,264	$0.02	$0.02
30-Jun-10	$0.00	$99,860	$0.01	$0.01
31-Mar-10	$0.00	$93,161	$0.01	$0.01
31-Dec-09	$0.00	$63,362	$0.01	$0.01
30-Sep-09	$0.00	$77,141	$0.01	$0.01
30-Jun-09	$0.00	$47,155	$0.00	$0.00
31-Mar-09	$0.00	$50,898	$0.00	$0.00

There are no identifiable factors that will cause variations in the selected quarterly financial information.

FOURTH QUARTER 2010

The Company incurred a net loss of $167,052 for the fourth quarter ended December 31, 2010 ($0.01 loss per common share) compared to a net loss of $63,362 ($0.01 loss per common share) for the comparative period in 2009. The increase in administrative costs in Q4-2010 were due to higher consulting fees, office and administrative costs and travel and expenses to support the increased exploration and business development work during 2010. Share-based compensation costs were also higher in Q4-2010 with the granting of options during that period.

LIQUIDITY AND CAPITAL RESOURCES

The Company had working capital of $5,601,262 as at December 31, 2010 compared to working capital of $1,374,041 as at December 31, 2009, an increase in working capital of $4,227,221.

During 2010, the Company incurred $389,945 (2009 - $231,098) in administrative costs net of interest income and foreign exchange loss. During 2010, the administrative costs were to support the review of business opportunities, financing and business development activities and to support the exploration work in Mexico. The Company incurred $753,160 in exploration expenditures in Mexico and paid $325,000 and issued 700,000 shares as option payments pursuant to its mineral property agreements.

During 2010, the Company completed three equity financings, raising net cash proceeds of $5,500,802 and received $294,163 from the exercise of warrants and options.

In April 2011 the Company announced a proposed private placement of up to $15 million. The private placement will be a combination of units and flow through shares, with each unit being priced at $1.00 per unit and the flow through shares at $1.20 per share, subject to a maximum amount of $6,500,400 from flow through shares. Each unit will consist of one common share and one half of one common share purchase warrant which each full warrant entitling the holder to purchase one additional common share at a price of $1.35 per common share, for a period of 18 months following the date of closing.

Subject to completing the $15 million private placement, the Company will have sufficient working capital to fund its administrative costs, meet its cash option payments under the Mexico and Yukon Options, carry out its exploration programs to further evaluate its Mineral Properties and to evaluate other business opportunities.

The Company's current source of working capital to date has been solely from the sale of its common shares. In the foreseeable future, the Company will likely need to raise additional working capital from the sale of additional common shares to meet its future cash flow requirements.

CONTRACTUAL OBLIGATIONS

Qualifying Transaction

On July 17, 2009, the TSX Venture Exchange ("TSXV") accepted the Company's Qualifying Transaction and filing statement that allowed the Company to meet Tier 2 Mining Issuer requirements of the TSXV.

During 2008, the Company signed a Letter of Intent with Cardero Resource Corp. ("Cardero") pursuant to which the Company was granted an option to earn a 70% working interest in two of Cardero's mineral prospects in Mexico. Subsequently during the same year, the Company and Cardero signed a Letter Agreement ("the Amending Agreement") amending the terms of the Letter of Intent. In consideration of Cardero entering into the Amending Agreement, the Company agreed to issue 100,000 common shares of the Company to Cardero within 5 days after the Letter of Intent and the Amending Agreement is accepted for filing by the TSVV ("the Acceptance Date"). The Company also agreed to pay to an individual at arm's length to the Company a finder's fee of 200,000 common shares of the Company over a three year period, including 50,000 common shares on the Acceptance Date, in consideration of that individual identifying and assisting with the acquisition of the Cardero mineral properties in the Qualifying Transaction. In July 2009, the TSXV accepted the Company's Qualifying Transaction and the Company issued the required common shares.

On December 1, 2010, the Company entered into an amending agreement (the "2nd Amending Agreement") with Cardero, which provides that Ethos and Cardero agreed to reduce the common shares issuable by Ethos to 1,000,300 common shares from 1,334,000 common shares, and to reduce the total cash payments to CDN$300,000 from CDN$500,000.

Pursuant to the Original Letter of Intent, the Amending Agreement, and the 2nd Amending Agreement, the Company has an exclusive option ("the Option") to earn an undivided seventy (70%) percent right, title and working interest in two of Cardero's mineral properties in Mexico, the Santa Teresa and Corrales properties ("the Mineral Properties") respectively by:

(a) paying to Cardero the sum of $300,000, as follows:

  (i) $100,000 on the Acceptance Date (completed on July 20, 2009);

  (ii) an additional $75,000 on or before December 15, 2010 (completed December 10, 2010); and

  (iii) an additional $125,000 on or before July 17, 2011;

(b) delivering to Cardero 1,000,300 fully-paid and non-assessable common shares of the Company as follows:

(i) 150,000 common shares of the Company on or before December 15, 2010 (completed December 3, 2010);

(ii) an additional 250,000 common shares of the Company by July 17, 2011; and

(iii) an additional 600,300 common shares of the Company on or before July 17, 2012;

(c) during the currency of the Option, assuming all of the liabilities, and performing, in a timely manner, all of the obligations pursuant to each of the third-party agreements to which Cardero or its subsidiaries hold their rights in and to the Mineral Properties; and

(d) otherwise complying with the terms and conditions of this Letter of Intent, Amending Agreement, and 2nd Amending Agreement during the currency of the Option.

The Company can however elect to terminate the option agreement with Cardero at any time.

Betty & Wolf Properties Option Agreements

On December 21, 2010, the TSXV accepted for filing two Option Agreements dated November 30, 2010 between the Company and Shawn Ryan ("Ryan") and Wildwood Exploration Inc. ("Wildwood") whereby the Company has the option to acquire a 100% interest in the Betty and Wolf properties, located in the White Gold area, west-central Yukon by completing the following:

Cash Payments

Property	Within 5 business days of TSXV Acceptance (completed Dec. 23, 2010)	On or before January 15, 2012	On or before November 30, 2012	On or before November 30, 2013	On or before November 30, 2014
Wolf	$100,000	$100,000	$100,000	$100,000	$150,000
Betty	$150,000	$100,000	$100,000	$100,000	$150,000
Totals	$250,000	$200,000	$200,000	$200,000	$300,000
Cumulative	$250,000	$450,000	$650,000	$850,000	$1,150,000

Required Expenditures

Property	On or before January 15, 2012	On or before October 15, 2012	On or before October 15, 2013	On or before October 15, 2014	On or before October 15, 2015
Wolf	$200,000	$300,000	$500,000	$750,000	$750,000
Betty	$200,000	$300,000	$500,000	$750,000	$750,000
Totals	$400,000	$600,000	$1,000,000	$1,500,000	$1,500,000
Cumulative	$400,000	$1,000,000	$2,000,000	$3,500,000	$5,000,000

Share Payments

Property	Within 5 business days of TSXV Acceptance (completed Dec. 23, 2010)	On or before January 15, 2012	On or before November 30, 2012	On or before November 30, 2013	On or before November 30, 2014
Wolf	250,000	250,000	250,000	250,000	250,000
Betty	250,000	250,000	250,000	250,000	250,000
Totals	500,000	500,000	500,000	500,000	500,000
Cumulative	500,000	1,000,000	1,500,000	2,000,000	2,500,000

The Company will also issue and deliver to Ryan 500,000 common shares upon the Company having incurred expenditures of a total of $4,000,000 on each of the Betty and Wolf properties, and issue and deliver to Ryan an additional 500,000 common shares upon the Company having incurred expenditures of a total of $7,500,000 on each of the Betty and Wolf properties.

In addition, the Company has the option to accelerate all of the above obligations and upon fulfilling all of these obligations, under both option agreements, the Company will make annual cash advance royalty payments of $30,000 to Ryan and Wildwood commencing October 30, 2015 and continuing each year thereafter until commencement of commercial production of each of the respective mineral properties. These advance royalty payments will be deducted from the royalty payable upon commencement of commercial production.
Each of the properties will be subject to a 2% Net Smelter Return (“NSR”) royalty in favour of Ryan and Wildwood, with an option in favour of the Company to buyout 1% of the NSR royalty exercisable for CDN$2,500,000 per property.

OFF-BALANCE SHEET ARRANGEMENTS

None

TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2010, the Company paid $44,076 (2009 – $14,518) to a publicly listed company with a common Chief Executive Officer, for office rent and reimbursement of certain office costs including office improvements, of which $567 (2009- $1,304) was payable at December 31, 2010.

The Company paid $144,955 (2009 – Nil) for option agreement payments and reimbursement for certain mineral exploration costs, of which $5,204 (2009 – Nil) was payable at December 31, 2010 to a company, of which one of the directors is the President and Chief Executive Officer.

The Company also paid $107,597 (2009 – $68,500) in consulting fees to private companies controlled by certain directors of the Company, of which $1,105 (2009 – Nil) was payable at December 31, 2010.

The above transactions were measured at the agreed exchange amount between the parties.

PROPOSED TRANSACTIONS

In March 2011, the TSXV conditionally accepted for filing two Option Agreements dated March 1, 2011 between the Company and Shawn Ryan ("Ryan") and Wildwood Exploration Inc. ("Wildwood") whereby the Company has the option to acquire a 100% interest in the Bridget and Hen properties, located in the White Gold area. Following are the requirements to fulfill the option:

Cash Payments

Property	Within 5 business days of TSXV Acceptance	On or before 1st Anniversary of Agreement	On or before 2nd Anniversary of Agreement	On or before 3rd Anniversary of Agreement	On or before 4th Anniversary of Agreement
Bridget	$100,000	$100,000	$100,000	$100,000	$150,000
Hen	$125,000	$150,000	$125,000	$100,000	$150,000
Totals	$225,000	$250,000	$225,000	$200,000	$300,000
Cumulative	$225,000	$475,000	$700,000	$900,000	$1,200,000

Required Expenditures

Property	On or before October 15, 2011	On or before October 15, 2012	On or before October 15, 2013	On or before October 15, 2014	On or before October 15, 2015
Bridget	$200,000	$300,000	$500,000	$750,000	$750,000
Hen	$300,000	$350,000	$500,000	$650,000	$750,000
Totals	$500,000	$650,000	$1,000,000	$1,400,000	$1,500,000
Cumulative	$500,000	$1,150,000	$2,150,000	$3,550,000	$5,050,000

Share Payments

Property	Within 5 business days of TSXV Acceptance	On or before 1st Anniversary of Agreement	On or before 2nd Anniversary of Agreement	On or before 3rd Anniversary of Agreement	On or before 4th Anniversary of Agreement
Bridget	250,000	250,000	250,000	250,000	250,000
Hen	350,000	350,000	350,000	350,000	350,000
Totals	600,000	600,000	600,000	600,000	600,000
Cumulative	600,000	1,200,000	1,800,000	2,400,000	3,000,000

The Company will also issue and deliver to Ryan 250,000 common shares upon the Company having incurred expenditures of a total of $4,000,000 on the Bridget property, and issue and deliver to Ryan an additional 250,000 common shares upon the Company having incurred expenditures of a total of $7,500,000 on the Bridget property.

The Company will also issue and deliver to Ryan 350,000 common shares upon the Company having incurred expenditures of a total of $4,000,000 on the Hen property, and issue and deliver to Ryan an additional 350,000 common shares upon the Company having incurred expenditures of a total of $7,500,000 on the Hen property.

Each of the properties will be subject to a 2% NSR royalty in favour of Ryan and Wildwood, with an option in favour of the Company to buyout 1% of the NSR royalty exercisable for CDN$2,500,000 per property.

The Bridget and Hen option agreements, taken together with the Betty and Wolf option agreements are being treated by the TSXV as a Fundamental Acquisition. Consequently, the property acquisitions pursuant to the Bridget and Hen option agreements are subject to the acceptance of the TSXV, which acceptance is, among other things, subject to the Company completing and filing NI 43-101 compliant technical reports on each of the Bridget, Hen, Betty and Wolf properties. The Company engaged Jean Paulter, P.Geo, JP Exploration Service Inc., to prepare these technical reports which have now been completed and are currently being reviewed by the TSXV. The Company will not make any cash payments or share issuances under the Bridget and Hen option agreements until the technical reports have been accepted for filing by the TSXV. Any shares subsequently issued by the Company under these option agreements will be subject to a four-month hold period.

RISKS AND UNCERTAINTIES

The Company was only recently incorporated, has not commenced commercial operations and has no assets other than cash and mineral property agreements under option. It has no history of earnings, and it is not expected to generate earnings or pay dividends in the foreseeable future.

Precious and Base Metal Price Fluctuations
The profitability of the precious and base metal operations in which the Company has an interest will be significantly affected by changes in the market prices of precious and base metals. Prices for precious and base metals fluctuate on a daily basis, have historically been subject to wide fluctuations and are affected by numerous factors beyond the control of the Company such as the level of interest rates, the rate of inflation, central bank transactions, world supply of the precious and base metals, foreign currency exchange rates, international investments, monetary systems, speculative activities, international economic conditions and political developments. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving adequate returns on invested capital or the investments retaining their respective values. Declining market prices for these metals could materially adversely affect the Company's operations and profitability.

Fluctuations in the price of consumed commodities
Prices and availability of commodities consumed or used in connection with exploration, development and mining, such as natural gas, diesel, oil, electricity, cyanide and other reagents fluctuate affecting the costs of exploration in our operational areas. These fluctuations can be unpredictable, can occur over short periods of time and may have a materially adverse impact on our operating costs or the timing and costs of various projects.

Foreign Exchange Rate Fluctuations
Operations in Mexico and Canada are subject to foreign currency exchange fluctuations. The Company raises its funds through equity issuances which are priced in Canadian dollars, and the until recently the majority of the exploration costs of the Company are denominated in United States dollars and Mexican pesos. The Company may suffer losses due to adverse foreign currency fluctuations.

Competitive Conditions
Significant competition exists for natural resource acquisition opportunities. As a result of this competition, some of which is with large, well established mining companies with substantial capabilities and significant financial and technical resources, the Company may be unable to either compete for or acquire rights to exploit additional attractive mining properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company will be able to acquire any interest in additional projects that would yield reserves or results for commercial mining operations.

Operating Hazards and Risks
Exploration activities may generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These risks include, but are not limited to, the

following: environmental hazards, industrial accidents, third party accidents, unusual or unexpected geological structures or formations, fires, power outages, labour disruptions, floods, explosions, cave-ins, land-slides, acts of God, periodic interruptions due to inclement or hazardous weather conditions, earthquakes, war, rebellion, revolution, delays in transportation, inaccessibility to property, restrictions of courts and/or government authorities, other restrictive matters beyond the reasonable control of the Company, and the inability to obtain suitable or adequate machinery, equipment or labour and other risks involved in the normal course of exploration activities

Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, delayed production and resultant losses, increased production costs, asset write downs, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damages. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. Any compensation for such liabilities may have a material, adverse effect on the Company's financial position.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploitation or development of the Company's projects. If adequate infrastructure is not available in a timely manner, there can be no assurance that the exploitation or development of the Company's projects will be commenced or completed on a timely basis, if at all.

Exploration and Development

There is no assurance given by the Company that its exploration and development programs and properties will result in the discovery, development or production of a commercially viable ore body or yield new reserves to replace or expand current reserves.

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At this time, none of the Company's properties have any defined ore-bodies with proven reserves.

The economics of developing silver, gold and other mineral properties are affected by many factors including capital and operating costs, variations of the tonnage and grade of ore mined, fluctuating mineral markets, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. Depending on the prices of silver, gold or other minerals produced, the Company may determine that it is impractical to commence or continue commercial production. Substantial expenditures are required to discover an ore-body, to establish reserves, to identify the appropriate metallurgical processes to extract metal from ore, and to develop the mining and processing facilities and infrastructure. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be accurately foreseen or predicted, such as market fluctuations, conditions for precious and base metals, the proximity and capacity of milling and smelting facilities, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting minerals and environmental protection. In order to commence exploitation of certain properties presently held under exploration concessions, it is necessary for the Company to apply for an exploitation concession. There can be no guarantee that such a concession will be granted. Unsuccessful exploration or development programs could have a material adverse impact on the Company's operations and profitability.

Business Strategy

As part of the Company's business strategy, it has sought and will continue to seek new exploration and development opportunities in the mining industry. In pursuit of such opportunities, it may fail to select appropriate acquisition candidates, negotiate appropriate acquisition terms, conduct sufficient due diligence to determine all related liabilities or to negotiate favourable financing terms. The Company may encounter difficulties in transitioning the business, including issues with the integration of the acquired businesses or its personnel into the Company. The Company cannot assure that it can complete any acquisition or business arrangement that it pursues, or is pursuing, on favourable terms, or that any acquisitions or business arrangements completed will ultimately benefit its business.

Environmental Factors

All phases of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. Environmental legislation is evolving in a manner which 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 any future changes in environmental regulation, will not adversely affect the Company's operations. The costs of compliance with changes in government regulations have the potential to reduce the profitability of future operations. Environmental hazards that may have been caused by previous or existing owners or operators may exist on the Company's mineral properties, but are unknown to the Company at the present.

Title to Assets

Although the Company has or will receive title opinions for any properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company has not conducted surveys of the claims in which it holds direct or indirect interests and, therefore, the precise area and location of such claims may be in doubt. The Company's claims may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by unidentified or unknown defects. The Company has conducted as thorough an investigation as possible on the title of properties that it has acquired or will be acquiring to be certain that there are no other claims or agreements that could affect its title to the concessions or claims. If title to the Company's properties is disputed it may result in the Company paying substantial costs to settle the dispute or clear title and could result in the loss of the property, which events may affect the economic viability of the Company.

Uncertainty of Funding

The Company has limited financial resources, and the mineral claims in which the Company has an interest or an option to acquire an interest require financial expenditures to be made by the Company. There can be no assurance that adequate funding will be available to the Company so as to exercise its option or to maintain its interests once those options have been exercised. Further exploration work and development of the properties in which the Company has an interest or option to acquire depend upon the Company's ability to obtain financing through joint venturing of projects, debt financing or equity financing or other means. Failure to obtain financing on a timely basis could cause the Company to forfeit all or parts of its interests in mineral properties or reduce or terminate its operations.

Agreements with Other Parties

The Company has entered into agreements with other parties relating to the exploration, development and production of its properties. The Company may, in the future, be unable to meet its share of costs incurred under agreements to which it is a party, and the Company may have its interest in the properties subject to such agreements reduced as a result. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the costs required to complete recommended programs.

Potential Conflicts of Interest

The directors and officers of the Company may serve as directors and/or officers of other public and private companies, and may devote a portion of their time to manage other business interests. This may result in certain conflicts of interest. To the extent that such other companies may participate in ventures in which the Company is also participating, such directors and officers of the Company may have a conflict of interest in negotiating and reaching an agreement with respect to the extent of each company's participation. The laws of British Columbia, Canada, require the directors and officers to act honestly, in good faith, and in the best interests of the Company and its shareholders. However, in conflict of interest situations, directors and officers of the Company may owe the same duty to another company and will need to balance the competing obligations and liabilities of their actions.

There is no assurance that the needs of the Company will receive priority in all cases. From time to time, several companies may participate together in the acquisition, exploration and development of natural resource properties, thereby allowing these companies to: (i) participate in larger properties and programs; (ii) acquire an interest in a greater number of properties and programs; and (iii) reduce their financial exposure to any one property or program. A particular company may assign, at its cost, all or a portion of its interests in a particular program to another affiliated company due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, it is expected that the directors and officers of the Company will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Third Party Reliance

The Company's rights to acquire interests in certain mineral properties have been granted by third parties who themselves may hold only an option to acquire such properties. As a result, the Company may have no direct contractual relationship with the underlying property holder.

Absolute Assurance on Financial Statements

We prepare our financial reports in accordance with accounting policies and methods prescribed by Canadian generally accepted accounting principles. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies and practices are described in more detail in the notes to our annual financial statements for the year ended December 31, 2010. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use and transactions are properly recorded and reported, we have implemented and continue to analyze our internal control systems for financial reporting. Although we believe our financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, we cannot provide absolute assurance in that regard.

General Economic Conditions

The unprecedented events in global financial markets during the last few years have had a profound effect on the global economy. Many industries, including the gold and silver mining industry, are affected by these market conditions. Some of the key effects of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's growth and profitability.

Substantial Volatility of Share Price

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the securities of many mineral exploration companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. The price of the Company's common shares is also likely to be significantly affected by short-term changes in mineral prices or in the Company's financial condition or results of operations as reflected in its quarterly financial reports.

Potential dilution of present and prospective shareholdings

In order to finance future operations and development efforts, the Company may raise funds through the issue of common shares or the issue of securities convertible into common shares. The Company cannot predict the size of future issues of common shares or the issue of securities convertible into common shares or the effect, if any, that future issues and sales of the Company's common shares will have on the market price of its common shares. Any transaction involving the issue of shares, or securities convertible into shares, could result in dilution, possibly substantial, to present and prospective holders of shares.

Please also refer to the section under risk factors in the Company's prospectus for the IPO and the filing statement for its Qualifying Transaction. These documents can be viewed on SEDAR at www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in detail in note 2 of the annual audited financial statements for the years ended December 31, 2010 and 2009. The Company considers the following policies to be most critical in understanding its financial results:

Carrying value of mineral property interests

Costs incurred related to the acquisition of, exploration for and development of mineral property interests are capitalized by property. All sales and option proceeds received are first credited against the costs of the related interest, with any excess credited to operations. No gains or losses are recognized on the partial sale or disposition of interests except in circumstances which result in significant dispositions of reserves. Once commercial production has commenced, these net costs are charged to future operations using the unit-of-production method based on estimated recoverable reserves by property. The net costs related to abandoned property interests are charged to operations.

The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those interests is not recoverable and exceeds their fair value.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets, and commitments at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant items subject to such management estimates and assumptions include the recoverability of the recorded value of mineral property interests and the determination of the fair value measurement of share-based compensation. Actual results could differ from these estimates due to factors such as changes in economic conditions, regulatory matters and negotiations with other parties.

Share-based compensation

The Company uses the fair value method of accounting for options granted under its share-based compensation plan. Stock options to employees are measured at the fair value of the consideration received or the fair value of the equity instruments issued whichever is more reliably measurable and are charged to operations over the vesting period. Stock options granted to consultants are valued at the time the options vest and at every reporting period for those not yet vested. The offset is credited to contributed surplus. Cash received on the exercise of stock options is recorded in share capital and the related compensation included in contributed surplus is transferred to share capital to recognize the total consideration for the shares issued.

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options granted. This model is subject to various assumptions. The assumptions the Company makes will likely change from time to time. At the time the fair value is determined; the methodology the Company uses is based on historical information, as well as anticipated future events.

FUTURE ACCOUNTING CHANGES

Section 1582 Business Combinations, Section 1601 Consolidated Financial Statements and Section 1602 Non-controlling Interests

These sections replace the former CICA Handbook Section 1581, Business Combinations and Section 1600, Consolidated Financial Statements, and establish a new section for accounting for a non-controlling interest in a subsidiary. These sections provide the Canadian equivalent to FASB Statements No. 141(R), Business Combinations and No. 160 Non-controlling Interests in Consolidated Financial Statements. Section 1582 is effective for business combinations for which the acquisition date is on or after January 1, 2011. Section 1601 and Section 1602 apply to interim and annual consolidated financial statements relating to years beginning on or after January 1, 2011. The Company is currently considering the impact of adopting these pronouncements.

Comprehensive revaluation of assets and liabilities

In August 2009, the CICA amended Section 1625, Comprehensive revaluation of assets and liabilities. This section has been amended as a result of issuing Business Combinations, Section 1582, Consolidated financial statements, Section 1601, and Non-controlling interests, Section 1602, in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. The adoption of this standard is not expected to have a material impact on the Company's results of operations or its financial position.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accounting principles ("GAAP") with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The transition date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

The Company has commenced the process to transition from GAAP to IFRS and has determined the process will comprise of various phases. The phases would be scoping and diagnosis, analysis and quantification and evaluation and implementation.

A preliminary diagnosis review indicated that the greatest areas of impact would be in the areas of consolidation, impairment of assets, financial instruments, related party transactions and initial adoption alternatives under IFRS 1.

The analysis and quantification and evaluation stage requires the specification of changes, their impact on accounting policies and information systems and an analysis of alternatives allowed under IFRS 1. The Company has not determined the potential impact on future financial statements and reporting at this time.

The implementation phase involves the execution of changes to information systems and authorization to accounting policy changes followed by the collection of financial information necessary to compile the IFRS financial statements.

IFRS 1 is a first time adoption standard which provides companies adopting IFRS standards for the first time numerous exemptions and mandatory exemptions. The accounting policy choices are being evaluated and those determined to be appropriate are anticipated to be adopted.

IFRS is currently developing new projects that are expected to become new IFRS standards and therefore IFRS as at the transition date are expected to differ from the current form. The full impact of IFRS will only be determined once all applicable standards at the conversion date are known.

Impact of Adoption of IFRS

The Company has identified a number of key accounting areas where there are potential differences between IFRS and Canadian GAAP which may have an impact on the Company's financial results. These have been summarized below based on the standards currently issued and applicable to the Company. This is not a complete list of differences between IFRS and Canadian GAAP and several standards are in the process of being amended by the IASB.

- Mineral properties

  The Company's accounting policy for mineral property expenditures is to capitalize costs related to the acquisition of, exploration for and evaluation of mineral property interests. This policy choice is allowed under IFRS and the Company intends to continue to apply this method of accounting for mineral properties.

  Under IFRS, capitalized mineral property interests previously classified separately under Canadian GAAP must be allocated either to tangible capital assets or to intangible assets based on the nature of the capitalized costs. The Company has determined that the rights of its mineral properties are held in perpetuity, as such mineral property costs will be considered as tangible capital assets for its financial statement presentation.

  Under IFRS, mineral properties cannot be recognized as assets before legal title or exploration rights are obtained. Accordingly, prospecting costs will be expensed and only payments made pursuant to the Company's earn-in option agreements will be considered as tangible capital assets.

- Impairment of assets

  Under Canadian GAAP, asset impairment is identified if the recorded amount of the asset exceeds its fair value. The impairment threshold under IFRS is defined as the higher of its fair value less costs to sell and the expected discounted future cash flows from the assets. The Company has determined that this change will not affect the recorded amount of any of its assets.

  IFRS, unlike Canadian GAAP, also allows impairment provisions to be reversed in future periods if the recoverable amount exceeds the recorded value. The Company has determined that this change will not affect the carrying amount of any of its assets.

- Share-based payments

  IFRS requires that share-based payments to employees with different vesting periods be treated as separate awards for the purpose of determining their fair value. In addition, IFRS requires that the number of anticipated forfeitures be estimated at the grant date and incorporated into the calculation of share-based compensation expense.

  Under Canadian GAAP, share-based payments with different vesting periods can be treated as a single award and forfeitures recorded as they occur. The Company expects that these requirements will result in an accelerated recognition of share-based compensation on a prospective basis.

As noted, initial adoption of IFRS requires retroactive application as at the transition date, with adjustments arising on the conversion to IFRS from Canadian GAAP recognized in opening retained earnings. However, to assist with the difficulties associated with reformulating historical accounting information, IFRS 1 First-time Adoption of International Financial Reporting Standards provides for a number of optional exemptions and mandatory exceptions which generally allow prospective rather than retrospective treatment under certain conditions. The following summarizes the most significant of these as they apply to the Company:

- Share-based payments

  IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share Based Payments to equity instruments that were granted subsequent to November 7, 2002, or that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company intends not to apply IFRS 2 Share Based Payments to equity instruments that vested prior to January 1, 2010.

- Estimates

  In accordance with IFRS 1, an entity's estimates in accordance with IFRS at the date of transition to IFRS must be consistent with estimates made for the same date in accordance with previous GAAP, unless there is objective evidence that those estimates were made in error. The Company's IFRS estimates at January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

The Company has developed financial statement formats, including note disclosure formats, under IFRS. Preparation of an IFRS compliant opening balance sheet dated January 1, 2010 and first-time adoption reconciliations, both for inclusion in the March 31, 2011and December 31, 2011 financial statements, have yet to be finalized.

An initial analysis of the potential business impacts on the conversion to IFRS on such activities as hedging, debt covenants, performance measures and compensation arrangements has been completed. No significant impacts were noted as, at this time, the Company's business affairs are typically not driven by financial results.

Impacts on the Company's information technology systems on the conversion to IFRS are expected to be minimal. Certain changes to the account structures to accommodate temporary transition entries and expanded depreciation categories are anticipated.

No significant changes to the control environment are expected as a result of the conversion to IFRS other than those controls governing the conversion process itself. Conversion controls implemented include skills training, process documentation and the engagement of both the Company's auditors.

Skills training for employees involved with IFRS implementation have been ongoing during 2010. Communication of the impact of conversion to IFRS has been communicated to the board of directors.

FINANCIAL INSTRUMENTS

As disclosed in its audited financial statements for the year ended December 31, 2010, the Company has identified several financial instruments that it utilizes in its day-to-day operations. It is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

BOARD, ADVISORY AND MANAGEMENT UPDATES

During Fiscal 2010, the Company’s management team, advisory committee and board of directors were strengthened. In March 2010, the Company appointed Mr. Gary Belik and Mark Cruise to its new advisory committee. In September 2010, the Company appointed Dr. Mark Cruise and Mr. Peter Mordaunt to its Board. In February 2011, the Company appointed Mr. Peter Tallman, P.Geo., as its Chief Operating Officer.

Dr. Mark Cruise is currently President and CEO of Trevali Resources Corp., and Vice-President Business Development of Cardero Resource Corp. A base metal specialist, Dr. Cruise completed his Ph.D. at Trinity College Dublin on the Irish Zinc-Lead orefield. He has extensive base- and precious-metal experience from grassroots exploration through resource definition to production in Europe and the Americas on behalf of Pasminco Limited, Anglo American plc. and the Cardero Group of companies. In 2001, Dr. Cruise transferred to Anglo's Vancouver office, where he held the position of Senior Geologist with responsibility for Anglo's copper and zinc portfolio, including project generation and implementation in Canada, USA, and Mexico. In 2004, Dr. Cruise joined Cardero as Vice-President Exploration with responsibility for Cardero's Peruvian, Argentinean and Mexican portfolio, including the approximately 850Mt Pampa de Pongo Iron deposit, Peru. Dr. Cruise joined Trevali in 2008 and has been instrumental in the ongoing fast track redevelopment and planned resumption of production with partners Glencore International AG from three recently discovered deposits at the Santander polymetallic mine project in west-central Peru. He is director of two other TSX-V listed companies, Dorato and Kria Resources, and was technical advisor to Ethos Capital prior to becoming a director.

Mr. Mordaunt is a Registered Professional Geoscientist with over 25 years of experience in mining, mine development and advanced exploration, including 20 years of experience in Mexico. Mr. Mordaunt recently retired in January 2010 from his role as Chairman and CEO of Stingray Copper Inc., which he founded, managed and merged with Mercator Minerals Ltd. in December 2009. Previously he founded, managed and merged Corner Bay Silver Inc. with Pan American Silver Inc in 2003. Mr. Mordaunt's business skills have been focused on advanced project development leading to bankable feasibility studies, finance, mergers and acquisitions for more than 20 years. Mr. Mordaunt graduated from the University of Guelph in 1984. He is a member of the Institute of Corporate Directors and has the Professional Certification as ICD.D which is recognized both nationally and internationally. Mr. Mordaunt is also currently a Director of Lipari Energy Inc., Argonaut Gold Corp., and Messina Minerals Inc. Mr. Mordaunt was instrumental in leading the development of Pediment Gold Corp.'s San Antonio project located in Baja California Sur, Mexico.

Mr. Belik’s industry experience spans 30 years and includes providing geological consulting services for a wide variety of precious, base and specialty metal exploration projects throughout Canada, Western United States, Mexico and South America. He has been involved with a variety of companies such as Getchell Resources Inc. Mr. Belik holds a B.Sc. degree in Honors Geology and a M.SC degree in Geology, both from the University of British Columbia, and is a member of the Association of Professional Engineers and Geoscientists of B.C. and is a fellow of the Geological Association of Canada.

Mr. Tallman is a Registered Professional Geologist with over 29 years of experience in management and mineral exploration worldwide, with an emphasis on Eastern Canada. Mr. Tallman was involved in the discovery and delineation of the million ounce Hope Brook Gold Mine with BP-Selco during 1982 -- 1987, and the Beaver

Brook Antimony Mine with Noranda during 1988 -- 1991. Mr. Tallman has also previously held positions such as Vice President, Exploration for Prime Equities International Corp., Vice President of Rockvale Resources Limited. In 2002 Mr. Tallman was appointed as and is currently, President, CEO and director of Messina Minerals Inc., which discovered the Boomerang zinc deposit in 2005. He currently remains a director of Messina. Mr. Tallman graduated with a B.Sc. from the University of Western Ontario in 1984.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Management has evaluated the effectiveness of the Company's disclosure controls and procedures as at December 31, 2010 and has concluded, based on its evaluation, that these controls and procedures provide reasonable assurance that material information relating to the Company is made known to management and disclosed in accordance with applicable securities regulations.

INVESTOR RELATIONS

In September 2009, the Company entered into a one year consulting agreement with Mr. Andrew Hay of Vancouver, BC to perform investor relations services for the Company. The Company pays Mr. Hay a consulting fee of $4,500 per month and granted Mr. Hay stock options to purchase 100,000 common shares of the Company at $0.25 per common share for a one year period. In the third quarter of 2010, the Company renewed Mr. Hay's consulting agreement for a period of 1 year, and granted Mr. Hay additional options to purchase 40,000 common shares of the Company at $0.42 per common share for a period of 5 years, subject to vesting provisions.

In 2011, the Company retained Deutsche Investor-Relations GmbH ("DIRG") to provide the Company with investor relations services in Europe. DIRG is based in Berlin, Germany. The Company pays DIRG a monthly retainer of 2,500 Euro per month for a period of one year, subject to automatic yearly renewal, unless cancelled upon 3 months notice by either party. The Company has also granted DIRG options to purchase up to 70,500 common shares of the Company at a price of $0.94 per common share for a period of 2 years, subject to vesting provisions.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at April 20, 2011, the Company had the following common shares and stock options outstanding:

Common shares	26,025,971
Stock options	2,641,500
Warrants	3,244,088
Fully diluted common shares outstanding	31,911,559