ETHOS GOLD CORP.

(formerly Ethos Capital Corp.)

Management's Discussion & Analysis

FOR THE YEAR ENDED DECEMBER 31, 2012

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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 Gold Corp., previously known as Ethos Capital Corp., ("the Company") for the year ended December 31, 2012 and 2011. This MD&A was prepared with information available as of April 23, 2013. Additional information and disclosure relating to the Company can be found on SEDAR at **www.sedar.com**

FORWARD LOOKING STATEMENTS

This MD&A contains "forward-looking statements" within the meaning of applicable Canadian securities legislation, which include all statements, other than statements of historical fact that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future. These include, without limitation:

- the Company's anticipated results and developments in the Company's operations in future periods;
- planned exploration and development of its mineral properties;
- planned expenditures and budgets;
- evaluation of the potential impact of future accounting changes;
- estimates concerning share-based compensation and carrying value of properties; or
- other matters that may occur in the future.

These statements relate to analyses and other information that are based on expectations of future performance and planned work programs.

Statements concerning mineral resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the related property is developed.

With respect to forward-looking statements and information contained herein, the Company has made a number of assumptions with respect to the price of gold and other metals, economic and political conditions, and continuity of operations. Although the Company believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that forward-looking statements or information contained or incorporated by reference herein will prove to be accurate.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ materially from those expressed or implied by the forward-looking statements, including, without limitation:

- fluctuations in mineral prices;
- the Company's dependence on a limited number of mineral projects;
- the nature of mineral exploration and mining and the uncertain commercial viability of certain mineral deposits;
- the Company's lack of operating revenues;
- the Company's ability to obtain necessary financing to fund the development of its mineral properties or the completion of further exploration programs;
- jurisdiction operating risks which can over time include changes in political, economic, regulatory and taxation regimes;
- governmental regulations and specifically the ability to obtain necessary licenses and permits;

- risks related to the Company’s mineral properties being subject to prior unregistered agreements, transfers, or claims and other defects in title;
- fluctuations in the currency markets;
- changes in environmental laws and regulations which may increase costs of doing business and restrict the Company’s operations;
- risks related to the Company’s dependence on key personnel; and
- estimates used in the Company’s financial statements proving to be incorrect.

This is not an exhaustive list of the factors that may affect the Company’s forward-looking statements. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. The Company’s forward-looking statements are based on beliefs, expectations and opinions of management on the date the statements are made. For the reasons set forth above, investors should not place undue reliance on 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. In March 2011, the Company began trading on the OTCQX under the symbol ETHOF. The Company’s principal business activities are the identification, exploration and development of economically viable mineral properties.

HIGHLIGHTS

The Company carried out an extensive exploration program on the Betty, Wolf, and Bridget properties in the Yukon and spent $4.2 million in 2012 and $5.0 million in 2011.

Based on the results of the exploration programs in 2011 and 2012, the Company elected to terminate its option to acquire a 100% interest in the Betty, Wolf, Hen and Bridget properties.

As at December 31, 2012, the Company had a cash balance of $9.1 million and working capital of $9.2 million and as at April 23, 2013, a cash balance and working capital of $9.0 million and $8.9 million, respectively.

EXPLORATION UPDATE

Betty, Wolf and Bridget Mineral Properties, Yukon

In the first quarter of 2013, the Company terminated its option to acquire a 100% interest in the Betty, Wolf, Bridget and Hen properties. The Company had spent a cumulative amount of $2,828,000 in cash and equity option payments for these properties, and the entire amount was written off as at December 31, 2012.

The Company had held the option to acquire a 100% interest in three prospective gold properties located in the White Gold region of the Tintina Gold Belt, focussed in the immediate vicinity of and along trend with gold mineralization discovered on Kaminak’s Coffee Property. The Betty, Wolf, and Bridget properties were identified and staked by an experienced target generator Shawn Ryan following the nearby gold discoveries at Golden Saddle (2008) and Coffee (2010). Exploration on the Betty, Wolf, and Bridget properties primarily targeted the potential for near-surface, bulk tonnage gold deposits similar to gold deposits found nearby and regionally within the Tintina Gold Belt.

Betty

The Betty property has historically seen no significant gold-in-bedrock exploration prior to its staking by Shawn Ryan in 2010. The Betty property adjoins Kaminak's Coffee gold property to the west and Western Copper's Casino gold-copper deposit to the south. The Betty property was considered prospective for bulk-tonnage gold deposits similar to many others within the Tintina gold belt and similar to nearby gold mineralization found on Kaminak's adjacent property.

The Company conducted systematic exploration of the Betty property during 2011. Airborne magnetic and radiometric surveying and orthophoto mapping were completed across the Betty property in 2011. This level of detail allowed initial mapping and interpretation of fault structures and intrusions believed to control the location and distribution of bulk-tonnage gold targets within the belt. Property-wide field mapping of soil types and areas of permafrost was also completed.

In 2011 and 2012, reconnaissance ridge-and-spur soil sampling identified a widespread and regionally significant gold-in-soil anomaly, the Mascot Creek anomaly, as well as secondary target areas such as the Buck zone. Additional phases of ridge-and-spur and detailed grid soil sampling, totalling approximately 33,000 individual soil samples led to the identification of a 17.5 square km area of anomalous gold in soils ranging between 30 to 7,288 parts per billion ("ppb") gold ("Au") defining the Mascot Creek anomaly target. Prospecting of anomalous soil sites at Mascot Creek discovered gold in rock grab samples from bedrock or colluvium ranging from 1 gram per tonne ("g/t") Au up to 24.8 g/t Au.

Pit trenches excavated in 2011, excavated to 2 meters depth in colluviums and systematically spaced approximately 5 meters apart, were used to follow-up the soil and prospecting results. A total of 22 pit trench lines including 18 within the Mascot Creek anomaly was completed. The best results from this work averaged 7.3 g/t Au over a 50 meter distance; a second parallel line located 85 meters away averaged 2.9 g/t Au over a 45 meter distance. Results from the 2011 exploration had supported further exploration expenditures targeting Tintina gold belt style bulk tonnage gold mineralization at the regionally extensive Mascot Creek anomaly target.

In 2012, a total of 61 reverse circulation ("RC") drill holes were completed within or near the area of the Mascot Creek target testing for bulk tonnage gold mineralization. A high-precision ground magnetometer survey was also completed covering most of the Mascot Creek target in order to refine the structural interpretation, and prospecting was completed targeting individual anomalous sites in order to identify styles of mineralization prior to drilling,

The anticipated geological target was bulk-tonnage epithermal mineralization similar to Kaminak's adjacent Coffee property; instead the gold mineralization intersected by 2012 RC drilling within the Mascot Creek anomaly is developed within "bonanza veins" which exhibit colloform quartz and bladed calcite indicative of epithermal or bonanza silver-gold environments of deposition. Drill holes were generally spaced 200 meters to 500 meters apart on interpreted soil/fault structures, to maximize the area tested. For example, holes BETR12-023 and -024 tested the same fault target at 500 meter spacing, and holes -004, -003, -002, -001, -018, and -048 tested the Bond target over a 2 km strike length also at ~500 meter spacing.

Highlights of the widespread drilling include:

BETR12-012: 3.0 meters of 29.8 g/t Au and 27 g/t Ag (30.3 g/t AuEq) from 27.2 meters;
BETR12-014: 12.2 meters of 2.0 g/t Au and 19 g/t Ag (2.4 g/t AuEq) from 108.2 meters;
BETR12-022: 41.1 meters of 2.6 g/t Au and 107 g/t Ag (4.7 g/t AuEq) from 16.8 meters;
BETR12-023: 1.5 meters of 3.8 g/t Au and 292 g/t Ag (9.6 g/t AuEq) from 78.7 meters;
BETR12-024: 1.5 meters of 0.9 g/t Au and 280 g/t Ag (6.5 g/t AuEq) from 14.9 meters;
BETR12-027: 1.5 meters of 1.1 g/t Au and 98 g/t Ag (3.1 g/t AuEq) from 15.3 meters
and also 22.9 meters of 0.5 g/t Au from 103.6 meters;
BETR12-052: 3.0 meters of 0.9 g/t Au and 91 g/t Ag (2.7 g/t AuEq) from 83.8 meters;
BETR12-061: 3.0 meters of 0.9 g/t Au and 85 g/t Ag (2.6 g/t AuEq) from 106.7 meters.

The exploration rationale targeted bulk tonnage gold deposits. Vein-style deposits do not have economies of scale and need systematically very high gold grades to achieve economic thresholds. The vein-style mineralization at the Mascot Creek anomaly is related to a series of fractures interpreted to be part of the halo surrounding Western Copper's Casino copper-gold project and is unrelated to Kaminak's Coffee prospect gold system. No further expenditures on the property were recommended.

Wolf

A small part of the Wolf property was staked by Shawn Ryan in 1998 and the majority staked in 2009 following the gold discoveries at Golden Saddle (Underworld, now Kinross) and Coffee (Kaminak). Shawn Ryan completed initial prospecting, ridge-and-spur and some grid soil sampling (601 soil samples) and a small ground magnetic survey. This work identified three gold-in-soil anomalies with characteristics similar to those found within the Tintina gold belt at bulk tonnage epithermal gold targets such as Golden Saddle and Coffee.

Ethos conducted systematic exploration of the Wolf property in 2011. Reconnaissance ridge-and-spur soil sampling extended the area covered by Shawn Ryan and follow-up detailed grid soil sampling collectively totalling 2,918 samples targeted the three gold-in-soil anomalies. The results indicated a continuous gold soil anomaly that is 5 km by 1.5 km in area extending in a southwest direction and still open further to the southwest. Gold values in soils within the anomalous area ranged from 10 ppb to 358 ppb gold with 16 values greater than 75 ppb.

Airborne magnetic and radiometric surveying, and orthophoto mapping was also completed in 2011 across the Wolf property. This work identified interpreted fault structures and felsic intrusions which correlate well with the Wold gold-in-soil anomaly.

Prospecting in 2011 and 2012 targeted anomalous gold-in-soil sites seeking an in-situ explanation of the gold outlined by soils. The anomalous area of elevated gold-in-soils at Wolf is underlain by granodiorite locally containing pyrite. Rocks collected and assayed did not contain anomalous gold. No alteration or mineralization consistent with Tintina gold belt deposits was identified. No further expenditures on the property were recommended.

Bridget

Parts of the Bridget property were staked by Shawn Ryan in the interval between 2004 and 2008. Additional staking in 2010, 2011and 2012 brought the property to its latest size. In the late 1960's and early 1970's the area was explored for porphyry copper deposits similar to Western Copper's Casino deposit. At Bridget, porphyry-related copper-molybdenum mineralization was identified during this time.

Ethos completed airborne magnetic and radiometric surveying, and orthophoto mapping across the Bridget property in 2011. Reconnaissance ridge-and-spur soil sampling across the property was also completed in 2011. Follow-up prospecting on some anomalous but sporadic gold-in-soil results was conducted late in the 2011 season and during 2012 with no significant results. In addition in 2011 and again in 2012, the area of the Bridget porphyry-related copper-molybdenum mineralization was examined and sampled. The results were geologically interesting and assay results had locally anomalous values of copper, molybdenum, and tungsten. However, no assay results contained anomalous gold values. The Bridget area was not a priority target without gold in the porphyry-related mineralization. No bulk-tonnage gold target was identified by 2011 and 2012 surveys conducted on the Bridget property package, and no further expenditures on the property were recommended.

Hen

The Hen property was staked by Shawn Ryan in 2010 based upon work he had done in the area in the early 2000's. In 2011, Ethos completed airborne magnetic and radiometric surveying, and orthophoto mapping, followed by reconnaissance ridge-and-spur soil sampling across the property. Few gold-in-soil anomalies were located by this surveying. Local sites of anomalous gold-in-soil samples were examined by follow-up prospecting with no significant result. The 476 claims comprising the "Hen claims" in the area of Henderson Creek were returned to Shawn Ryan on March 1, 2012 as part of the consolidation of the Bridget and Hen Agreements.

WC

Ethos acquired a 44 claim property by staking in 2012. The property is surrounded by Western Copper's advanced Casino copper-gold project where a positive feasibility was completed in 2012. During 2012, Ethos completed reconnaissance ridge-and-spur soil sampling which identified nine sample sites with anomalous gold and pathfinder elements. This property will remain in good standing for five years to 2018 without further expenditures.

The technical and scientific information contained within the Management Discussion and Analysis has been reviewed and approved by Peter Tallman, P.Geo, Chief Operating Officer of the Company and Qualified Person as defined by National Instrument 43-101 policy.

SELECTED FINANCIAL INFORMATION

Fiscal Year ended	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
Total Revenue	Nil	Nil	Nil
Net Loss and Comprehensive Loss for the Year	$8,284,529	$7,509,874	$1,662,136
Net Loss Per Common Share	$0.19	$0.21	$0.10
Total Assets	$9,291,691	$16, 523,099	$6,754,248
Total Liabilities	$92,098	$423,718	$174,098
Cash Dividends per Common Share	Nil	Nil	Nil
Number of Common Shares Issued and Outstanding	43,458,911	42,097,911	24,065,540

RESULTS OF OPERATIONS

Year ended December 31, 2012, compared to the Year ended December 31, 2011

The Company incurred a net loss of $8,284,529 in 2012 ($0.19 loss per common share) compared to a net loss of $7,509,874 ($0.21 loss per common share) in 2011, an increase of $774,655. The increase in 2012 was mainly a result of the higher write off amount of the mineral interest acquisition costs for the option to acquire the Betty, Wolf, Bridget and Hen properties, partially offset by lower stock based compensation and exploration and project evaluation costs.

The Company incurred $4,159,455 in exploration costs in 2012, primarily on the Yukon mineral properties compared to $5,020,375 in 2011, a decrease of $869,920 as the Company chose to not extend its Yukon exploration program in the late summer of 2012 based on the results of the exploration program.

The Company wrote off $2,828,000 of mineral interest costs at the end of 2012 as the Company decided to terminate its option to acquire a 100% interest in the Betty, Wolf, Bridget and Hen properties. In 2011, the Company relinquished its option on the Santa Teresa and Corrales properties in Mexico and wrote off $246,750 in capitalized mineral interest costs.

The Company incurred $249,400 in consulting fees and $194,964 in salaries in 2012 compared to $397,882 and $147,870 respectively in 2011, an decrease of $148,482 in consulting fees and an increase of $47,094 in salaries as the Company staffed accordingly for its support of the exploration programs in 2012 and 2011.

Share-based compensation costs decreased from $1,129,981 in 2011 to $470,541 in 2012 as the graded vesting of the previously granted options decreased as the options mostly reached the end of their vesting period. The Company did not grant options in 2012.

All other administrative costs and expenses were relatively comparable.

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	Net Loss	Loss Per Common Share	Loss Per Common Diluted Share
31-Dec-12	$0.00	$3,109,586	$0.07	$0.07
30-Sep-12	$0.00	$2,277,868	$0.05	$0.05
30-Jun-12	$0.00	$2,275,560	$0.05	$0.05
31-Mar-12	$0.00	$621,515	$0.01	$0.01
31-Dec-11	$0.00	$1,506,242	$0.04	$0.04
30-Sep-11	$0.00	$3,201,577	$0.08	$0.08
30-Jun-11	$0.00	$2,132,539	$0.06	$0.06
31-Mar-11	$0.00	$669,516	$0.03	$0.03

The quarterly losses will vary substantially depending on the amount of exploration costs incurred and the write off of mineral interests, if any.

FOURTH QUARTER 2012

The Company incurred a net loss of $3,109,586 in Q4-2012 ($0.07 loss per common share) compared to a net loss of $1,506,242 ($0.04 loss per common share) in Q4-2011, an increase of $1,950,773. This increase was mainly a result of a higher write-off of mineral interests costs as the Company wrote off $2,828,000 in Q4-2012 on termination of the Betty, Wolf, Bridget and Hen property option agreements. In Q4-2011, the Company relinquished its option on the Santa Teresa and Corrales properties in Mexico and wrote off $246,750 in capitalized mineral interest costs in Q4-2011. This was offset by lower share-based compensation as Q4-2011 was $609,088 compared to $54,216 in Q4-2012, a decrease of $554,872 as the graded vesting of the previously granted options decreased as the options mostly reached the end of their vesting period.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

See Schedule of Exploration Expenditures in the annual financial statements for a breakdown of exploration expenditures. The material component of general and administration expenses are:

	2012	2011
Courier	$ 7,884	$5,201
Director fees	70,500	-
Donations	2,204	3,955
Dues and subscriptions	4,812	2,676
Insurance	47,389	28,584
IT services	20,082	6,284
Office	15,097	32,436
Printing	4,546	22,408
Telephone	23,962	33,364
	$ 196,476	$ 134,908

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2012, the Company had working capital of $9,164,147 compared to working capital of $14,448,178 at December 31, 2011, a decrease in working capital of $5,284,031.

During 2012, the Company incurred $4,159,455 in cash exploration expenses, $925,450 in cash administrative costs net of interest income, $301,325 in cash mineral property payments and equipment and received $102,200 from the exercise of options.

The Company is in the exploration stage and its source of working capital to date has been solely from the sale of its common shares. The Company has sufficient funds to fund its future administrative costs, acquisition, exploration or development costs if it is able to find a suitable project. Depending on the type of project it acquires, the Company will likely need to raise additional working capital from the sale of additional common shares to meet its future exploration, development and administrative requirements.

The Company’s financial liabilities, comprised of accounts payable, accrued liabilities, and amounts due to related parties, are all due on demand.

CONTRACTUAL OBLIGATIONS

Corrales and Santa Teresa Option Agreement

The Company surrendered and terminated its right to acquire from Cardero Resource Corp., the Santa Teresa property during 2011, and surrendered and terminated its right to acquire the Corrales property in 2012. The Company has no further obligations under these agreements.

Betty & Wolf Option Agreements

On December 21, 2010, the TSX-V 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 had the option to acquire a 100% interest in the Betty and Wolf properties, located in the White Gold area, west-central Yukon.

During the year ended December 31, 2012, the Company made cash payments of $200,000 (2011 – Nil) and issued 500,000 common shares with a fair value of $455,000 (2011 – Nil) pursuant to the option agreements.

In February 2013, the Company terminated its option to acquire a 100% interest in the Betty and Wolf properties. Accordingly, the Company has written off the capitalized acquisition costs as at December 31, 2012.

Bridget and Hen Option Agreements

The Company entered into two option agreements dated March 1, 2011 between the Company and Ryan and Wildwood, whereby the Company had the option to acquire a 100% interest in the Bridget and Hen properties, located in the White Gold area. The TSXV approved this transaction during the second quarter of 2011. In February, 2012, the Company and Ryan and Wildwood amended the terms of these two option agreements. 1,633 claims were removed from the Hen Agreement and added to the Bridget Agreement, and 476 former Hen claims were determined not to be required for the Company's exploration objectives, and were returned to Ryan and Wildwood. Consequently, the revised claim package was all covered under the Bridget agreement and the Hen agreement had been terminated.

During the year ended December 31, 2012, the Company made cash payments of $100,000 (2011 – $225,000) and issued 350,000 common shares with a fair value of $357,000 (2011 – 600,000 common shares with a fair value of $726,000) pursuant to the option agreements.

In March 2013, the Company terminated its option to acquire a 100% interest in the Bridget and Hen properties. Accordingly, the Company has written off the capitalized acquisition costs as at December 31, 2012.

OFF-BALANCE SHEET ARRANGEMENTS

None

TRANSACTIONS WITH RELATED PARTIES

Related party transactions are recorded at the exchange amount as agreed to by the parties. The Company entered into the following transactions with related parties during the years ended December 31, 2012 and 2011:

a) The Company paid $nil (2011 - $62,613) to a publicly listed company with a common Chief Executive Officer, for office rent and reimbursement of certain office costs.

b) During 201, the Company paid $57,238 for option agreement payments and reimbursement for certain mineral exploration costs, of which $68,820 was payable at December 31, 2011 to a company of which one of the directors is the President and Chief Executive Officer.

c) The Company paid $234,000 (2011 - $270,357) in consulting fees to private companies controlled by certain directors and officers of the Company, of which Nil (2011 - $21,587) was payable at December 31, 2012.

d) $17,280 in Director fees was payable at December 31, 2012 (2011 – Nil).

e) Key management personnel compensation was:

	For the year ended	
	December 31, 2012	**December 31, 2011**
Salaries	$132,000	$147,870
Consulting fees	$234,000	$336,000
Directors fees	$70,500	-
Share-based compensation	$317,569	$819,361
	$754,069	$1,303,231

PROPOSED TRANSACTIONS

None

RISKS AND UNCERTAINTIES

The Company was only recently incorporated, has not commenced commercial operations and has no assets other than cash and an interest in a mineral property. 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 may be subject to foreign currency exchange fluctuations. The Company to-date has raised its funds through equity issuances which are priced in Canadian dollars, and until recently the majority of the exploration costs of the Company were denominated in United States dollars and Mexican pesos. Its Yukon expenditures are currently primarily in Canadian dollars. 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 of 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.

Assurance on Financial Statements

We prepare our financial reports in accordance with accounting policies and methods prescribed by IFRS and previously under Canadian GAAP. 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 audited annual financial statements for the year ended December 31, 2012. 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 POLICIES AND MANAGEMENT ESTIMATES

The preparation of financial statements requires management to make estimates and judgments and form assumptions that affect the reported amounts and other disclosures in the financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

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 further periods if the review affects both current and future periods.

Critical accounting estimates are estimates and assumptions made by management that may result in material adjustments to the carrying amount of assets and liabilities within the next financial year. Critical estimates used in the preparation of these financial statements include, among others, the recoverability of accounts receivable and future income tax assets, impairment of assets, measurement of share-based compensation and valuation of reclamation obligations.

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments include the expected economic lives of and the estimated future operating results and net cash flows from property and equipment.

Mineral interests and other assets owned are recorded at cost less accumulated depreciation and accumulated impairment losses. All direct costs related to the acquisition of mineral properties are capitalized until the properties to which they relate are ready for their intended use, sold, abandoned or management has determined there to be impairment. On the commencement of commercial production, net capitalized costs are charged to operations on a unit-of-production basis, by property, using estimated proven and probable recoverable reserves as the depletion base.

Although the Company has taken steps to verify title to the mineral properties in which it has an interest, in accordance with industry standards for properties in the exploration stage, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and noncompliance with regulatory requirements.

Exploration and evaluation expenditures, inclusive of exploration programs required under option agreements, net of incidental revenues, are charged to operations in the period incurred, until such time as it has been determined that a property has economically recoverable reserves and a decision to commence commercial production has occurred, in which case subsequent exploration expenditures and the costs incurred to develop a property are capitalized. Exploration and evaluation expenditures include value-added taxes and presumptive income taxes incurred in foreign jurisdictions when recoverability of these taxes is uncertain.

From time to time, the Company grants common share purchase options to directors, officers, employees and non-employees. The Company uses the fair value method of accounting for options granted under its share purchase option plan. Options granted to directors, officers and employees are measured at fair value, which is charged to operations over the applicable vesting period, with an offsetting credit to share option reserves. Options granted to non-employees are measured at fair value of goods and services received, which is charged to operations at the date the options are fully vested, with an offsetting credit to share option reserves. The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. Consideration received upon exercise of share purchase options, along with the related amount previously recorded in the share option reserve, is credited to share capital. Cash received on the exercise of share options is recorded in share capital and the related compensation included in share option reserves is transferred to share capital to recognize the total consideration for the shares issued.

FUTURE ACCOUNTING STANDARDS

The following is a summary of new standards, amendments and interpretations that have been issued but not yet adopted in these annual financial statements. The Company is currently evaluating the impact of these changes will have on its financial instruments; however, the impact, if any, is not expected to be significant.

(i) IFRS 7, Financial Instruments: Disclosures ("IFRS 7") – amendments

In December 2011, the IASB issued new disclosure requirements for financial assets and liabilities that (1) are offset in the statement of financial position; or (2) subject to master netting agreements or similar arrangements. These new disclosure requirements are effective for annual periods beginning on or after January 1, 2013 and are to be applied retrospectively.

(ii)IFRS 9, Financial Instruments ("IFRS 9"):

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple classification options in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015,.

(iii) IFRS 13, Fair Value Measurement ("IFRS 13")

In May 2011, the IASB issued guidance establishing a single source for fair value measurement. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another standard requires or permits the item to be measured at fair value, with limited exceptions. IFRS 13 is effective for annual periods beginning on or after January 1, 2013.

(iv) IAS 32, Financial Instruments: presentation ("IAS 32")

In December 2011, the IASB issued amendments to IAS 32. The amendments clarify that an entity currently has a legally enforceable right to set-off financial assets and liabilities if that right is (1) not contingent on a future event; and (2) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. These amendments are effective for annual periods beginning on or after January 1, 2014 and are to be applied retrospectively.

FINANCIAL INSTRUMENTS

As disclosed in its audited financial statements for the year ended December 31, 2012, 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.

MANAGEMENT CHANGES

Peter Tallman, Chief Operating Officer of the Company, resigned from his executive role effective April 15, 2013. Mr. Tallman stays on as a consultant to the Company as it actively assesses additional projects for acquisition or opportunities for a business combination.

INVESTOR RELATIONS

In September 2011, the Company appointed Fred Leigh as Manager of Investor Relations. The Company granted to Mr. Leigh, incentive stock options to purchase up to 100,000 common shares of the Company at a price of $0.53 per common share for a period of 5 years, subject to vesting provisions.

DISCLOSURE OF OUTSTANDING SHARE DATA

As at April 23, 2013, the Company had the following common shares and stock options outstanding:

Common shares	43,458,911
Stock options	1,853,570
Warrants	-
Total Common Shares fully diluted	45,312,481