



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**For the three months ended March 31, 2012**

**May 28, 2012**

### **GENERAL**

This Management Discussion and Analysis ("MD&A") is dated May 28, 2012 and is in respect of the three month period ended March 31, 2012. The following discussion of the financial condition and results of operations of Metals Creek Resources Corp. (the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three month period ended March 31, 2012.

The discussion should be read in conjunction with the condensed interim financial statements and corresponding notes to the financial statements for the three months ended March 31, 2012 and the audited annual financial statements for the year ended December 31, 2011, the most recently completed fiscal period. The Company's condensed interim financial statements have been prepared in accordance with International financial reporting standards ("IFRS"). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars which is the Company's functional and reporting currency.

Additional information relevant to the Company's activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### **GOING CONCERN**

The condensed interim financial statements of the Company for the three months ended March 31, 2012 have been prepared in accordance with International financial reporting standards ("IFRS") on the basis applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, and the ability of the Company to raise additional capital. Specifically, the recovery of the Company's investment in mineral properties and deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop its properties and establish future profitable production from the properties, or from the proceeds of their disposition.

The Company is an exploration stage company that has not earned any significant revenues to date, is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

### **OVERVIEW OF BUSINESS**

The focus of the Company is to seek out and explore mineral properties of potential economic significance and advance these projects through prospecting, sampling, geological mapping and geophysical surveying, trenching, and diamond drilling in order for management to determine if further work is justified. The Company's property portfolio consists of projects focusing on gold, base metals, uranium, and platinum group metals.

## **FINANCIAL AND OPERATIONAL PERFORMANCE**

### **Financial Condition**

The Company's cash balance as at March 31, 2012 was \$110,915 (December 31, 2011 - \$212,721) as well as short term investments totaling \$4,550,843 (December 31, 2011 - \$4,831,333). All investments are held in fully liquid instruments with Canadian Financial Institutions.

Current assets of the Company as at March 31, 2012 were \$4,862,228 compared to \$5,224,314 as at December 31, 2011. The decrease was attributable to expenditures on the Company's exploration and evaluation assets and for general and administrative purposes.

Total assets as at March 31, 2012 \$12,811,719 compared to \$12,716,639 as at December 31, 2011, a marginal increase.

Current liabilities as at March 31, 2012 were \$355,439 compared to \$91,410 at December 31, 2011. This increase resulted from a higher level of activity at or around the current period end.

Shareholders' equity decreased to \$12,029,196 from \$12,507,798, as a result of the current period net loss and comprehensive loss which increased the deficit at March 31, 2012.

### **Results of Operations**

The Company earned interest income of \$32,073 during the period ended March 31, 2012 (2011: \$21,062) as a result of interest earned on short term investments during the period. The increase was attributable to greater funds invested in interest bearing instruments in the current period over the comparative period from the previous year. In addition, the Company earned \$21,250 (2011: \$nil) in fees earned on mineral property pertaining to the Company's receipt of RX Gold and Silver shares that were paid via dividend through Spruce Ridge Resources, for which the Company is a shareholder.

Total expenses for the three month period ended March 31, 2012 were \$310,003 compared to \$388,760 for comparative period in the previous year, resulting from decreased expenditures on advertising and promotion and corresponding travel expenditures, as well as decreased office and general and share-based payments expenses. Comprehensive loss for the period ended March 31, 2012 was \$561,194 or \$0.006 loss per share after a provision for deferred income taxes of \$309,653 versus a comprehensive loss of \$293,737 or \$0.003 per share for the same period in the previous year.

Expenses incurred during the three month period ended March 31, 2012 consist of:

- i) Business development of \$66,892 (2011 - \$69,458) (decreased due to decreased advertising and promotion activities and associated travel expenditures)
- ii) Depreciation of capital assets of \$3,526 (2011 - \$2,036) (increased due to purchases of capital assets during the current period that increased the depreciation charged to expense)
- iii) Professional fees of \$7,730 (2011 - \$13,830) – these amounts include legal, audit, accounting and consulting and decreased due to the timing of invoices received from consultants during the current period as well as additional costs related to IFRS transition in the previous year.
- iv) Office and general of \$55,687 (2011 - \$86,602) representing office supplies, printing, and presentations, and occupancy costs (decreased as a result of no exchange filing fees in the current period associated with any private placements that were completed in the previous year)
- v) Salaries and wages of \$93,576 (2011 - \$78,084) an increase pertaining to changes to personnel compensation during the current period over the previous period and additional personnel.
- vi) Part XII.6 taxes of \$nil (2011 - \$402) (dependent upon unspent flow-through expenditure levels taxed at prescribed rates)
- vii) Share-based payments of \$82,592 (2011 - \$138,348) (recorded upon vesting of stock options to employees, directors and officers and is dependent upon vesting levels in a given period).

The cumulative deficit from inception of the Corporation is \$4,484,298 .

## Cash Flows

Cash from operating activities of \$61,783 during the three month period ended March 31, 2012 versus cash used in operating activities of \$495,588 in the comparative period in the prior year. This change was due primarily to the large non-cash add backs to comprehensive loss for deferred income taxes as well as the change in accounts payable and accrued liabilities that was a source of cash in the current period.

Cash from financing activities was \$270,290 in the current period versus \$807,181 cash from financing activities in the same period in the prior year, the decrease of which is attributed to no private placement proceeds net of reinvestments into short term investments in the current year as there was in the same period in the previous year.

Cash used in investing activities was \$433,879 for the three month period ended March 31, 2012 versus cash used in investing activities in the amount of \$311,593 for the comparative period in the 2011 year. The increase in cash used was due primarily to the increase in expenditures on exploration and evaluation assets during the current period, predominantly at the Company's Ogden gold project in Timmins.

## SUMMARY OF QUARTERLY RESULTS

The following table sets out selected quarterly information for the eight most recent completed quarters since incorporation.

	Period Ended Mar/12	Period Ended Dec 31/11	Period Ended Sept. 30/11	Period Ended June 30/11	Period Ended Mar 31/11	Period Ended Dec 31/10	Period Ended Sep 30/10	Period Ended June 30/10
Revenue – Interest Income	\$32,073	\$36,930	\$38,019	\$41,660	\$21,062	\$1,352	\$2,876	\$687
Income (Loss) for the Period	\$(561,194)	\$(193,613)	\$(207,074)	\$(126,914)	\$(293,737)	\$(649,167)	\$(301,908)	\$(164,861)
Income (Loss) Per Share	\$(0.006)	\$(0.003)	\$(0.002)	\$(0.001)	\$(0.003)	\$(0.01)	\$0.00	\$0.00

## SELECTED ANNUAL FINANCIAL INFORMATION

Year Ended December 31	2011 (IFRS)	2010 (IFRS)	2009 (CDN GAAP)
Revenue (Interest income)	\$ 137,671	\$ 8,987	\$ 3,015
Net loss and comprehensive loss	\$ (821,338)	\$ (1,578,128)	\$ (596,992)
Loss per share – basic and diluted	\$ (0.009)	\$ (0.03)	\$ (0.02)
Total assets	\$ 12,716,639	\$ 7,101,059	\$ 5,892,630
Future income tax expense (recovery)	\$ (450,568)	\$ 293,459	\$ (234,831)
Dividends	\$ NIL	\$ NIL	\$ NIL

## LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2012, the Company had cash of \$110,915 (December 31, 2011 - \$212,721) and held short term investments of \$4,550,843 (December 31, 2011: \$4,831,333). H.S.T from the Canada Revenue Agency, interest and other receivables at March 31, 2012 were \$150,960 (December 31, 2011 - \$140,065) and prepaid expenses were \$14,560 (December 31, 2011 - \$21,245). Finally, staking security deposits were \$34,950 at March 31, 2012 (December 31, 2011 - \$38,950).

Accounts payable and accrued liabilities of \$355,439 at March 31, 2012 (December 31, 2011 - \$91,410) includes period end accruals for expenditures on mineral properties, legal fees, consultants and other amounts. These were incurred in the normal course of business and settled subsequently.

Working capital at March 31, 2012 is \$4,506,789 (December 31, 2011 - \$5,152,904). During period ended March 31, 2012 the Company raised \$nil net of share issue costs through a private placement during the year (December

31, 2011 - \$6,494,204) and received proceeds on the exercise of common share purchase warrants of \$nil (December 31, 2011 - \$36,876) and \$nil in proceeds on the exercise of stock options (December 31, 2011 - \$24,500).

At this time the Company does not own or operate any revenue producing mineral properties, and accordingly, does not have cash flow from operations. The Company raises funds for exploration, development and general overhead and other expenses through the issuance of shares from treasury. This method of financing has been the principal source of funding for the Company since inception.

The Company also funds exploration at certain of its other properties through option agreements with other companies who have agreed to fund exploration in exchange for the right to earn an interest in the properties.

In addition to the funds in the Company's treasury, the Company intends to continue raising funds for future exploration and general overhead and other working capital through the continuation of issuances of shares from treasury and through earn-in or option agreements with other mineral exploration and mining companies.

During the period ended March 31, 2012, the Company issued no common shares pursuant to property option agreements compared to 1,549,324 common shares valued at \$114,706 in non-cash arm's length share transactions pursuant to property option agreements in the 2011 fiscal year.

The Company applies the fair value method of accounting for share-based payments to directors, officers, and employees and accordingly \$82,592 (March 31, 2011 - \$138,348) is recorded as stock-based compensation expense and under capital stock as contributed surplus for the 683,111 options vesting to directors, officers, employees and during the three month period ended March 31, 2012.

The Company funds its project expenditures by raising equity financing. If in the event that future private placement financings cannot be completed, the Company would have to review its budgeted project expenditures and revise where necessary including reviewing property option agreements to determine if continuation in such agreements on their anniversary dates is feasible. Management continues to seek out capital required to undertake its exploration work commitments and for working capital to meet project work commitments.

As at December 31, 2011, the Company is obligated to expend \$nil (December 31, 2011 - \$nil) on qualified exploration and development expenditures, as a result of raising capital through the issuance of flow-through shares.

## **MINERAL PROPERTIES**

Mineral property acquisition, exploration and development expenditures are deferred until the properties are placed into production, sold, impaired or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following commencement of production or written-down if the properties are allowed to lapse, are impaired or are abandoned. The deferred costs associated with each property are as follows:

<u>Three months ended March 31, 2012</u>	<u>Opening Balance</u>	<u>Expenditures</u>	<u>Recoveries and write-downs</u>	<u>Ending Balance</u>
Dog Paw Gold	\$ 1,061,170	\$ 15,390	\$ -	\$ 1,076,560
Wicks Lake and Panama Lake	95,350	-	-	95,350
Sheffield Lake	43,307	-	-	43,307
Sops Arm	-	-	-	-
Tilt Cove	425,211	2,582	-	427,793
Gabbro Lake	165,827	9,086	-	174,913
Tillex	718,457	4,602	-	723,059
Staghorn	1,214,321	35,175	-	1,249,496
Ogden	3,137,282	265,063	-	3,402,345
Other Properties	496,175	104,682	-	600,857
<b>TOTAL</b>	<b>\$ 7,357,100</b>	<b>\$ 436,580</b>	<b>\$ -</b>	<b>\$ 7,793,680</b>

<u>For the year ended December 31, 2011</u>	<u>Opening Balance</u>	<u>Expenditures</u>	<u>Recoveries and write-downs</u>	<u>Ending Balance</u>
Dog Paw Gold	\$1,020,379	\$ 40,791	\$ -	\$1,061,170
Wicks Lake and Panama Lake	79,296	16,054	-	95,350
Sheffield Lake	42,430	877	-	43,307
Sops Arm	-	-	-	-
Tilt Cove	516,666	47,243	(138,698)	425,211
Gabbro Lake	105,706	116,842	(56,721)	165,827
Currie Bowman/Tillex	539,109	179,348	-	718,457
Staghorn	1,241,805	72,516	(100,000)	1,214,321
Ogden	2,061,641	1,075,641	-	3,137,282
Other Properties	5,364	505,194	(14,383)	496,175
<b>TOTAL</b>	<b>\$5,612,396</b>	<b>\$2,054,506</b>	<b>\$(309,802)</b>	<b>\$7,357,100</b>

**(a) Dog Paw Lake**

The Company has acquired an option on the Dog Paw gold project which is located approximately 40 km east of Kenora, Ontario and consists of 23 claims totaling 269 units. The company has entered into an option agreement with Endurance Gold Corp (an unrelated company). whereby under the First Option, as defined in the agreement, the Company has earned a 70% interest in the property by making share payments totaling 400,000 shares and completing work commitments of \$200,000 on the property. During 2010, the Company earned in for the Second Option, as defined in the agreement, gaining a further 5% in the property by issuing a 50,000 common shares and spending an additional \$250,000 on the property. With the Company earning in on the Option and having earned a 75% interest in the Property, a joint venture has been formed on a 75% (the Company) and 25% (Endurance Gold Corp.) basis. The Company recovered \$33,909 from Endurance Gold Corp. during 2010 for their share of the joint venture expenditures. This recovery reduced the carrying value of the Dog Paw project.

The share payments were issued as follows:

First Option	400,000 common shares (issued March 30, 2007)
Second Option	50,000 common shares (issued June 9, 2008)

The Dog Paw Lake Property lies within the central portion of the east-trending Wabigoon Sub-province and is host to numerous gold occurrences which have seen little exploration. This western part of the Wabigoon greenstone belt is an emerging gold camp with exciting drill intercepts coming from both Houston Lake Mining (Dubenski Showing) and Rainy River Resources (17 Zone, and ODM Zone). The Cameron Lake Deposit is currently the subject of a buyout by Coventry Resources from Nuinsco Resources. This project will be the subject of a review and drill program in late 2010.

The Company has completed a ground geophysical Induced Polarization (IP) survey, as well as a magnetic survey, to better define the prospective Dogpaw showing with assays up to 23.42 g/t gold (Endurance Gold, EDG-TSX.V website). The zone is hosted within a sericite schist with associated pyrite mineralization (up to 15%) within the Pipestone-Cameron Deformation Zone.

During 2008, the company announced assay results from a prospecting/mapping program on the Dogpaw property. A total of 309 samples were collected with assays ranging from <5 ppb to 90,155 ppb gold. This program resulted in the discovery of 3 new gold showings on the Stephens Lake claim block, with assays up to 18.56 g/t gold within a broad zone of carbonate alteration and associated pyrite mineralization within what is interpreted to be North-South trending structures up to 50m in width. Very little historic work has been performed in the vicinity of the 3 newly discovered gold showings and thus the Company is excited about the potential for additional discoveries in the same area. Within the Stephens Lake claim block, a total of 127 samples were collected, with 40 samples (31.5%) assaying over one gram per tonne gold. It is difficult to determine the widths or exact orientations of the gold bearing structures as the structures are often confined to lowlands or valleys which have pervasive overburden cover. In one of the new discoveries, exposed mineralization is found to be approximately 10m in width on surface with assays ranging from 2.1 g/t Au to 18.56 gpt Au from 5 samples. Several historic occurrences were visited including the Jenson, Bag and New Dogpaw Occurrences, with assays up to 90.155 g/t Au being returned.

During 2009, the Company initiated a prospecting / mapping program in the vicinity of the historic Flint Lake Occurrence to follow up on historic gold assays and determine the lateral extent and orientation of the gold bearing structure. A total of 26 surface grab samples were submitted with assays ranging from 0.034 to 133.2 g/t Gold. Subsequent coarse metallic analysis of the Flint Lake Occurrence has returned spectacular results up to 720 g/t gold. The main Flint Lake Occurrence has been traced for over 100 meters of strike length and is open in both directions. Mineralization is hosted within a strongly carbonatized east west trending structure with associated quartz veining and local pyrite mineralization. Visible Gold has been noted within the carbonatized quartz veins.

During 2010, the Company completed a prospecting and mapping program over several prospective areas within the Dogpaw property. Of particular interest is the D zone in the Stevens Lake stock, in which the corporation previously released gold values ranging from two g/t to 18 g/t from seven samples. Three grids were cut this past winter over the Flint Lake, Bag Lake and Stevens Lake areas and additional prospecting and detailed mapping was carried out this summer. Assays are pending. An induced polarization (IP) geophysical program is was conducted on the grids for the purpose of better defining known zones of mineralization and helping to advance this project to the drill stage.

#### **(b) Panama Lake Gold Property and Wicks Lake**

The Panama Lake Gold property is located in the southern portion of the Birch-Uchi Lake Greenstone belt in Northwestern Ontario and consists of 2 claims totaling 24 units. The Wicks Lake gold property is located in the Northwestern Ontario approximately 1.5 km south of the Dog Paw Gold property and consists of 1 claim totaling 11 units.

During the 2009 year the company announced completion of a first phase of prospecting and mapping that was initiated to determine the lateral extent of the historic Wicks Lake Occurrence. A total of 30 samples were collected across the property with assays ranging from 0.008 g/t to 46.06 g/t gold. The main Wicks Lake Occurrence was traced for over 550 meters of strike length, by Company personnel. Assay results included the previously mentioned high grade assay of 46.06 g/t Au, which was obtained from a carbonatized quartz vein with associated pyrite mineralization. A second quartz vein was located 90m to the south and is sub-parallel to the main Wicks Lake Occurrence. Three samples were collected from this second vein, returning assays ranging from 1.51 g/t to 4.5 g/t gold. This second vein has been traced for a minimum of 180m. A third zone located on the western portion of the property returned assays ranging from 0.359 g/t to 3.267 g/t gold within an intensely carbonatized felsic volcanic with associated pyrite mineralization.

The properties were purchased from Stares Contracting Corp., a company related by common directorship, subject to a 2% NSR royalty. Consideration for the acquisition was \$20,000 cash and 150,000 shares.

During 2010, the Company completed a prospecting program on the Panama property. The prospecting program was targeted on historic gold assay results reported in 1988 (ref. 52K15NE0016 2.10185) with surface channel samples ranging from 0.005 gram per tonne Au to 14.4 g/t Au including 10.3 g/t Au over 1.1 m within a quartz-flooded zone of approximately 4.5 m in width and traced for over 450 m. This prospecting program returned assay results from surface grab samples ranging from 0.005 g/t to 13.33 g/t Au from within the previously mentioned quartz flooded zone.

#### **(c) Ogden Township Property – Goldcorp Option**

During 2008 the Company signed an option agreement with Goldcorp Canada Ltd. (“Goldcorp”) to jointly explore Goldcorp’s mining claims located in Ogden and Deloro Townships, located six km south of Timmins city centre, Ontario. The package consists of 84 patented and unpatented claims totaling approximately 1184 hectares (the “Property”) and covers eight kilometers of strike length along the east-west striking, highly prospective, Porcupine-Destor “Break”. The Dome Mine complex and five large past producers are located between three and eight kilometers to the east of the Property along the gold trend. Past production of these mines include: the Delnite (920,000 oz), Aunor (2,502,000 oz), Buffalo-Ankerite (957,000 oz), Paymaster (1,192,000 oz), and Preston (1,539,000 oz). Goldcorp’s current operation at the Dome Mine Complex is located 8 km from the Property, and has produced in excess of 16 million oz of gold to date. (Source: Government of Ontario, MNDM, Gold Production in the Timmins Regional Resident Geologist’s District to the end of 2006). Recent discoveries in the district include Lake Shore Gold’s Timmins West project, located 10 km to the west of the Property, along the same gold trend.

This project is the focus of shaft sinking and underground development to access an Indicated Mineral Resource of 1,291,000 oz (Source: News Release, TSX:LSG, Nov. 20,2006).

Within the Property, the Porcupine-Destor Break is represented as a sheared and altered contact between ultramafic and mafic volcanics. A discontinuous Timiskaming-aged conglomerate and a variety of felsic porphyries are found proximal to the Break and carbonate and sericite alteration is widespread. The Property hosts the past producing Naybob Mine, which had historic gold production of 50,731 oz (source: Government of Ontario, MNDM, Gold Production in the Timmins Regional Resident Geologist's District to the end of 2006). Drilling in the past has been wide spaced and shallow with most of the drilling concentrated near the Naybob Mine and a cluster of shallow holes in the Thomas Ogden Zone, located 4 km to the west. Prior to 2000, claim ownership and gold exploration was disjointed and the Property had been comprised of at least six separate packages. Since then, the properties have been combined and a more systematic exploration approach has been made possible. Goldcorp recently completed several limited drill programs and a number of surveys including: a detailed high resolution magnetic survey, IP surveying, an airborne gravity survey and a variety of geological compilations on the Property.

The agreement allows for the Company to earn 50% of Goldcorp's interest in the Property by funding total expenditures on the Property of \$3,100,000 over four years as follows (completed):

- (i) \$400,000 in year one;
- (ii) \$700,000 in year two; and
- (iii) \$1,000,000 in each of years three and four.

The Company will also make cash and share payments to Goldcorp as follows (completed):

- (i) \$40,000 cash and \$25,000 worth of common shares on signing,
- (ii) \$35,000 cash and \$25,000 worth of common shares on the first anniversary,
- (iii) \$35,000 cash and \$50,000 worth of common shares on the second anniversary,
- (iv) \$100,000 worth of common shares on the third anniversary, and
- (iv) \$150,000 worth of common shares on the fourth anniversary.

Work expenditures and cash and share payments are compulsory in the first year, but thereafter are at the option of the Company. The issuance price of the Company's common shares to be issued pursuant to the Agreement shall be calculated based on the volume weighted average of the common shares over the 20 trading days preceding the issuance, subject to a floor of \$0.05 per share (in which case the Company is obligated to make a cash payment reflecting the difference between the volume weighted average calculation and \$0.05 per share) and subject to compliance with the policies of the TSX Venture Exchange. For greater certainty, in no event will shares of the Company be issued at a price lower than the discounted market price on the date they are to be issued. The Corporation will issue 128,205 Common Shares at a deemed issuance price of \$0.195 per share in order to satisfy the \$25,000 worth of common shares required to be delivered upon signing of the Agreement.

The Company will be the operator of the Property during the earn-in period and afterwards, provided it holds a 50% or greater interest in the Property. Within six months of the Company's vesting at 50% interest in the Property, Goldcorp has the option to buy backing for an additional 20% interest from the Company for a cash payment of \$310,000, expending \$4,100,000 on the property within two years, and completing a feasibility study within three years. If either party becomes diluted to a 10% interest, that interest will be converted into a 2% Net Smelter Return Royalty.

During the year ended December 31, 2009, the Company announced the results of data compiled on the Property identifying 3 historic zones of gold mineralization, including the Thomas Ogden Zone, the Naybob South Zone and the Naybob North Zone. Both the Naybob South and Naybob North Zones have seen differing degrees of development and production which includes historic production of 50,731 oz of gold (Source: Government of Ontario, MNDM, Gold Production in the Timmins Regional Resident Geologist's District to the end of 2006).

The Naybob North Zone was the focus of underground development down to 411m, including 11 levels, with the majority of the production occurring within the upper 6 levels. The Naybob South Zone is located approximately 155m to the south and sub-parallel to Naybob North Zone and has seen substantially less development. The Thomas Ogden Zone is located 4 km west of the Naybob mine. Drilling in the past has been wide spaced and shallow with most of the drilling concentrated near the Naybob Mine and a cluster of shallow holes in the Thomas Ogden Zone. Outside of these two areas has seen very little exploration drilling. A linear 4km prospective IP (Induced

Polarization) ground geophysical anomaly has been identified over a majority of the 4 km between the two zones and remains relatively untested and adds to the exploration potential for additional resource discovery on the property.

The Naybob South Zone provides an excellent exploration target with historic near surface results including down hole intercepts of 5.37m of 6.33 g/t Au and 1.83m of 11.85 g/t Au. Historically, 600m of mineralization has been defined down to a depth of approximately 200m vertically. Near surface high grade mineralization has been a focus over the last six months for the Corporation on the Naybob South Zone as well as targeting for possible mineralized zones at depth. The Naybob south Zone has a coincident IP (Induced Polarization) ground geophysical anomaly that is open to the east. Results from the Thomas Ogden Zone also include a historic down hole intercept of 2.4m of 5.7 g/t Au.

Since the signing of this option agreement with Goldcorp Canada Ltd. and Goldcorp Inc. in November, 2008, Metals Creek has drilled a total of 79 diamond drill holes totaling in excess of 20,000 meters. The majority of these holes targeted both the Naybob South mineralized horizon and the Thomas Ogden Zone which is located 4km to the west.

Initially, the majority of the exploration work conducted was focused on the Naybob South Zone where 26 diamond drill holes were drilled totaling 4225m. The majority of these holes targeted near surface high grade gold mineralization within 100m of surface following up on historic intercepts which returned favorable gold intercepts including 5.37m of 6.33 g/t (grams per tonne) and 1.83m of 11.85 g/t gold. With the Goldcorp mine and mill complex only 8km away, Metals Creek began drilling the near surface gold mineralization on Naybob South which was the most drill ready of all the gold zones. Gold mineralization has been defined for 600m on surface down to a depth of 200m. Highlights of recent drilling are listed below.

Highlights:

- OG09-012 6.61m down hole intercept (45.24m to 51.85m) of 9.244 g/t Au including 0.76m (45.24m to 46.00m) of 50.132 g/t Au
- OG10-025 7.0m down hole intercept (46.0m to 53.0m) of 5.68 g/t Au.
- OG10-023 22.5m down hole intercept (27.5m to 50.0m) of 1.03 g/t Au
- OG11-02 6.63m down hole intercept (87.80m to 94.43m) of 6.217 g/t Au

The Thomas Ogden Zone which is located 4 kilometers west of Naybob South has seen a significant increase in the amount of work being performed over the last couple of years. This is primarily due to a better understanding of the geology and geometry of the mineralized zone thus resulting in greater success from recent drilling. Historically, the Thomas Ogden Zone has seen exploration back as far as the 1930's with the intersection of mineralized porphyries from historic drilling. Historic grades include 1.51 g/t gold over 21.4m and 1.01 g/t gold over 37.2m. These results are historic in nature and have not been verified. Recent drilling by Metals Creek has resulted in a clearer understanding of the geology related to the gold mineralization in particular the complex nature of the porphyry style mineralization which seems to be key with regards to the emplacement of gold. The identification of structural folding within the zone itself has greatly aided in the engineering of drill holes. The near surface mineralization encountered within TOG which including an intercept of 4.37 g/t gold over 23.4m has demonstrated the potential for a bulk tonnage near surface low grade resource with significant drilling still needed to define the geometry and grade of the horizon. Increasing the drill density and extending the near surface mineralization to depth has been the focus of recent drill programs. Some deeper drilling following-up on a down hole geophysical IP (Induced Polarization) has resulted in the discovery of additional gold mineralization at depth including an intercept of 13.07 g/t gold over 2.88m. This gold mineralization also coincides with a significant flexure in the Thomas Ogden Stratigraphy at depth, thus making this new target a high priority going forward. Gold mineralization has now been trace in excess of 400m and still open in both directions and at depth. A total of 33 holes totalling 10,790m has been drilled to date by Metals Creek within the Thomas Ogden Zone. A summary of significant holes within the Thomas Ogden Zone is listed below.

- TOG10-020 54.7m intercept of 1.08 g/t gold. Near surface intercept.
- TOG10-021 75.85m intercept of 1.94 g/t gold including 23.4m intercept of 4.37 g/t gold. Near surface intercept.

- TOG11-011 94.0m intercept of 1.92 g/t gold. Near surface intercept.
- TOG12-03 27.5m intercept of 1.143 g/t gold and 23.3m intercept of 5.728 g/t gold. Near surface intercept
- TOG11-02 3.28m intercept of 9.408 g/t gold. Deep mineralization.
- TOG11-08 2.88m intercept of 13.07 g/t gold. Deep mineralization

Both the Naybob North and Porphyry Hill zones have seen varying degrees of work with the majority of the exploration efforts being directed towards Naybob South and the Thomas Ogden Zone. Porphyry hill is a syenitic intrusion with local gold assays from surface grab samples up to 64 g/t gold. A total of 8 holes were drilled totalling 1872m with several holes not reaching their target due to significant fault gouge zones. Alteration appears to be increasing to depth making this a prospective target going forward. Naybob North is where most of the development and production took place. The down plunge potential is currently being evaluated.

On May 15, 2012, the Corporation announced assay results of its last three holes from the winter diamond drill program on its Ogden Gold Project. Highlights from these three holes drilled on the Thomas Ogden Zone include Two holes, TOG-12- 05 and TOG 12-06 both targeted near surface gold mineralization and were drilled 25m apart along the western extension of the Thomas Ogden Zone. Hole TOG 12-05 returned an intercept of 2.34g/t (grams per tonne) gold over 43.7m (141.3m to 185.0m) including a higher grade intersection of 5.04 g/t gold over 15.0m (170.0m to 185.0m). The second hole, TOG12-06 intersected 5.83 g/t gold over 16.27m (146.60m to 162.87m). The third hole TOG 12-02, returned two zones of mineralization with the upper zone intersecting 3.60 g/t gold over 2.7m (370.0m to 372.7m) and a lower zone assaying 4.03 g/t gold over 1.0m (450.15m to 451.15m). This hole was designed to target the continuity of deeper mineralization within the down-plunge extension of the Thomas Ogden Zone and undercut 30m below previously released hole TOG11-03 (MEK news release May 19, 2011) returning an intercept of 6.73 g/t gold over 1.0m.

#### **(d) Sheffield Lake/Sops Arm**

The Company has significantly reduced its land package in the Sheffield Lake/Sops Arm area. Currently the Corporation has no work planned for 2011.

#### **(e) Gabbro Lake**

The Gabbro Lake project consists of 211 claims located approximately 120 km Northeast of Labrador City, Labrador.

During the 2008 year, the Company entered into a formal joint venture agreement with Golden Dory Resources on the Gabbro Lake Project. Under the terms of the agreement the Company's 313 claim units and Golden Dory's 85 claim units will be combined into one contiguous block and a joint venture formed to explore the property on a 50:50 basis. The Company will be the operator.

During the 2009 year, the Company announced that it has completed an airborne radiometric, magnetic and EM survey on the Gabbro Lake Uranium property in the Sims Basin area of Western Labrador. The Sims Ridge Property area has been described by the Newfoundland and Labrador Department of Natural Resources as geologically analogous to the Athabasca Basin and therefore possibly prospective for unconformity type uranium deposits. The property is underlain by a sequence of Proterozoic sediments, the Sims Formation, which is comprised of conglomerate, arkose and quartzite, which overlies deformed metasedimentary rocks of the Paleoproterozoic Labrador Trough. Limited work in the early 1980s by Labrador Exploration and Mining identified a boulder train of radioactive float assaying up to 0.18 % U<sub>3</sub>O<sub>8</sub> (historical in nature and not verified by Metals Creek). The source of the mineralized float has not been determined. The project is being funded 50% by Golden Dory Resources and 50% by Metals Creek Resources who are the project operator.

During the year ended December 31, 2011, the Company announced assay results from its recently completed sampling program. The prospecting/sampling program was carried out in June and targeted the magnetic iron formations. Highlights from this sampling include:

– A total of 34 grab samples were taken from various iron formation targets which were outlined as discrete magnetic highs on the airborne geophysics survey. Results from grab samples of both outcrop and angular float ranged from 11.42% Fe<sub>2</sub>O<sub>3</sub> to 75.38% Fe<sub>2</sub>O<sub>3</sub> with 79% of the samples assaying greater than 25% Fe<sub>2</sub>O<sub>3</sub> and 62% of the samples over 40% Fe<sub>2</sub>O<sub>3</sub>. The samples represented massive to semi-massive medium grained magnetite and banded cherty magnetite iron formation. There has been no known previous work carried out on these iron formation prospects.

Subsequent to March 31, 2012, the Company announced that it had amended the terms of its agreement with Golden Dory on the Gabbro Lake project. Under the revised terms, and subject to TSX Venture Exchange approval, Golden Dory will become operator and can increase its property interest from its current 50% to 60% interest by issuing 1.5 million shares of Golden Dory to Metals Creek and by funding a \$500,000 Exploration Program in 2012, which will include a minimum of 1,200 m of diamond drilling. Golden Dory can earn an additional 10% (70% aggregate interest) by issuing an additional 2.5 million shares to Metals Creek and by providing a NI 43-101 compliant resource report by the fourth anniversary of the agreement. A proposed 1,200m Phase 1 diamond drilling program is planned for late June.

#### **(f) Tilt Cove**

During the 2008 year, the Company acquired by staking and option agreement a land package totaling 56 claim units, in four separate blocks, covering portions of the Betts Cove Ophiolite Suite on the Baie Verte Peninsula, Newfoundland. Three of the blocks were recently staked by the Company, while rights to the fourth were obtained through the execution of an option agreement with a local arm's length prospector (the "Option Agreement"). Pursuant to the Option Agreement, the Company has the option to earn a 100% interest in the claims forming the fourth block by making staged cash payments totaling \$67,500 and issuing 220,000 shares to the optionor over three years. On production, the optioned claim block is subject to a 2% net smelter return in favor of the optionor, subject in turn to a 1% buyback right for the Company at the cost of \$1.25 million. The optioned block includes the past producing Tilt Cove Mine which had historic production of 8 million tonnes of copper ore with minor gold and nickel production from 1864 to 1917 and again from 1957 to 1967 (source: Government of Newfoundland and Labrador, Mineral Occurrence Data system, File 002E/13/Cu001). Existing resources of copper and gold are reported from the claims however these reports are not compliant with National Instrument 43-101 "Standards for Disclosure of Mineral Projects", have not been verified, and will be the focus of the company's initial evaluation program.

During 2008, surface sampling on the Tilt Cove Property has returned high grade gold (up to 69.39 g/t) and copper (up to 10.4%) assays from surface grab samples obtained during a recent prospecting program. This program was initiated to evaluate known mineralized areas in and around the past-producing Tilt Cove Mine site and test prospective areas for new mineralization. Historically the property has seen exploration targeting base metal mineralization with little or no assaying for gold. These gold assays indicate that there is strong potential to host gold mineralization throughout the Tilt cove property.

During 2009, a share option payment of 60,000 (2008 - 40,000) common shares of the Company were issued to the optionor pursuant to the signed option agreement.

During the year ended December 31, 2011, the Company announced that it had successfully negotiated an NSR agreement with Rambler Metals and Mining PLC ("Rambler", TSXV: RAB, AIM: RMM) to process surface material located at the East Mine Dump on the Tilt Cove property. The agreement will be such that the Company will be paid a Net Smelter Return, or NSR, on any gold produced from this material. Rambler have indicated that the material will be processed in the second quarter, 2011 however the timing will be at Rambler's discretion and it can discontinue the processing if problems are encountered. The agreement provides for payments of annual advanced royalties of \$100,000 if the material has not been processed in the first year and Rambler wish to keep the agreement in good standing.

#### Highlights:

- Historic resource estimate between 50,000 and 80,000 tonnes of unconsolidated material grading from 2 to 4 g/t gold.

- The East Dump material will be loaded and trucked to Rambler's Nugget Pond mill, located 23 km from Tilt Cove, where it will be processed through its hydrometallurgical gold plant.
  - Early metallurgical test results indicate a gold recovery of 96% after 24 hours leach residence time.
  - Minimal operational costs with material already crushed and ready for transportation.
- Additional mapping and prospecting will take place in 2010 to further advance the project to the drill stage.

During the year ended December 31, 2011, the Company announced that Rambler began transportation of the Tilt Cove East stockpile. The agreement is such that Metals Creek will be paid a Net Smelter Return on any gold produced from the East Deposit.

Transportation of the Tilt Cove stockpile to the Nugget Pond Mill began on June 7th with subsequent processing of the ore on June 10th. To date 20,882 wet metric tonnes of material have been processed at an average feed grade of 1.79 g/t. Rambler estimates that there remains between 20,000 and 30,000 tonnes of material at Tilt Cove that still has to be transported to the Nugget Pond Mill facility. This processing was put on hold in August due to a shortage of Sodium Cyanide when a major North American supplier of Sodium Cyanide declared "Force Majeure" (which has since been lifted).

During the year ended December 31, 2011 year, the Company received payment for its NSR on the Tilt Cove project amounting to \$173,372. From these proceeds, the Company paid to the Tilt Cove property optionor \$34,674 to satisfy the underlying NSR that exists on the property. The net proceeds of \$138,698 have been recorded as a reduction in the capitalized costs associated with the Tilt Cove property.

#### **(g) Staghorn**

During 2008, the Company entered into an option agreement with local prospectors to earn a 100% interest in a group of 76 claim units spread over 1216 hectares in the Wood Lake area in west central Newfoundland. The Staghorn Gold Property covers a number of gold showings including the South Wood Lake Porphyry Zone. This showing was initially found by the prospectors in 2002 as the result of gold panning and geochemistry which resulted in subsequent trenching and a limited diamond drill program. This work defined the porphyry as an approximately 20 meter to 50 plus meter wide altered "dyke", highly anomalous in gold and open in all directions. Two drill holes, 50 meters apart were drilled into the dyke and produced composite values of 1.47 g/t Au over 22.5 meters and 0.23 g/t Au over 52.9 meters (source: 2004/05 Assessment Report on The Staghorn Property for Candente Corp., December 2005 and (Source: NR, TSX:V - DNT, May 30, 2005). No further exploration has since been carried out. A review by the Company's management of the earlier ground geophysics carried out in 2004 has defined a magnetic low which is associated with the altered porphyry. This magnetic low anomaly can be traced over a 500 meter strike length and has only been tested by the two previously mentioned drill holes and the original trenching. Company management has completed a program of line cutting, geological mapping, ground geophysics, and soil sampling.

Terms of the option agreement include making a series of staged option payments totaling \$95,000 and issuing 250,000 shares to the vendors over three years. The vendors will retain a 2% Net Smelter Royalty, 50% of which can be purchased for \$1,000,000.

Results from a property wide prospecting program include gold assays up to 213.8 g/t from angular quartz vein float containing pyrite and arsenopyrite mineralization. The float is located 7 km to the southwest of the porphyry zone and is a good indication of additional gold potential on the claim group. A total of 63 samples were collected with assays ranging from 5 ppb (parts per billion) to 213,800 ppb (parts per billion). As part of the Corporation's quality control protocol, the high grade sample was re-assayed using the coarse reject from the original sample. This sample re-assayed at 197.7 g/t (grams per tonne). The current prospecting program is following up on regional lake sediment arsenic anomalies serving as path finders for gold mineralization. A second phase of prospecting was performed to determine the source of the mineralized high grade float. A 15km grid was cut and soil sampling and geophysical surveying conducted as well.

During the year ended December 31, 2009, the Company announced the identification of a bulk tonnage gold target on its Staghorn gold property. The Company has recently completed a soil geochemical and ground magnetic survey over several prospective gold showings including the South Wood Lake Porphyry Zone. Gold is associated with a highly altered (silicified, albitized and sericitized) felsic intrusive, which is overprinted by a quartz stockwork system and pervasive arsenopyrite and pyrite mineralization. As previously mentioned, work by a previous operator

included two drill holes, which defined the “porphyry” as an approximately 20 to 50 meter wide altered “dyke”, highly anomalous in gold and open in all directions. The recently completed ground geophysics survey has defined the altered gold bearing porphyry as a magnetic low which can be traced over 1000 meters of strike length. Analytical results, from the soil geochemistry survey, outlines a strong gold and arsenic anomaly, coincident with and down slope from the magnetic low.

During the year ended December 31, 2009, the Company announced the completion of a 13 hole diamond drill program on its Staghorn Property, approximately 50 Km NE of the former gold producing Hope Brook Mine, Newfoundland. Results include 2.15 g/t au over 12.6m and extending the mineralized system to 550m with mineralization still open in all directions. An airborne magnetics survey was also completed over the project area to further define the stratigraphy along strike.

The Company announced on May 22, 2010 results from a prospecting program in the Northeastern portion of the property with assay results up to 25.7 g/t Au.

In 2010, the Company completed a 1,600-metre drill program which will target the Woods Lake gold prospect which consists of a 20- to 60-metre-wide zone of highly altered (silica, albite and sericite) felsic intrusive with associated quartz stockwork and pervasive arsenopyrite and pyrite mineralization. Metals Creek would like to acknowledge the government of Newfoundland and Labrador for providing funding assistance under the JCEAP program which will subsidize approximately 50 per cent of the proposed program.

During the year ended December 31, 2011, the Corporation announced results of 1.01 g/t gold over 10.0m from its previous announced 16 hole, 2500m diamond drill program. In addition, the Company received a \$100,000 grant from the Government of Newfoundland and Labrador through its Junior Exploration Assistance program. The proceeds from the grant directly reduced the capitalized deferred exploration costs associated with the Staghorn project. The Company is actively seeking a joint venture partner to advance the property further.

#### **(h) Currie/Bowman Property/Tillex**

During 2008, the Company announced that it entered into an option agreement on March 6th, 2008 with Kinross Gold Corporation (“Kinross”) on the Currie Bowman Property, located 54 kilometers east of Timmins, Ontario, whereby Metals Creek can acquire 100% of the 60% participating interest currently held by Kinross: the remaining 40% interest is held by Selkirk Metals Holdings Corp.. The option requires expenditures totaling \$250,000 over 2 years, with the first \$100,000 to be expended during the first year of the agreement and staged share payments totaling 750,000 shares of which 100,000 were due on signing. Kinross retains a 1% NSR, 50% (or 0.5%) of which can be purchased by Metals Creek for \$500,000.

The property consists of 134 units in 30 claims located along an altered felsic fragmental horizon. The horizon hosts the Grindstone Creek Occurrence, a Au-Zn sulfide occurrence with a best intersection of 2.08 g/t Au over 18.9 meters including 3.95 g/t Au, 132 g/t Ag and 3% Zn over 2.1 meters (Source: MNDM Assessment files, file# 42A07NE2015). The altered rhyolite can be traced for 4 km on the claims, and a recently completed gravity survey has outlined a number of other targets. A 1000 meter drill program is planned for late fall/ early winter and will be focused on extending the Grindstone Creek mineralization and testing coincident EM and gravity anomalies.

The Currie Bowman property is contiguous to Metals Creek’s Tillex Porphyry copper deposit and is underlain by the same stratigraphy that hosts the Cu-Zn-Ag-Au mineralization of the Cross Lake Zone on the Selkirk Metals Sheraton Timmins Property 15 kilometers to the southwest.

The Tillex property is located in the Currie Township, 65 km east of Timmins, Ontario. The Tillex copper deposit was originally discovered in 1973 by Westmin Resources Ltd.. At the time, 17 drill holes were completed and the claims were taken to lease. A near-surface mineral resource of 1,338,000 tonnes grading 1.56% Cu was calculated in 1990 for the deposit (Pacifica Resources Ltd., 2005-6 Canadian Mines Handbook, page 318) however management notes that this calculation does not meet the standards as outlined in National Instrument 43-101, “Standards of Disclosure for Mineral Projects”, has not been independently validated or verified by the Corporation, and should not be relied upon. Since acquiring the Tillex property, the available data has been compiled and an EM and magnetic survey was completed on a recently established grid. The mineralization targeted by the Corporation’s drilling can be described as chalcopyrite and minor bornite within a mixed sequence of andesite, graphitic argillite, dacitic tuff and feldspar porphyry. The Currie Township land package controlled by the Corporation now totals 152

contiguous patented and unpatented claim units covering 2400 hectares along the volcanic horizon which hosts the deposit.

During 2008, the Company undertook a 2,000 meter drill program to test numerous conductive responses from the recently completed HLEM ground geophysical survey and further define known copper mineralization within the Tillex Deposit. The Company announced high grade copper assays, including 1.834% Cu over 81.13m.

**Highlights:**

- TX08-003 22.87m down hole intercept (50.63m to 73.50m) of 1.05 % Cu including 8.3m (54.00m to 62.30m) of 2.36% Cu.
- TX08-004 81.13m down hole intercept (42.00m to 123.13m) of 1.83% Cu including 27.00m (53.00 to 80.00m) of 2.73% Cu.
- TX08-015 14m down hole intercept (100.00m to 114.00m) of 1.11% Cu.
- TX08-005 71.49m down hole intercept (51.51m to 123.00m) of 1.29 % Cu including 34.29m (73.66m to 107.95m) of 2.16% Cu;
- TX08-006 21.0m down hole intercept (64.00m to 85.00m) of 1.06% Cu;
- TX08-007 14.37m down hole intercept (110.43m to 124.80m) of 0.87% Cu including 6.87m (110.43m to 117.30m) of 1.27% Cu;
- TX08-008 42m down hole intercept (48.00m to 90.00m) of 1.40% Cu including 23m (48.00m to 71.00m) of 2.14% Cu;
- TX08-009 3m down hole intercept (96.00m to 99.00m) of 0.60% Zn and a 2m down hole intercept (99.00m to 101.00m) of 1.00% Pb;
- TX08-010 21.60m down hole intercept (46.70m to 68.30m) of 0.83% Cu;
- TX08-011 15.64m down hole intercept (96.56m to 112.20m) of 0.83% Cu including 7.00m (101.00m to 108.00m) of 1.15% Cu;
- TX08-012 17.00m down hole intercept (49.70m to 66.70m) of 0.51% Cu;
- TX08-013 6.40m down hole intercept (112.60m to 119.00m) of 1.09% Cu;
- TX08-014 0.77m down hole intercept (98.94 to 99.71m) of 0.30% Cu, 2.11% Pb and 0.538% Zn.

During 2010, the Corporation terminated its option with Kinross Gold on its Currie Bowman property.

During the year ended December 31, 2011, the Corporation announced assay results from a completed 3-hole 588m diamond drill program on its Tillex property. Results from this program includes a 66.3-metre intercept of 1.43 per cent Cu (copper) and 6.78 g/t (grams per tonne) Ag (silver) including a higher-grade intercept of 2.952 per cent Cu and 14.995 g/t Ag over 14.8 m from hole TX11-01. Hole TX11-02 returned an intercept of 43.2 m of 1.27 per cent Cu and 5.454 g/t Ag, and hole TX11-03 returned an intercept of 10.14 m of 1.38 per cent Cu that encountered significant quartz feldspar porphyry dike material resulting in a significantly smaller intercept. Holes 1 and 2 both collared in mineralization. All three holes were designed to infill areas of limited drilling within the historic Tillex copper deposit, which was originally discovered in 1973 by Westmin Resources Ltd. as well as provide a better understanding of the geology within the central portion of the deposit. Mineralization consists of disseminated and stringer chalcopyrite within a mixed sequence of andesite, graphitic argillite, dacitic tuff and feldspar porphyry.

The Tillex copper deposit continues to demonstrate near-surface potential with the majority of the mineralization within 150 m of surface. Xstrata's Kidd Creek base metal mill is located 45 kilometres by road from the deposit.

Results from this latest round of drilling are tabulated.

Hole	From (m)	To (m)	Interval (m)	Grade Cu%	Grade g/t Ag
TX11-01	40.70	107.00	66.30	1.43	6.779
Including	87.20	102.00	14.80	2.95	14.995
TX11-02	39.30	85.50	43.20	1.27	5.454
TX11-03	86.84	96.88	10.14	1.38	8.810

Note: True thicknesses are approximately 65 to 75 per cent

of downhole intercepts.

During the year ended December 31, 2011, the Company announced the commencement of a five hole, 800 meter diamond drill program on the Tillex Copper Project. The purpose of this program is to further delineate copper mineralization within the historic Tillex Copper Deposit as well as to further define the copper mineralization at depth. Results from the drill program include a 85.48m (meter) intercept of 1.65% Cu (copper) and 33.23 g/t (grams per tonne) Ag (silver) including a higher grade intercept of 5.29% Cu and 355 g/t Ag over 5m from hole TX11-008. Hole TX11-006 returned 0.85% Cu and 9.36 g/t Ag over 33m, including 2.06% Cu and 6.35g/t Ag over 9.5m. All 5 holes were designed to increase drill density and further define copper mineralization within the historic Tillex Copper Deposit, as well as provide a better understanding of the geology within the central portion of the deposit. Mineralization consists of disseminated and stringer chalcopyrite within a mixed sequence of andesite, graphitic argillite, dacitic tuff and feldspar porphyry.

The Tillex Copper Deposit continues to demonstrate near surface potential with the majority of the mineralization within 150m of surface. Xstrata's Kidd Creek base metal mill is located 45 kilometers by road from the deposit.

#### **(i) Other Properties**

Included in Other Properties (Ontario, Newfoundland, and Yukon) are the Newfoundland Dog Pond Property; Bolton Bay Property; Junction Property; Betts Cove; Long Pond; Donnes Brook; SW Voisey's; Chrome Hill; Nipper's Harbour; Mary March; Sops Arm North; Silver Pond; Cape Ray; Prospector's Pond; Yukon Property; Tully Property, Yellow Fox, Careless Cove, Jackson's Arm, and Gryba. During the three month period ended March 31, 2012, the Company incurred \$6,224 (2011: \$109,502) in pre-acquisition exploration and evaluation costs which were included in expenses for the year.

These projects are in early stage development and will be evaluated by management for further exploration in upcoming periods.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

The Corporation has not entered into any off-balance sheet arrangements.

#### **RELATED PARTY TRANSACTIONS**

The transactions entered into by the Company and related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and are detailed in note 8 of the condensed interim financial statements for the period ended March 31, 2012.

Key management personnel remuneration during the period included \$178,180 (March 31, 2011 - \$92,188) in salaries and benefits and \$36,585 (December 31, 2010 - \$92,870) in share-based payments.

#### **CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICY INCLUDING INITIAL ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ('IFRS')**

##### *Statement of Compliance*

The condensed interim financial statements, including comparatives for the three month period ended March 31, 2012, have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles ("GAAP") to IFRS are included in Note 16 of the annual audited financial statements for the year ended December 31, 2011.

##### *Impact of Adopting IFRS on the Company's Business*

The adoption of IFRS has resulted in some changes to the Company's accounting systems but largely the impact has been minimal from the perspective of the day to day operations. The greatest changes occurred in the manner and extent of disclosures contained in the Audited Annual Financial Statements. The transition adjustments and related GAAP to IFRS reconciliations are detailed in note 16 of the Audited Annual Financial Statements for the year ended

December 31, 2011 and for a complete set of IFRS reconciliations, refer to the Audited Financial statements for the December 31, 2011 year.

The Company's staff and advisors involved in the preparation of financial statements have been appropriately trained on the relevant aspects of IFRS and the changes to accounting policies. In addition, the Board of Directors and Audit Committee have been updated regularly throughout the Company's IFRS transition process, and are aware of the key changes affecting the Company as a result of transition to IFRS.

### ***Ongoing IFRS Conversion Monitoring***

The Company has completed its IFRS conversion process, which included a scoping and planning phase, preparation of detailed assessments of IFRS standards and transition adjustments, and implementing the adjustments and changes within each of the Company's operations. On an ongoing basis, the Company will continue to monitor the preparation of financial information in accordance with IFRS, as well as continue to monitor ongoing changes in the IFRS standards which may impact the Company's reporting in future periods. The International Accounting Standards Board is currently working on several projects which could result in new or revised IFRS standards or IFRIC interpretations that could have an impact on the Company's financial reporting in future periods.

Note 16 to the Audited Financial Statements for the year ended December 31, 2011 includes further details on the significant transition adjustments between Canadian accounting principles and IFRS, and details on the Company's decisions on first-time adoption exemptions and accounting policies under IFRS are included in note 2 of the Audited Annual Financial Statements.

### ***Future Accounting Changes***

IFRS 9, *Financial Instruments: Classification and Measurement*, issued in December 2009, effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. The Company has not early adopted IFRS 9 and has not yet considered the impact on its financial statements.

In May 2011, the IASB issued the following standards, effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, which have not yet been adopted by the Company: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interest in Other Entities, IFRS 13 Fair Value Measurement, IAS 19 Employee Benefits, IAS 27 Separate Financial Statements, and IAS 28 Investments in Associates and Joint Ventures. The Company is assessing the impact of these new standards, but does not expect them to have a significant impact on the financial statements.

## **RISK MANAGEMENT**

The Company's financial instruments are exposed to certain risks, including credit risk, liquidity risk, interest rate risk and market risk.

### ***Credit Risk***

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on its obligations under the contract. This includes any cash amounts owed to the Company by those counterparties, less any amounts owed to the counterparty by the Company where a legal right of offset exists and also includes the fair values of contracts with individual counterparties which are recorded in the financial statements.

#### *i) Trade credit risk*

The Company is in the exploration stage and has not yet commenced commercial production or sales. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior period.

#### *ii) Cash and cash equivalents*

In order to manage credit and liquidity risk the Company's cash and short term investments are held through large Canadian Financial Institutions. Staking security deposits are held by the Government of Newfoundland.

*iii) Derivative financial instruments*

As at March 31, 2012, the Company has no derivative financial instruments.

***Liquidity Risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure. The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities.

Accounts payable and accrued liabilities are due within the current operating period.

***Interest Rate Risk***

The Company's interest revenue earned on cash and or short-term investments is exposed to interest rate risk. The Company does not enter into derivative contracts to manage this risk. The Company's exposure to interest rate is very low as the Company's short term investments are either fully liquid or bear short staggered maturity dates to mitigate the risk of fluctuating interest rates.

The Company limits its exposure to interest rate risk as it invests only in short-term investments at major Canadian financial institutions.

***Market Risk***

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of currency risk, interest rate risk, and other price risk. The Company currently does not have any financial instruments that would be impacted by changes in market prices.

**OTHER MD&A REQUIREMENTS**

***Additional disclosure for Venture Issuers Without Significant Revenues:***

As of March 31, 2012, there has been \$7,793,680 incurred and capitalized as exploration and evaluation assets since inception of the Company net of write-downs and recoveries.

***Outstanding Share Data and Convertible Securities as at May 28, 2012***

As at May 28, 2012 the Company has 98,571,214 common shares issued and outstanding as well as: (a) stock options to purchase an aggregate of 7,540,000 common shares expiring at various dates between December 2012 and November 2016 and exercisable at various prices between \$0.10 and \$0.235 per share; and, (b) share purchase warrants to purchase an aggregate of 16,866,173 common shares expiring at various dates between August 3, 2012 and February 2, 2013 and exercisable at various prices between \$0.25 and \$0.45 per share. For additional details of share data, please refer to note 7 of the March 31, 2012 condensed interim financial statements.

The Corporation is authorized to issue an unlimited number of voting shares and an unlimited number of preferred shares issuable in series.

During the year ended December 31, 2011, the Company granted 4,775,000 stock options to directors, officers, employees and consultants, with an exercise prices ranging from \$0.10 to \$0.235 and expire 5 years from the grant date. No stock options were granted in the current or subsequent period.

During the year ended December 31, 2011 the Company completed a private placement by issuing 3,787,500 flow through common shares at a price of \$0.32 per flow through share and 20,969,000 units at a price of \$0.28 per unit for aggregate gross proceeds of \$7,083,320. Each unit is comprised of one common share and one half of one common share purchase warrant, with each whole warrant entitling the holder to acquire an additional common share of the Company at a price of \$0.45 until February 4, 2013. No private placements were completed in the current or subsequent period.

Arm's length parties assisting in the private placement in fiscal 2011 received cash commission of \$495,832 equal to 7% of gross proceeds of \$7,083,320 and broker warrants to the agents entitling holders to acquire 1,900,520 common shares of the Company at a price of \$0.28 until February 4, 2013. The warrants were valued at \$362,675.

## **DIVIDEND POLICY**

No dividends have been paid on any shares of the Corporation since the date of its incorporation, and it is not contemplated that any dividends will be paid in the immediate or foreseeable future.

## **LEGAL PROCEEDINGS**

To the knowledge of the Corporation, there are no actual or pending legal proceedings to which the Corporation is or is likely to be a party or of which any of its assets are likely to be subject.

## **INDEBTEDNESS OF DIRECTORS, OFFICERS, PROMOTERS AND OTHERS**

No director, officer, or promoter or other member of management of the Corporation, or any Associate or Affiliate of any such person, is or has been indebted to the Corporation.

## **CONFLICTS OF INTEREST**

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. Some of the directors and officers have been and will continue to be engaged in the identification and evaluation, with a view to potential acquisition of interests in businesses and corporations on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the Business Corporations Act (Ontario).

## **RISK FACTORS**

### **Risks associated with exploration and mining operations**

The exploration and development of mineral properties involves a high degree of risk which cannot be avoided despite the experience, knowledge and careful evaluation of prospective properties by management. There can be no assurance commercial quantities of ore will be discovered on the Corporation's mineral properties. Even if such commercial quantities are subsequently discovered by the Corporation's exploration efforts, there can be no assurance such properties can be brought in to commercial production.

Operations may be subject to disruption due to weather conditions, labour unrest or other causes beyond the control of the Corporation. Hazards such as unexpected formations, pressures, flooding, or other conditions over which the Corporation does not have control may be encountered and may adversely affect the Corporation's operations and financial results.

The properties may be subject to prior unregistered agreements or transfers or land claims, including First Nations land claims and title may be affected by undetected defects. There is no guarantee that title to the Company's properties or its rights to earn an interest in its properties will not be challenged or impugned. Also, in many countries including Canada and the USA, claims have been made and new claims are being made by aboriginal peoples that call into question the rights granted by the governments of those countries in respect of resource properties.

### **Environmental Risks**

Environmental legislation is continuing to evolve such as will require strict standards and enforcement, increased fines and penalties for non-compliance, more stringent assessment of proposed projects and a greater degree of corporate responsibility. There can be no assurance that future changes to environmental legislation may not adversely affect the Corporation's operations.

### **Mineral Market**

The market for minerals is subject to factors beyond the Corporation's control, such as market price fluctuation, currency fluctuation and government regulation. The effect of such factors cannot be accurately calculated. The

existence of any or all such factors may restrict the access to a market, if same exists, for the sale of commercial ore which may be discovered.

### **Funding Requirements**

In order to move forward with its exploration and development activities, the Corporation will likely require additional funding. There can be no guarantee that such funds will be available as and when required or, if available, be accessible on reasonable commercial terms.

### **Reliance on Management**

The Corporation anticipates that it will be heavily reliant upon the experience and expertise of management with respect to the further development of the mineral properties. The loss of any one of their services or their inability to devote the time required to effectively manage the affairs of the Corporation could materially adversely affect the Corporation.

## **AUDITORS, TRANSFER AGENTS AND INVESTOR RELATIONS**

The auditors of the Corporation are Wasserman Ramsay, Chartered Accountants of Markham, Ontario.

The Transfer Agent and Registrar for the Common Shares of the Corporation is Equity Transfer Services Inc. of Toronto, Ontario.

Investor Relations services are provided by Clair Calvert, based in Winnipeg Manitoba.

## **COMMITMENTS AND CONTINGENCIES**

Except as otherwise discussed, the Company is in compliance with commitments required by contractual obligations in the normal course of business.

The Company raised gross proceeds of \$1,212,000 during the year ended December 31, 2011 and \$494,512 during the year ended December 31, 2010 as a result of the issuance of flow-through shares. Under this arrangement, common shares are issued which transfer the tax deductibility of mineral property exploration expenditures to investors. Proceeds received on the issuance of these shares have been credited to capital stock and the related exploration costs will be charged to mineral properties and deferred exploration costs in the year in which they are incurred. Proceeds received from the issuance of flow-through are restricted to be used only for allowable Canadian resource property exploration expenditures within a two year period.

The Company has already incurred the required expenditures for the December 31, 2011 deadline for the flow-through funds raised in 2010 as well as fulfilled the expenditure commitment by December 31, 2012 for the flow-through funds raised in the current period of 2011. No flow through obligation exists for the Company at March 31, 2012.

During the year ended December 31, 2011, the Company announced that it had entered into an investor relations contract whereby the Company will pay the provider a monthly fee of \$5,000 and grant 300,000 stock options of the Company with an exercise price of \$0.10 expiring on the earlier of 5 years from the date of grant or the expiration or termination of the agreement and will vest in quarterly increments over a 12 month period. The term of the agreement is 12 months however it may be terminated by either party after 5 months provided 30 days written notice is given to the other party. The agreement is subject to the approval of the TSX Venture Exchange.

## **FORWARD LOOKING STATEMENTS**

This management discussion and analysis contains certain forward-looking statements relating but not limited to the Corporation's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement

of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates, delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results.

Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Corporation undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.