ELY GOLD & MINERALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

Suite 680 – 789 West Pender St, Vancouver, BC V6C 1H2

1.1 INTRODUCTION

Set out below is a review of the activities, results of operations and financial condition of Ely Gold & Minerals Inc. ("Ely",or the "Company") and its subsidiaries for the nine months ended September 30, 2012. The discussion below should be read in conjunction with the Company's September 30, 2012 condensed interim consolidated financial statements and the December 31, 2011 audited consolidated financial statements and related notes. All dollar figures included in the following Management Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated. This MD&A has been prepared as at November 29, 2012.

The Company is a reporting issuer in the provinces of British Columbia and Alberta in Canada and is listed on the TSX Venture Exchange ("Exchange") under the symbol "ELY".

Additional information related to the Company is available on SEDAR at www.sedar.com. The Company's website is at http://www.elygoldandminerals.com/s/Home.asp

1.2 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 payment and carrying value of properties; and
- 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, including among other things, 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 consolidated 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.

1.3 DESCRIPTION OF BUSINESS

The Company's registered office is Suite 680 – 789 West Pender St, Vancouver, British Columbia, Canada, V6C 1H2.

The Company is an exploration stage natural resource company engaged in the evaluation, acquisition, exploration and development of natural resource projects. The Company is currently focused on gold projects in North America.

The recoverability of costs capitalized to mineral properties and the Company's future financial success is dependent upon the extent to which economic gold mineralized bodies can develop to producing entities. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine with any certainty. Many of the key factors for advancing the Company's projects to production are dependant on outside factors; such as, obtaining the necessary rights and permitting which need to be granted from certain local and governmental agencies located in the United States. Additional risk factors that may affect the financial success of the Company and it's consolidated financial statements and the risk factors related to mineral exploration and development are set out under the heading "Risks and Uncertainties" listed below.

The Company knows of no trends, demands, commitments, events or uncertainties outside of the normal course of business that may result in the Company's liquidity either materially increasing or decreasing at the present time or in the foreseeable future. Material increases or decreases in the Company's liquidity are substantially determined by the success or failure of the Company's exploration programs and overall market conditions for smaller resource companies. The Company is not aware of any seasonality in the business that may have a material effect upon its financial condition, other than those normally encountered by public reporting junior resource companies. The Company is not aware of any changes in the results of its operations that are other than those normally encountered in its ongoing business.

1.4 HIGHLIGHTS

- On February 22, 2012, MH-LLC completed a bankable feasibility study ("BFS") on the Mt. Hamilton Project and accordingly, Solitario Exploration & Royalty Corp ("Solitario") has earned an additional 70% interest in MH-LLC, for a total interest of 80%, and can no longer opt out of any future required payments and will be obligated to make any unpaid payments of cash and common shares to DHI US, any unpaid payments to the Underlying Royalty Holders and any uncompleted additional subscriptions due to Ely by the due dates described in the original operating agreement.. As a result, the Company has included all future cash and share payments ($1,337,700) as accounts receivable as at September 30, 2012.

- As a result of completing the BFS, Solitario's interest in MH-LLC increased to 80% resulting in the Company no longer consolidating MH-LLC and removed its non-controlling interest as the Company now accounts for its investment in MH-LLC as an equity investment and will subsequently record its share of income and losses from MH-LLC while significant influence is maintained.

- In February 2012 the Company received US$150,000 and 25,000 common shares in the capital stock of Solitario as part of the requirements under the MH-LLC agreement.

- In March 2012 the Company issued 2,400,000 common shares at a value of $0.25 per common share to settle $600,000 in debt owed to certain directors.

- On May 30, 2012, the Company received US$750,000 from Solitario as part of the requirements under the MH-LLC agreement.

- On June 1, 2012, the Company made a payment of US$750,000 to Augusta Resources Ltd. ("Augusta") as part of its' obligation to acquire DHI Minerals Ltd.

- On June 11, 2012, MH-LLC entered into an agreement with Sandstorm Gold Ltd. ("Sandstorm") whereby Sandstorm has purchased a 2.4% NSR on the Mt Hamilton gold project for US$10 million. US$6 million was paid upon signing and the remaining US$4 million shall be paid to MH-LLC on January 15, 2013.

- On June, 28, 2012, MH-LLC distributed US$2,500,000 to its partners. DHI(US) received $500,000 of the disbursement, which was used to repay the loan payable to Solitario for its share of the 2011 royalty purchase.

- In August 2012 the Company received US$150,000 and 25,000 common shares in the capital stock of Solitario as part of the requirements under the MH-LLC agreement.

- As of September 30, 2012, the Company had cash of $1,776,787 and consolidated working capital of $1,841,085.

1.5 PROJECT UPDATES AND ACQUISITION

i. Acquisition of DHI Minerals Ltd. ("DHI")

On February 28, 2008, as amended on November 16, 2009, the Company acquired 100% of the issued and outstanding common shares of DHI, which owns 100% of the shares of DHI Minerals (US) Ltd. ("DHI US"), pursuant to an agreement with Augusta. As consideration for the acquisition, the Company agreed to pay US$6,625,000 and issued 3,000,000 share purchase warrants with an exercise price of $0.50 per share, exercisable for 18 months from the date of the agreement and a fair value of $2,828,661. The amended payments for the acquisition are without interest and are to be made over a five-year period as follows:

Upon signing	US $1,625,000	(Paid – $1,592,175)
February 28, 2009	$1,000,000	(Paid – $1,247,520)
June 1, 2010	250,000	(Paid - $266,353)
June 1, 2011	500,000	(Paid – $488,043)
June 1, 2012	750,000	(Paid – $757,380)
June 1, 2013	750,000	
June 1, 2014	750,000	
June 1, 2015	1,000,000	
	US $6,625,000	

The amendment of the agreement on November 16, 2009, extended the loan repayments for which the Company issued 2,000,000 share purchase warrants to Augusta to purchase 2,000,000 common shares of the Company at the price of $0.25 per share for a period of 18 months expiring May 16, 2011, which were exercised during the year ended December 31, 2011.

The amount payable to Augusta is secured by the Company's shareholdings in DHI and all present and after acquired assets of DHI and DHI US. As at September 30, 2012, the remaining balance due is US$2,500,000.

ii. Collaboration with Solitario

On December 22, 2010, the Company and Solitario incorporated MH-LLC pursuant to a LOI and an Operating Agreement to advance the Company's Mount Hamilton project located near Ely, Nevada, through to a bankable feasibility study ("BFS") and into production. The following summarizes the terms of the LOI and Operating Agreement:

(a) Solitario to subscribe for $500,000 in units comprising one common share and one-half of one share purchase warrant of Ely (issued);

(b) Solitario to contribute its initial investment to MH-LLC by making a US$300,000 advance royalty payment to the original owners of the Mount Hamilton property ("Underlying Royalty Holder") subject to the Mount Hamilton lease for a 10% interest in MH-LLC;

(c) Ely to contribute its mineral properties (Mount Hamilton and Monte Cristo) with a fair value of $2,738,340 (US$2,700,00) for a 90% interest in MH-LLC;

(d) Solitario to subscribe for three additional tranches of common shares of Ely:

(i) US$750,000 of common shares at a price equal to the 20-day weighted moving average price on the TSX-V (the "WMAP") on or before June 1, 2013;
(ii) US$750,000 of common shares at a price equal to the WMAP on or before June 1, 2014; and
(iii) US$1,000,000 of common shares at the WMAP on or before June 1, 2015.

(e) Phase I. To earn an additional 41% interest in MH-LLC, for a total of 51%, Solitario is required to:

(i) incur a minimum of US$1,000,000 in exploration expenditures by August 23, 2011 (incurred);
(ii) invest US$300,000 into MH-LLC for an advance royalty payment to the Underlying Royalty Holder; and
(iii) make payments totaling US$1,750,000 to DHI US and issue 100,000 Solitario common shares to DHI US by August 23, 2012.

(f) Phase II. To earn an additional 19% interest in MH-LLC, for a total of 70%, Solitario is required to:

(i) invest US$300,000 into MH-LLC for an advance royalty payment to the Underlying Royalty Holder; and
(ii) make payments totaling US$500,000 to DHI US and issue 100,000 Solitario common shares to DHI US by August 23, 2013.

(g) Phase III. To earn an additional 10% interest in MH-LLC, for a total of 80%, Solitario is required to:

(i) invest US$600,000 into MH-LLC for an advance royalty payment to the underlying royalty holder;
(ii) make payments totaling US$500,000 to DHI US and issue 100,000 Solitario common shares to DHI US by August 23, 2014; and
(iii) buy-down the existing 8% NSR to a 3% NSR by paying the Underlying Royalty Holder US$5,000,000 by November 19, 2014.
(iv) Fund all bonding requirements to achieve commercial production as described in the BFS.

As of February 22, 2012, Solitario earned an 80% interest in MH-LLC by completion of a BFS and no longer is able to opt out of future payments, and is obligated to make the following "Continuing Payment Obligations": i) make unpaid payments of cash and common shares to DHI US; ii) make unpaid payments to the Underlying Royalty Holder; iii) subscribe to the uncompleted additional subscriptions due to the Company by the due dates described above; iv) provide funding for all bonding requirements to achieve commercial production. Should Solitario default on any of the Continuing Payment Obligations, DHI US' equity interest in MH-LLC will revert to 51% and Solitario's interest will be reduced to 49%.

All other costs incurred by MH-LLC will be shared by Solitario and DHI US on a pro-rata based on equity interest owned (80%:20%). In the event DHI US's share of expenditures are funded by Solitario, Solitario shall recover all expenditures made on DHI US's behalf, plus interest at a commercially competitive rate, exclusively from 80% of DHI US's share of distributions from MH-LLC.

As of September 30, 2012, the Company is not indebted to Solitario for any proportionate share of expenses due to MH-LLC completing the sale of a 2.4% NSR during the period ended September 30, 2012.

The Company and Solitario amended the terms of the Operating Agreement by which Solitario will subscribe to the Company's shares. Under the terms of the amendment, Solitario is to subscribe for three additional tranches of common shares of the Company as follows:

(i) Tranche 1 - US$750,000 of common shares on May 1, 2013;
(ii) Tranche 2 - US$750,000 of common shares on or before May 1, 2014; and
(iii) Tranche 3 - US$1,000,000 of common shares on or before May 1, 2015.

The price per common share for each tranche will be equal to the greater of (a) the 20 day weighted moving average price of the Company's shares on the TSX-V (the "WMAP") over the 20 days immediately preceding the subscription date; and (b) the Discounted Market Price (as that term is defined in the Policies of the TSX-V) of the Company's shares on the last trading day immediately preceding the date of the subscription agreement.

The Company shall utilize the proceeds of each tranche only to make the required payments to Augusta, which are currently due on June 1, 2013, June 1, 2014 and June 1, 2015 and will make such payments within three business days after the day in which the proceeds from the respective tranche has been received.

Under the terms of the amendment, the Company has the right, but not the obligation, to reduce the aggregate subscription amount for any given tranche, provided that the Company has provided written notice to Solitario stating its election to reduce the aggregate subscription amount of the respective tranche and that the Company has sufficient funds to make the required payments to Augusta by the respective due dates.
Solitario is not entitled to subscribe for any of the three tranches prior to May 1, 2013.

iii. Mineral properties

Mount Hamilton Property

The Mount Hamilton property is a 525 acre property located at the southern end of the Battle Mountain Gold Trend, 65 kilometres west of the town of Ely, Nevada. The property contains both precious and base metal mineralization that occurs within a gently folded sequence of Cambrian aged sedimentary rocks. The property was developed by Rea Gold, a Vancouver based company that mined the Seligman gold deposit from 1995-1997.

The current focus on the Mt. Hamilton property is gold-silver mineralization that was first outlined in programs dating back to the late 1970's. Historical and recent exploration by Ely in 2008 and Solitario in 2011-2012 have outlined two near-surface, contiguous deposits, Centennial and Seligman. These deposits gold-silver resources that have been the subject of recent reserve/resource calculations carried out by SRK Consulting US Inc. for MH-LLC, results of which are tabulated below.

Centennial Gold-Silver Deposit Mineral Reserve Statement

Reserve Category	Tons (millions)	Gold Grade		Silver Grade*		Contained Gold (oz)	Contained Silver (oz)
		Oz/Ton	g/Tonne	Oz/Ton	g/Tonne		
Proven	0.923	0.032	1.10	0.155	5.31	29,300	142,700
Probable	21.604	0.021	0.72	0.134	4.59	457,800	2,884,300
Prov.+Probable	**22.527**	**0.022**	**0.75**	**0.136**	**4.66**	**487,100**	**3,028,200**

Seligman Gold-Silver Mineral Resource Statement

Resource Category	Tons Millions	Gold Grade		Silver Grade*		AuEq	Contained Ounces		
		Oz/Ton	g/Tonne	Oz/Ton	g/Tonne	Oz/ Ton	Gold	Silver	AuEq
Indicated	6.96	0.022	0.76	0.097	3.34	0.024	154,388	676,665	166,691
Inferred	3.77	0.021	0.71	0.144	4.94	0.023	78,044	543,671	87,929

The addition of the Seligman Resource represents nearly a 29% increase in previously reported in-pit Measured and Indicated Resources for the Mt. Hamilton project and a 134% increase in Inferred Resources.

A second mineralized zone was identified on the Mount Hamilton property during the Philips Petroleum Corporation exploration of the Mount Hamilton property. This zone lies above and adjacent to the gold zone described above and consists of molybdenum, tungsten and copper mineralization. A study completed by the Ralph Parsons Company (now Fluor Corp.) in June 1978 for Philips Petroleum Corporation estimated the following non 43-101 compliant historical resource:

Zone	Tons	MoS2 (%)	Tungsten (%)	Copper (%)
Westside	4,199,300	0.52	0.37	0.6
Eastside	2,024,800		0.28	

The Company has not done the work necessary to verify the classification of the resource and is not treating the resource estimates as a NI 43-101 defined resource verified by a Qualified Person and therefore should not be relied upon by investors.

The Mount Hamilton property is subject to minimum advance royalty payments of US$100,000 per year until November 19, 2010 when the minimum royalty payments increase to US$300,000 per annum.

On November 16, 2009, the Company negotiated an extension of the time permitted to make the US$100,000 advanced royalty payment otherwise required to be made by November 19, 2009. As consideration for the extension, the Company agreed to increase the amount of the payment from US$100,000 to US$110,000 and to issue to the lessor warrants exercisable to purchase up to an aggregate of 50,000 common shares of the Company at the price of $0.25 each until May 16, 2011. The extension warrants were exercised during the year ended December 31, 2011.

Upon commencement of commercial production, a base rate of 3% NSR is payable, subject to an increase whenever the price of gold is greater than US$400 per ounce. The NSR shall increase by one-half of 1% for each US$50 increment to a maximum of 8% NSR. Of the NSR, 1.5% can be bought down at any time prior to the date commercial production commences for US$2,000,000 ("First Royalty Reduction Option").

On February 22, 2010 and April 28, 2010, the Company further negotiated amendments to the Mount Hamilton lease to reduce the NSR under the original agreement. If the Company exercises the First Royalty Reduction Option (noted above) and reduces the NSR to 6.5%, it will have the option to purchase an additional 1.75% NSR for a further $1,500,000 payment at any time prior to the date commercial production commences ("Second Royalty Reduction Option"), reducing the NSR to 4.75%. Upon exercise of the Second Royalty Reduction Option, the Company will have the option to purchase an additional 1.75% NSR for a further $1,500,000 payment at any time prior to the date commercial production commences ("Third Royalty Reduction Option"), reducing the NSR to 3.0%.

In addition, the Company issued to the lessor share purchase warrants exercisable to purchase 4,000,000 common shares of the Company at a price of $0.32 per share to February 28, 2013. If commercial production has not commenced before the sixtieth day (the "Trigger Date") before the expiry date, then within 10 days of the Trigger Date, the Company will apply to the Exchange to extend the time period within which they may be exercised to February 28, 2015.

On May 27, 2011, MH-LLC entered in to an agreement to buy-down the NSR on the Mount Hamilton project ("Purchase Agreement"). Pursuant to the Purchase Agreement, the 3% NSR base rate has been reduced to 1% and the maximum NSR has been reduced from 8% to 6%; the percentages and costs of the three royalty reduction options noted above remain unchanged. MH-LLC purchased the royalty buy-down for US$2.52 million, ($2.56 million).

Solitario contributed the entire purchase price of the royalty buy-down and loaned DHI US its 20%, US$504,000, proportionate share, The loan payable by DHI US to Solitario will bear interest at 6% per annum and will be repaid from DHI US's future production proceeds. The entire purchase price of the royalty buy-down has been included in mineral properties as acquisition costs.

On February 22, 2012 Solitario announced positive Feasibility Study results on the Centennial Deposit. With the completion of this Feasibility Study, Solitario will hold an 80% interest in Mt. Hamilton LLC. The Feasibility Study was prepared SRK Consulting (U.S.) Inc. (SRK). Highlights from the Feasibility Study are as follows:

- Base Case: Gold Price-$1,323; Silver Price- $25.34
- Production Rate: 8,500 tons ore per day
- Mine Life: 8.0 years
- Average Gold Recovery: 79% (70% of recoverable gold in the first 30 days)
- Average Silver Recovery: 90% of soluble silver (~ 36% of total contained silver)
- Life of mine strip ratio: 2.4:1.0 (waste:ore)
- Initial Capital Cost: $71.9 M (including $6.3 M contingency)
- Sustaining Capital: $35.3 M (including $4.3 M contingency and $10.3 M end-of-mine closure costs)
- Working Capital: $7.1 M
- Underlying NSR-Royalty: 1%
- Cash Costs per Gold-Equivalent Ounce Recovered: $535
- Average Annual Gold Production: 48,000 ounces
- Average Annual Silver Production: 330,000 ounces
- Average Annual Gold-Equivalent Production: 54,000 ounces (at a 52:1 silver to gold ratio)

The economic analysis in the Feasibility Study assumed a declining price curve for gold and silver. Realized gold/silver prices were set at $1,600/$35.45 per ounce for the first year of production, $1,420/$28.25 for the second year, and $1,280/$23.90 per ounce for all subsequent years. These prices are based on the 12-month, 24-month and 36-month trailing average of gold and silver prices, respectively. This declining gold price scenario results in an average life-of mine price of $1,323 per ounce for gold and $25.34 per ounce for silver.

Mineral Reserve Statement, Centennial Gold-Silver Deposit, SRK Consulting Inc.:

Reserve Category	Tons (000's)	Gold Grade		Silver Grade*		Contained Gold (oz.)	Contained Silver (oz.)
		Oz./Ton	g/Tonne	Oz./Ton	g/Tonne		
Proven	0.923	0.032	1.1	0.15	5.31	29,300	142,700
Probable	21.604	0.021	0.72	0.134	4.59	457,800	2,884,300
Prov. & Prob.	22.527	0.022	0.75	0.136	4.66	487,100	3,028,200

*Reported silver grade is cyanide soluble

The Feasibility Study resource and reserve estimations demonstrate a potential to increase the size of the existing Centennial deposit through step-out exploration drilling around the east and southeast margins of the current pit configuration. This mineralization falls entirely within a pit design based on $1,600/oz. gold and $40/oz. silver and is situated immediately adjacent to the reserve pit. Approximately 2.6 million tons of Indicated Resources grading 0.017 oz/t gold (45.3 koz of gold) and 0.153 oz/t silver (397.6 koz of silver) and 2.8 million tons of Inferred Resource grading 0.018 oz/t gold (50.2 koz of gold) and 0.080 oz/t silver (223.5 oz of silver) above a 0.006 oz/t gold cut-off have been identified outside of the reserve pit, but within the resource envelope (Whittle™ shell). Drilling is planned in these areas with the objective to upgrade the mineralization to Measured and Indicated Resources.

A new NI-43-101 compliant resource estimate was completed on the Seligman gold and silver deposit situated roughly 1,500 feet north of the Centennial deposit which contains previously reported reserves and resources. The study was prepared on behalf of Solitario by SRK Consulting (U.S.) Inc. ("SRK") and serves to update the previously reported (February 22, 2012) Mt. Hamilton Feasibility Study.

The Seligman resource estimate was constrained by an optimized pit using a gold price of $1,500 per ounce of gold and $20.00 per ounce of silver. At Seligman, SRK estimated an in-pit Indicated Resource containing 166,691 ounces of gold equivalent ("AuEq"), with an additional in-pit Inferred Resource totaling 87,929 AuEq ounces. This represents nearly a 29% increase in previously reported in-pit Measured and Indicated Resources for the Mt. Hamilton project and a 134% increase in Inferred Resources. The table below provides greater detail to the recently completed Seligman in-pit resource estimate.

The Seligman resource estimate was based on the pre-existing Mt Hamilton database consisting of 531 drill holes. The data was verified/validated by SRK in compliance with NI-43-101 requirements.

The Seligman mineralization was mined for several years in the mid-1990's, but mining ceased in 1997 due to low gold prices. Seligman mineralization, if mined, would require significantly less pre-stripping of waste than the Centennial ore body situated immediately to the south. This could advance initial production by at least six months and reduce initial capital costs by $5.0 to $7.0 million, compared to the Centennial Feasibility Study mining plan that did not include Seligman mineralization.

On June 11, 2012, MH-LLC entered into an agreement with Sandstorm Gold Ltd. ("Sandstorm") whereby Sandstorm has purchased a 2.4% NSR on the Mount Hamilton gold project for US$10 million. US$6 million was paid upon signing and the remaining US$4 million shall be paid to MH-LLC on January 15, 2013. As part of the agreement, MH-LLC will have the option, for a period of 30 months, to repurchase up to 100% of the NSR for US$12 million, provided that Solitario enters into a gold stream agreement with Sandstorm that has an upfront deposit of no less than US$30 million. In addition, MH-LLC has provided Sandstorm with a right of first refusal on any future royalty or gold stream financing for the Mount Hamilton project.

On June 28, 2012, subsequent to the Sandstorm NSR, Ely Gold and Solitario entered into an agreement whereby MH-LLC distributed US$2,500,000 to its partners. Solitario received US$2,000,000 for reimbursement of its share of the 2011 royalty purchase. DHI US received US$500,000, which was paid to Solitario to repay the loan payable for DHI US's proportionate share of the 2011 royalty purchase. At the time of the repayment of the loan payable, Solitario forgave the accrued interest of $25,438.

Shell/Monte Cristo Properties

The Shell and Monte Cristo properties are located southwest of the Mount Hamilton project, on claims that are contiguous with the Mount Hamilton property. The Shell property was originally explored in the late 1970's and early 1980's by Union Carbide Corporation for its gold, molybdenum, and tungsten potential. Mineralization is localized in a brecciated fault contact between shaley limestones above, and underlying calcareous shales of Cambrian age, near the intrusive Monte Cristo stock.

Drilling by Union Carbide identified mineralization from two separate zones that are separated by between 20 to 40 feet and remain open in all directions. A molybdenum rich zone lies above a gold rich zone. Union Carbide estimated resources in 1981 for these two zones as follows:

Zone	**Tons**	**MoS2 (%)**	**Au (ozs/ton**	**Tungsten (%)**
Molybdenum	1,151,774	1.20	0.01	0.12
Gold	499,919	0.17	0.24	0.17

This resource estimate is a non 43-101 compliant historical resource; the Company has not done the work necessary to verify the classification of the resource and is not treating the resource estimates as a NI 43-101 defined resource verified by a Qualified Person and therefore should not be relied upon by investors.

The Shell deposit is located near the Mount Hamilton property and is subject to minimum advance royalty payments starting with US$80,000 payable on June 6, 2006 and increasing by US$20,000 per annum until production commences ($156,789 paid in 2009).

The Shell property was transferred in MH-LLC during the year ended December 31, 2011 and MH-LLC has assumed all liabilities related to the Shell property.

The Monte Cristo property was included as part of the Company's initial contribution into MH-LLC.

Great American, Nevada

During the year ended December 31, 2011, MH-LLC entered into an option agreement with Great American Minerals, Inc. to acquire 100% of the Great American claims for a total payment of US$525,000, payable as follows:

- On signing the agreement - US$50,000 (paid)
- On or before September 8, 2012 – US$50,000 (paid)
- On or before September 8, 2013 – US$75,000
- On or before September 8, 2014 – US$150,000
- On or before September 8, 2015 – US$200,000

The Great American property is subject to:

- an annual advanced minimum royalty payment, of the greater of US$30,000 or the cash value of 33 ounces of gold, commencing on September 8, 2016 and ending when production commences; and
- a 3% NSR from all gold or silver productions and 2% NSR from all other products produced or sold.

1.6 RESULTS OF OPERATIONS

Three months ended September 30, 2012, compared to the three months ended September 30, 2011.

The Company recorded a net loss of $298,927 ($0.01 loss per common share) for the three months ended September 30, 2012 (the "current quarter") compared to a net loss of $769,525 ($0.01 loss per common share) during the three months ended September 30, 2011 (the "comparative quarter"), an decrease of $470,598, as explained in the following paragraphs.

- Consulting fees were $28,685 higher in the current quarter ($189,473) when compared to the comparative quarter ($160,788) reflecting an increase in the use of external consultants in the current quarter compared to the comparative quarter.

- Professional fees were $38,918 lower in the current quarter ($39,721) when compared to the comparative quarter ($78,639) which mainly reflects a decrease in legal fees as a result of the comparative quarter incurring additional fees as part of the Company's due diligence in assessing potential asset acquisitions.

- Expense recoveries were $25,438 higher in the current quarter ($25,438) when compared to the comparative quarter ($nil) reflecting the forgiveness of the accrued interest on DHI(US)'s loan payable to Solitario in the current quarter.

- Office and administration expenses were $59,709 lower in the current quarter ($4,932) when compared to the comparative quarter ($64,641) reflecting the comparative quarter including a portion of MH-LLC's operating expenses as part of the consolidation of the non-controlling interest in MH-LLC, which is not included in the current quarter.

- Share-based payments were $228,666 lower in the current quarter ($25,260) when compared to the comparative period ($253,926) reflecting the fact that less stock options were granted in the current quarter when compared to the number of options that were granted in the comparative period.

- Gain/loss arising from foreign exchange was $169,724 higher in the current quarter (Loss-$17,007) when compared to the comparative quarter (Loss-$186,731). Significant fluctuations in foreign exchange can be expected as the Company currently has a loan payable of US$2.5 million that gets re-valued as at the balance sheet date every quarter, which can result in significant fluctuations in the gain/loss on foreign currency.

Nine months ended September 30, 2012, compared to the nine months ended September 30, 2011.

The Company recorded a net loss of $786,156 ($0.01 loss per common share) for the nine months ended September 30, 2012 (the "current period") compared to a net loss of $1,498,065 ($0.01 loss per common share) during the nine months ended September 30, 2011 (the "comparative period"), a decrease of $711,909, as explained in the following paragraphs.

- Consulting fees were $91,640 higher in the current period ($611,172) when compared to the comparative period ($519,532) reflecting an increase in the use of external consultants to evaluate potential mineral property acquisitions in the current period when compared to the comparative period.

- Professional fees were $84,124 lower in the current period ($89,228) when compared to the comparative period ($173,352) which mainly reflects a decrease in legal fees as a result of the comparative quarter incurring additional fees as part of the Company's due diligence in assessing potential asset acquisitions.

- Expense recoveries were $25,438 higher in the current period ($25,438) when compared to the comparative period ($nil) reflecting the forgiveness of the accrued interest on DHI(US)'s loan payable to Solitario that realized in the current period.

- Office and administration expenses were $89,793 lower in the current period ($25,406) when compared to the comparative period ($115,199) reflecting the comparative quarter including a portion of MH-LLC's operating expenses as part of the consolidation of the non-controlling interest in MH-LLC, which is not included in the current quarter.

- Travel and promotion were $6,432 lower in the current period ($48,406) when compared to the comparative period ($54,838) reflecting a decrease in the level of travel by the Company's management and consultants in the current period when compared to the comparative period.

- Share-based payments were $434,709 lower in the current period ($25,260) when compared to the comparative period ($459,969) reflecting fewer options being granted in the current period when compared to the number of options that were granted in the comparative period.

- Transfer agent and filling fees were $12,345 lower in the current period ($22,736) when compared to the comparative period ($35,081) reflecting a current period decrease in the number of submissions to the TSX-V that required regulatory fees.

- Gain/loss arising from foreign exchange was $141,615 higher in the current quarter (Gain-$37,012) when compared to the comparative quarter (Loss-$104,603). Significant fluctuations in foreign exchange can be expected as the Company currently has a loan payable of US$2.5 million that gets re-valued as at the balance sheet date every period, which can result in significant fluctuations in the gain/loss on foreign currency.

1.7 SUMMARY OF QUARTERLY RESULTS (unaudited)

The following table summarizes selected information from the Company's unaudited financial statements, prepared in accordance with International Financial Reporting Standards, for the last eight quarters.

For the quarters ended

	Sept 30 2012	**June 30 2012**	**Mar 31 2012**	**Dec 31 2011**
Total revenues (Interest & other income)	$1,857	$4,495	$4,077	-
Loss for the quarter	($298,927)	($248,809)	($238,420)	($342,715)
Loss per share	($0.005)	($0.005)	($0.00)	($0.01)

For the quarters ended

	Sept 30 2011	**June 30 2011**	**Mar 31 2011**	**Dec 31 2010**
Total revenues (Interest & other income)	-	-	-	-
Loss for the quarter	($769,525)	($353,448)	($375,092)	($8,766,998)
Loss per share	($0.01)	($0.005)	($0.01)	($0.20)

The Company only earns interest income from its cash and cash equivalents, which will vary from period to period depending on their relative balances.

1.8 LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2012, the Company had cash of $1,776,787 and consolidated working capital of $1,841,085. (December 31, 2011 – $593,012), which is sufficient working capital to fund its operations for the next twelve months.

The Company's cash and cash equivalents are highly liquid and held at a major Canadian financial institution.

The Company currently has no income from operations and relies on financing through the issuance of additional shares of its common stock. Management has been successful in accessing the equity markets in prior years, but there is no assurance that such sources will be available, on acceptable terms, or at all in the future. Factors which could impact management's ability to access the equity markets include the state of capital markets, market prices for natural resources and the non-viability of the projects.

1.9 TRANSACTIONS WITH RELATED PARTIES

Key management comprises directors and executive officers. The Company incurred no post-employment benefits and no long-term benefits.

	September 30, 2012	September 30, 2011
Short-term employment benefits	$ 525,189	$ 449,166
Share-based payments	25,260	453,080
Total	$ 550,449	$ 902,246

As at September 30, 2012, $9,837 (December 31, 2011 - $104,988) owing to related parties for consulting fees and a performance bonus to certain directors of $Nil (December 31, 2011 - $600,000) is included in accounts payable and accrued liabilities.

As at September 30, 2012, $550,872 (December 31, 2011 - $325,440) is included in other liabilities for deferred consulting fees owing to related parties that are not payable until January 1, 2015.

All amounts due to related parties are payable on demand other than the deferred salaries included in Other liabilities, which are not due until January 1, 2015. Interest is not charged on outstanding balances.

The Company and one of its subsidiary's have each entered into a termination clause agreement with two of directors whereby each director is entitled to receive a cumulative amount of:

- $480,000 in the event they are terminated without cause; or
- $860,000 in the event there is a change of control.

1.10 SHARE CAPITAL AND DISCLOSURE OF OUTSTANDING SHARE DATA

At September 30, 2012 the authorized share capital was an unlimited number of common shares and there were 61,610,245 common shares issued and outstanding. As at the date of this MD&A the Company had 61,610,245 common shares issued and outstanding.

Stock Options and Warrants

The following summarizes information on the number of stock options outstanding at September 30, 2012:

Expiry Date	Exercise Price	Number of options
February 26, 2015	$ 0.50	600,000
June 4, 2015	$ 0.20	750,000
July 7, 2015	$ 0.15	1,000,000
September 1, 2015	$ 0.15	1,000,000
January 5, 2016	$ 0.25	800,000
July 30, 2017	$0.14	200,000
September 22, 2016	$ 0.20	1,300,000
Total		5,650,000

The following summarizes information on the number of warrants outstanding at September 30, 2012:

Expiry Date	Exercise Price	Number of warrants
October 19, 2012	$ 0.25	833,333
February 28, 2013	$ 0.32	4,000,000
March 29, 2013	$ 0.40	5,124,000
		9,958,033

Outstanding share data

As at the date of this report, the Company's fully diluted shares outstanding is as follows:

Common shares	61,610,245
Options	5,650,000
Warrants	9,124,700
Fully diluted shares outstanding	76,384,945

1.11 OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

1.12 PROPOSED TRANSACTIONS

Northern Star Mining

The Company entered into two agreements, as amended on June 4, 2011 and June 24, 2011, with the holders of the senior secured notes (the "Secured Notes") issued by Northern Star Mining Corp. ("NSM") in order to obtain an interest in the NSM assets that are held as security against the Secured Notes. NSM declared bankruptcy in 2010. The agreements give the Company the right to acquire up to $28,681,669, being 65% of the $41,093,488 outstanding Secured Notes, ten business days following the date on which title to the NSM assets is vested to the Secured Note holders by way of a Court order.

The bankruptcy proceedings are taking much longer than anticipated, and market conditions have changed in the interim. Accordingly, the Company has notified holders of the Secured Notes that while the Company remains interested in acquiring an interest in the NSM assets, it will be necessary to discuss new terms at such time as the bankruptcy proceedings are concluded and the holders of the Secured Notes are in a position to deal with the NSM assets.

The Company cannot state with certainty when such proceedings will be concluded or whether the holders of the Secured Notes will agree to new terms which are more favourable to the Company than the previously negotiated terms.

1.13 CONTRACTUAL OBLIGATIONS

On February 22, 2012, MH-LLC completed a BFS and accordingly Solitario has earned an 80% interest in MH-LLC. Per the Operating Agreement, once Solitario has completed the BFS, all costs will be shared by Solitario and DHI US pro-rata based on equity interest owned.

In the event DHI US's share of such post-BFS expenditures are funded by Solitario, Solitario shall recover all expenditures made on DHI US's behalf, plus interest at a commercially competitive rate, exclusively from eighty percent of DHI US's share of distributions from MH-LLC.

As at September 30, 2012, the Company owes Solitario $Nil ($Nil – December 31, 2011) for its' pro-rata share of post-BFS expenditures.

The Company has no commitments, material capital lease agreements and no material long term obligations other than the above.

1.14 RISKS AND UNCERTAINTIES

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

Precious and Base Metal Price Fluctuations
The profitability of the precious and base metal operations in which the Company has an interest will be significantly affected by changes in the market prices of precious and base

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

Fluctuations in the Price of Consumed Commodities

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

Foreign Exchange Rate Fluctuations

Operations 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. DHI US and MH-LLC operate in the United States and incur exploration and administration expenditures denominated in United States dollars. As a result, 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 may 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 pre-changeover 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 consolidated financial statements for the year ended December 31, 2011. 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 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.

1.15 CRITICAL ACCOUNTING POLICIES AND MANAGEMENT ESTIMATES

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reported periods.

Significant estimates and assumptions are used in determining the application of the going concern concept, recoverability of mining interests, provision for restoration, rehabilitation and environmental costs, the balance of accrued liabilities, assumptions used to determine the fair value of share-based payments and the determination of deferred income taxes. The Company evaluates its estimates on an ongoing basis and bases them on various assumptions that are believed to be reasonable under the circumstances. The Company's estimates form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes the policies for going concern, share-based payments, and deferred income taxes are critical accounting policies which involve significant judgments and estimates used in the preparation of the Company's consolidated financial statements.

Changes in circumstances in the future, many of which are outside of management's control, will impact the Company's estimates of future recoverability of net amounts to be realized from their assets. Such factors include, but are not limited to, the availability of financing, the identification of economically recoverable reserves, co-venturer decisions and developments, market prices of minerals, the Company's plans and intentions with respect to its assets and other industry and competitor developments.

The Company uses the Black-Scholes option pricing method to determine the fair value of share-based payments recognized. Estimates and assumptions are required under the model, including those related to the Company's stock volatility, expected life of options granted, and the risk free interest rate. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options granted/vested.

1.16 FUTURE ACCOUNTING STANDARDS

The Company has not applied the following new and revised amended IFRSs that have been issued but are not yet effective:

- IFRS 9 ‘Financial Instruments’ (effective for years beginning on or after January 1, 2015): IFRS 9 introduces new requirements for classifying and measuring financial assets and provides additional guidance on the fair value option for liabilities to address the entity’s own credit risk.

- IFRS 10 ‘Consolidated Financial Statements’ (effective for years beginning on or after January 1, 2013): IFRS 10 outlines the principles for the presentation and preparation of consolidated financial statements.

- IFRS 11 ‘Joint Arrangements’ (effective for years beginning on or after January 1, 2013): IFRS 11 defines the two types of joint arrangements (joint operations and joint ventures) and outlines how to determine the type of joint arrangement entered into and the principles for accounting for each type of joint arrangement.

- IFRS 12 ‘Disclosure of Interests in Other Entities’ (effective for years beginning on or after January 1, 2013): IFRS 12 outlines the disclosures required in order to provide users of financial statements with the information necessary to evaluate an entity’s interest in other entities, the corresponding risks related to those interests and the effects of those interests on the entity’s financial position, financial performance and cash flows.

- IFRS 13 ‘Fair Value Measurement’ (effective for years beginning on or after January 1, 2013): IFRS 13 defines fair value, summarizes the methods of determining fair value and outlines the required fair value disclosures. IFRS 13 is utilized when another IFRS standard requires or allows fair value measurements or disclosures about fair value measurements.

Accounting standards that have been amended but are not yet effective include:

- IFRS 7 ‘Financial Instruments: Disclosures’ (effective for years beginning on or after January 1, 2013): IFRS 7 was amended to provide new disclosure requirements for financial instruments that have been offset in the statement of financial position. As part of this amendment, IAS 32 ‘Financial Instruments: Presentation’ was also amended to clarify the meaning of “currently has a legally enforceable right of set-off.”

- IAS 1 ‘Presentation of Financial Statements’ (effective for years beginning on or after July 1, 2012): The amendments to IAS 1 improve how components of other comprehensive income are presented.

- IAS 27 ‘Separate Financial Statements’ (effective for years beginning on or after January 1, 2013): IAS 27 outlines the accounting principles to be applied with regards to investments in subsidiaries, joint ventures and associates when an entity elects or is required by local regulations to present separate, non-consolidated, financial statements.

- IAS 28 'Investments in Associates and Joint Ventures' (effective for years beginning on or after January 1, 2013): IAS 28 outlines the accounting treatment and corresponding application of the equity method of accounting for investments in associates and joint ventures.

1.17 FINANCIAL INSTRUMENTS

As disclosed in its audited financial statements for the year ended December 31, 2011, the Company has identified several financial instruments that it utilizes in its day-to-day operations. It is management's opinion that there has been no significant change to the identified financial instruments as disclosed in the audited financial statements for the year ended December 31, 2011.

1.18 SUBSEQUENT EVENTS

Subsequent to September 30, 2012:

(a) 833,333 warrants with an exercise price of $0.25 expired unexercised.

Additional information related to the Company is found on SEDAR at www.sedar.com.