

ABITIBI ROYALTIES INC.



Management's Discussion and Analysis
for the year ended December 31, 2012.

Introduction

The following Management's Discussion and Analysis ("MD&A") reviews the financial position and results of operations of Abitibi Royalties Inc. (TSXV: RZZ, hereinafter "Abitibi Royalties" or the "Company") for the year ended December 31, 2012. It should be read in conjunction with the audited financial statements and notes thereto for the year ended December 31, 2012, which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board (IASB). All these documents can be viewed through the internet at the SEDAR website (www.sedar.com) by accessing the Company's issuer profile.

All figures are in Canadian dollars unless otherwise specified.

The technical content in this MD&A has been prepared under the supervision of Glenn J. Mullan, who is a "Qualified Person" as such term is defined in National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*.

The following information is prepared as at April 26, 2013.

Forward-Looking Statements

This document contains certain forward-looking statements. In some cases, words such as "plans", "expects", or "does not expect", "budget", "scheduled", "estimates", "forecasts", "anticipate" or "does not anticipate", "believe", "intend" and similar expressions or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur, be achieved or continue, have been used to identify these forward-looking statements. These forward-looking statements are subject to a variety of risks and uncertainties beyond the Company's ability to control or predict and are not to be interpreted as guarantees for future performance. These forward-looking statements could cause actual events or results to differ materially from those anticipated in such forward-looking statements. All forward-looking statements speak only as of the date hereof and, except as required by law, the Company does not undertake any obligation to update or publicly release any revisions to such forward-looking statements to reflect events, circumstances, or changes in expectations after the date hereof. Accordingly, readers should not place undue reliance on such forward-looking statements.

COMPANY OVERVIEW, NATURE OF OPERATIONS, AND OVERALL PERFORMANCE

The Company was incorporated on February 18, 2010, pursuant to the *Business Corporations Act* (British Columbia) as a wholly owned subsidiary of Golden Valley Mines Ltd. (“**Golden Valley**”), a Canadian public corporation with an office located in Val-d’Or, Quebec, Canada, involved, together with its various subsidiaries, in initial grassroots exploration projects.

In 2011, as part of a plan of arrangement (the “**Arrangement**”) Golden Valley transferred certain of its properties and carried interests in certain properties to the Company along with a \$600,000 cash infusion against the issuance of 8,701,000 common shares and subsequently, distributed to its shareholders, by way of a dividend, a part of its holding in the Company’s capital stock. As a result of the Arrangement Abitibi Royalties became a reporting issuer in Alberta, British Columbia, Ontario and Quebec. Abitibi Royalties is considered a “venture issuer” as such term is defined by applicable securities legislation. Since July 15, 2011 (the “**Trading Date**”) the Company’s common shares are trading on the TSX Venture Exchange (the “**Exchange**”) under the symbol RZZ.

The business objectives of the Company are to hold title and to promote and develop certain advanced projects, and to acquire, manage, and promote, royalty interests by capturing the upside potential inherent to the various stages of the mining sector, while limiting the risks related to the difficulties in assessing the rate of success and accurately predicting the costs for exploration, development, and mine operation.

Property Interests

Malartic CHL Property

The Malartic CHL Property was acquired through staking by Golden Valley in 2006 and is located immediately east of the Canadian Malartic Mine operated by Osisko Mining Corporation (“**Osisko**”), including the proposed South Barnat open pit. The Malartic CHL Property covers a number of known mineralized zones including the historic Shaft zone and Porphyry 12 zones hosted in the Malartic CHL Porphyry Intrusion (located within the Cadillac fault), the deep Norrie zone (located approximately 1500 metres east of the known eastern limit of Osisko’s Canadian Malartic deposit. The zone straddles the boundary between the Malartic CHL Property and the Canadian Malartic Property, the Mammoth zone (is the eastern extension of the Barnat zone) and further along strike to the east, the Jeffrey zone (located some 800 metres east of the Mammoth zone).

Golden Valley and Osisko entered into an option agreement pursuant to which Osisko was granted an option to acquire a 70% interest in the Malartic CHL property (the “**Malartic Option**”) and which provided, among other things, that Osisko incur \$2 million in exploration expenditures and pay an aggregate \$150,000 in cash. Pursuant to an Amended and Restated Transfer and Assignment and Assumption Agreement dated March 31, 2011 (the “**Malartic Agreement**”), among Abitibi Royalties, Golden Valley, and Osisko, Golden Valley’s interest in the property was assigned to Abitibi Royalties. During the quarter ended September 30, 2011, Osisko provided notice to the Company of its intent to exercise the Malartic Option and as a result, the Company and Osisko are deemed to have entered into a joint venture agreement in respect of the Malartic CHL

Property. The Company retains a 30% free carried interest in the Malartic CHL property with no further expenditure requirements until it achieves commercial production. For details of the expenditures made on this property by Osisko, and the anticipated timing and costs to take the Malartic CHL Property to the next stage of the project plan, please refer to Osisko's continuous disclosure documents available for viewing by the public through the internet at the SEDAR website (www.sedar.com) by accessing Osisko's issuer profile.

On January 17, 2012 the Company announced the results of the technical audit completed by Micon International Limited ("Micon") on the internal mineral resource estimate prepared by Osisko on the Jeffrey Zone, which form part of the Malartic CHL Property. Details of the results of this audit can be found in the Company's news releases of January 17, 2012 and March 2, 2012. Further details can also be accessed from the technical report entitled "A Review of Osisko Mining Corporation's Mineral Resource Estimate for the Jeffrey Zone, Malartic CHL Joint Venture Property, Val-d'Or, Quebec" dated March 1, 2012 (the "Report") by accessing Abitibi Royalties' issuer profile through the internet on the SEDAR website at www.sedar.com.

On April 19, 2013, the Company announced having received a technical report of the audit completed at his request by Micon, of the year-end 2012 gold reserve and resource estimate completed by Osisko. The results of this audit are summarized in the Company's news release of April 19, 2013. The complete report entitled "A Mineral Resource Update and Mineral Reserve Estimate for Abitibi Royalties Inc.'s Malartic CHL Property Joint Venture, Malartic, Quebec" can also be found by accessing the Company's issuer profile through the internet on the SEDAR website at www.sedar.com.

Canadian Malartic 2% NSR

Also pursuant to the Malartic Agreement, Golden Valley assigned to Abitibi Royalties a 2% net smelter royalty interest (the "NSR") on a claim block (the "Royalty Claim") originally acquired by Golden Valley through staking and subsequently sold to Osisko. The NSR is located on a single claim held by Osisko; such claim is located just to the south of the Canadian Malartic main pit, and covers the historic Charlie Zone. At this time, there is no production on this claim block, and the Company does not receive any revenue from this NSR. During the year ended December 31, 2012, the Company announced that it had received initial gold mineral reserve and resource estimates from Osisko on the portion of the Charlie and Gouldie gold deposits that lie within the Royalty Claim. The details of initial gold mineral reserve and resources estimates received from Osisko can be found in Abitibi's news release of September 20, 2012.

On March 6, 2013 the Company announced receipt of the year-end 2012 gold reserve and resource estimate completed by Osisko in respect of the Company's interest in the Malartic CHL Property and the Royalty Claim. The Company has commissioned Micon to audit the year-end 2012 gold reserve and resource estimate completed by Osisko and prepare a corresponding National Instrument 43-101 compliant technical report. Further details can be found in the March 6, 2013 news release issued by the Company or the February 19, 2013 news release issued by Osisko.

Luc Bourdon and Bourdon West Prospects

The Luc Bourdon and Bourdon West Prospects (the “**Bourdon Prospects**”) were the object of an option agreement in favour of White Pine Resources Inc. (“**White Pine**”) and Noront Resources Ltd. (“**Noront**”) (together, the “**Optionees**”) pursuant to which each of the Optionees could earn a 35% interest in the Bourdon Prospects upon incurring an aggregate of \$5,000,000 in exploration expenditures (the “**Bourdon Prospects Option**”). The Company acquired the Bourdon Prospects from Golden Valley pursuant to an Amended and Restated Transfer, Assignment, and Assumption Agreement dated March 30, 2011 among Abitibi Royalties, the Optionees, and Golden Valley (the “**Bourdon Agreement**”).

On February 2, 2013 the Bourdon Prospects Option was terminated as a result of the Optionees failing to incur the exploration expenditures required by their due date, and failing to cure the default within 60 days of the Company’s notice to each of them to this effect. As a result, the Company retains a 100% interest in the Bourdon Prospects. The Company is now seeking new partnerships to fund future exploration programs and, if warranted by the results, to further develop the Bourdon Prospects.

Selected Annual Financial Information

The following table presents a summary of the financial data of the Company for the year ended December 31, 2012 and the nine month period ended December 31, 2011:

	Year ended December 31, 2012	Nine months ended December 31, 2011
Total Revenues	\$ -	\$ -
Net Loss	\$ (215,526)	\$ (1,625,748)
Net loss per share, basic and diluted	\$ (0.02)	\$ (0.29)
Cash	\$ 235,586	\$ 456,278
Total assets	\$ 361,941	\$ 556,875
Total Liabilities	\$ 36,778	\$ 16,186
Equity	\$ 325,163	\$ 540,689

Results of Operations

During the year ended December 31, 2012 the Company incurred a loss of \$215,526 compared to a loss of \$1,625,748 for the nine month period ended December 31, 2011. The current loss includes \$96,000 of management fees paid to Golden Valley pursuant to the Management Agreement (as hereinafter defined in the “Contractual Obligations” section), professional fees of \$77,547, office expenses amounting to \$18,965 and salaries and employee benefits expenses of \$16,100.

Professional fees of \$77,547 includes Audit, tax and accounting fees of \$25,700, legal fees paid to external counsels of \$23,056 and fees of \$28,791 paid to Exchange, and the Company’s registrar and transfer agent. For the nine month period ended on December 31, 2011 the professional fees amounted to \$33,002 and were composed of audit, tax and accounting fees of \$5,600, legal fees paid to external counsel of \$11,038 and of \$16,364 paid to Exchange and the registrar and transfer agent.

Office expenses of \$18,965 mostly consist of insurance premiums of \$11,795 and communication expenses (telephone, internet and mailing costs) of \$5,266. For the nine month period ended on December 31, 2011, office expenses were \$10,528 and consisted of insurance premiums for \$5,456 and communication expenses of \$5,072.

Remuneration expenses in 2012 were incurred when the Company paid a \$15,000 Director’s fee to the Chairman of the Technical Committee of the Board of Directors, plus all applicable employer contribution to governmental programs for a total of \$16,100. Share-based expenses during the nine month period ended December 31, 2011 were \$1,536,100 and represented the fair value of the stock options granted by the Company in September 2011.

For a more detailed breakdown of these expenses by quarter refer to “Summary of Quarterly Results” below.

Summary of Quarterly Results

The following table presents selected quarterly financial information for the last eight quarters:

	(1) Mar 31, 2011 \$	(2) Jun 30, 2011 \$	(3) Sep 30, 2011 \$	(4) Dec 31, 2011 \$	(5) Mar 31, 2012 \$	(6) Jun 30, 2012 \$	(7) Sep 30, 2012 \$	(8) Dec 31, 2012 \$
Total Revenues	-	-	-	-	-	-	-	-
Net Loss	(486)	(68)	(1,581,699)	(43,981)	(55,546)	(61,452)	(56,150)	(42,378)
Net Loss per shares								
Basic & diluted	(0.001)	-	(0.215)	(0.005)	(0.006)	(0.007)	(0.006)	(0.005)

(1) Legal fees of \$358 and office expenses of \$128 amounted to a loss of \$486.

(2) Bank fees of \$68 were the only expenses incurred in this quarter.

- (3) Stock based remuneration of \$1,536,100 represented the largest expense for the quarter. The stock based remuneration is the fair value of the 860,000 stock options granted to directors, officers and consultants by the Company, calculated using the Black-Scholes model as of September 29, 2011. Other expenses were: management fees of \$20,000 paid to Golden Valley, professional fees of \$23,101 (made of audit, tax and accounting fees of \$5,600, external legal counsel fees of \$8,346 and Exchange, regulatory and transfer agent fees of \$9,155), insurance premiums (office expenses) of \$2,480 and bank fees of \$18.
- (4) Management fees of \$24,000 paid to Golden Valley, professional fees of \$9,901 (made of external legal counsel fees of \$2,693 and exchange, regulatory and transfer agent fees of \$7,208), office expenses of \$8,048 (comprised of insurance premium of \$2,976, web site development cost of \$5,020 and communication expense of \$52), travel expenses of \$2,011 and bank fees of \$21.
- (5) Management fees of \$24,000 paid to Golden Valley, professional fees of \$27,665 (made of audit and accounting fees of \$14,000, external legal counsel fees of \$3,886 and exchange, regulatory and transfer agent fees of \$9,779), office expenses of \$3,437 (comprised of insurance premium of \$2,976, and communication expense of \$461), travel expenses of \$375 and bank fees of \$69.
- (6) Management fees of \$24,000 paid to Golden Valley, professional fees of \$28,800 (made of audit and accounting fees of \$6,000, external legal counsel fees of \$7,442 and exchange, regulatory and transfer agent fees of \$15,358), office expenses of \$7,254 (comprised of insurance premium of \$2,976, communication expense of \$3,839 and other various expenses totaling \$439), advertising expenses of \$542, travel expenses of \$837 and bank fees of \$19.
- (7) During the third quarter ended September 30, 2012 the Company incurred a loss of \$56,150 or \$0.006 per share. The loss was comprised of: i) payment of \$24,000 in management fees to Golden Valley pursuant to the Management Agreement; ii) Director's fees of \$15,000 paid to the Chairman of the Technical Committee of the Board of Directors, plus employer contribution to the governmental programs for a total of \$16,100; iii) professional fees of \$ 12,969 (audit, tax and accounting fees of \$5,000, legal fees from external counsel of \$6,060 and Exchange, regulatory and transfer agent expenses of \$1,909); iv) office expenses of \$3,052 (comprised of insurance premiums of \$2,912, and communication expenses of \$140); and v) bank fees of \$29.
- (8) For a description of the results of the fourth quarter ended December 31, 2012, please see below.

Fourth Quarter Results

During the fourth quarter ended December 31, 2012 the Company incurred a loss of \$42,378. The largest single component of this loss was the \$24,000 (\$8,000 per month) of management fees paid to Golden Valley pursuant to the Management Agreement. Other expenses were as follows: i) professional fees of \$8,112, composed of audit, tax and accounting fees of \$700, legal fees from external counsel of \$5,669 and Exchange and registrar and transfer agent expenses of \$1,743), ii) Office expenses of \$4,847, composed of insurance premiums of \$2,931, communication expenses of \$451 and other miscellaneous expenses of \$1,464, iii) travel expenses of \$5,400 and iv) bank fees of \$19.

Liquidity and Capital Resources

As at December 31, 2012, the Company had cash of \$235,586 and working capital of \$215,051 compared to cash of \$456,278 and working capital of \$485,093 at December 31, 2011. The reduction in cash is resulting from the current loss outlined under "Results of Operations" above and of disbursements of \$30,936 invested in the Company's exploration and evaluation assets (mostly for the technical audit performed on the Malartic CHL Property).

The Company's objectives in managing its capital are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may issue new shares to improve its financial performance and flexibility. The Company's capital is composed of its shareholders' equity. The Company is not subject to any externally imposed capital requirements. The Company has not declared or paid any dividends.

As at December 31, 2012, shareholders' equity amounted to \$325,163 compared to \$540,689 at December 31, 2011. Shareholder's equity was reduced as a result of the \$215,526 loss incurred in the year ended December 31, 2012 (refer to "Results of Operations" and "Summary of Quarterly Results" above). The Company's investment policy is to keep its cash treasury on deposit with a Canadian chartered bank.

Contractual Obligations

Golden Valley and the Company entered into a Management and Administrative Services Agreement dated October 1, 2010 (the "**Management Agreement**"), pursuant to which Golden Valley has agreed to provide certain administrative, management and financial services to the Company, such as office space and administrative support, including the use of Golden Valley's in house legal counsel, for day to day general inquiries, services of a chief financial officer and investor relations services in consideration of a fee of \$96,000 per year.

The Management Agreement is for an initial term of two years commencing on the Trading Date, and will be automatically renewed after the initial term for successive period of 12 months. The Management Agreement can be terminated at any time and by either party, upon delivery of a twelve month written notice. The Management Agreement provides for the fee to be reviewed on an annual basis.

Off balance Sheet Arrangements

The Company has no off balance sheet arrangements as at December 31, 2012 or as at the date of this MD&A.

Commitments and Proposed Transactions

As of the date of this MD&A, there are no undisclosed pending proposed transactions that would materially affect the performance or operation of the Company.

Related Party Transactions

The following transactions took place among the Company and Golden Valley:

In accordance with the terms of the Management Agreement the Company paid management fees of \$96,000 in the year ended December 31, 2012 and \$44,000 during the nine month period ended December 31, 2011. For additional details with respect to the Management Agreement please see "Contractual Obligations" above.

In addition, pursuant to the terms of the Management Agreement, Golden Valley has agreed to provide the Company with the services of a qualified geologist at an hourly rate equal to the hourly charge to Golden Valley, plus 10% ("**Geological Fees**"). During the

year ended December 31, 2012 the Company incurred Geological Fees in the amount of \$6,302 (\$3,026 for the first quarter, \$2,150 for the second quarter and none for the third quarter and \$1,126 for the fourth quarter); such amount was included in exploration and evaluation assets (\$5,077 for the nine month period ended December 31, 2011).

A director's fee of \$15,000 was authorized for payment to the Chairman of the Technical Committee of the Board of Director (payment made October 16, 2012). The Company did not pay any other compensation or any other form of employment benefits or perquisites to its directors and officers in the year ended December 31, 2012.

CAPITAL STOCK

Authorized

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value, issuable in one or more series with restrictions as determined by the Company's Board of Directors.

Issued and Outstanding

The following details the issued and outstanding securities of the Company as at the date of this MD&A:

	Total outstanding	Escrowed
Common shares	8,701,000	2,597,360
Preferred shares	Nil	Nil
Incentive stock options	860,000	Nil

Incentive Stock Options

On September 29, 2011, the Company granted incentive stock option (the "Options") to directors, officers and consultants pursuant to its Amended and Restated 2010 Stock Option Incentive Plan to purchase an aggregate 860,000 of the Company's common shares. The Options are exercisable at a price of \$2.50 until September 29, 2016 and vested immediately. No incentive stock options were granted in 2012.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, accounts receivable, and accounts payable and accrued liabilities. The Company's management manages the Company's financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes. The Company's main financial risk exposure and its financial risk management policies are as follows:

Credit risk

Credit risk relates to the risk that one party to a financial instrument will not fulfill some or all of its obligations, thereby causing the Company to sustain a financial loss. The main risk related to credit risk through cash which is managed by dealing with one reputable financial institution.

Liquidity risk

Liquidity risk management serves to maintain a sufficient amount of cash and cash equivalents and to ensure that the Company has the financial resources such as bank loans for a sufficient authorized amount. The Company establishes budget and cash estimates so as to ensure it has the necessary funds to fulfill its obligations.

Accounts payable and accrued liabilities are due within less than 90 days.

The fair value of these financial instruments approximates their carrying value given their short-term maturity date. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

At December 31, 2012, the Company had cash in hand amounting to \$235,586 and sales taxes receivable of \$9,787 from Canada Revenue Agency and Quebec Revenue Agency combined. The Company had accounts payable and accrued liabilities of \$36,778, all of which are current liabilities of the Company. See also "Liquidity and Capital Resources" above.

CRITICAL RISKS INHERENT TO THE COMPANY'S BUSINESS

Investment of Speculative Nature

Investing in the Company, at this early stage of its development, is of a highly speculative nature. The Company was only recently listed; it has no history of earnings, and will not generate earnings or pay dividends in the foreseeable future. There can be no assurance that the Company's shares will continue to meet the Exchange's continued listing requirements. The lack of an active public market could have a material adverse effect on the price of the Company's shares.

Nature of Mineral Exploration and Mining

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is, therefore, no assurance that the Company's mineral exploration and development activities will result in any discoveries of bodies of commercial ore. The long-term profitability of any of the Corporations' operations will be, in part, directly related to the cost and success of their respective exploration programs, which may be affected by a number of factors out of the Company's control.

Substantial expenditures are required to establish reserves through drilling and, if warranted, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations, or at all, or that the funds required for development can be obtained on a timely basis. Mineral exploration is subject to a

high degree of risk, which even a combination of experience, knowledge, and careful evaluation may not be able to overcome.

Mineral Deposits and Production Costs; Metal Prices

The economics of developing mineral deposits are affected by many factors including variations in the grade of ore mined, the cost of operations, and fluctuations in the sales price of products. The value of the Company's mineral property interests is heavily influenced by metal prices. Metal prices can and do change by substantial amounts over short periods of time, and are affected by numerous factors beyond the control of the Company, including changes in the level of supply and demand, international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production arising from improved mining and production methods and new discoveries. There can be no assurance that the prices of mineral products will be sufficient to ensure that the Company's properties can be mined profitably. The grade of any ore ultimately mined from a mineral deposit may differ from that predicted from drilling results. Production volumes and costs can be affected by such factors as the proximity and capacity of processing facilities, permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Short-term factors relating to ore reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on the results of operations. Moreover, there can be no assurance that any gold or other minerals recovered in small scale laboratory tests will be achieved under production scale conditions. Although precautions to minimize risks will be taken, processing operations are subject to hazards such as equipment failure or failure of tailings impoundment facilities, which may result in environmental pollution and consequent liability.

Exploration and Development Risks

Resource exploration and development is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors that are beyond the control of the Company and that cannot be accurately predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection, the combination of which factors may result in the Corporations not receiving an adequate return of investment capital. Mineral exploration and mining involve considerable financial and technical risk. Substantial expenditures are usually required to establish ore reserves, to evaluate metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to assure that the current exploration programs planned by the Corporations will result in profitable commercial mining operations, as few properties that are explored are ultimately developed into producing mines. Unusual or unexpected geological formations, unstable ground conditions that could result in cave-ins or landslides, floods, power outages or fuel shortages, labour disruptions, fires, explosions,

and the inability to obtain suitable or adequate machinery, equipment or labour are risks associated with the conduct of exploration programs and the operation of mines. The Company has no experience in the development and operation of mines and in the construction of facilities required to bring mines into production. The Company will rely upon consultants for expertise with respect to the construction and operation of a mining facility.

Additional Financing

Future exploration and development activities will require additional financing. There is no assurance that additional funding will be available to the Company when needed or that, if available, the terms of such financing will be commercially reasonable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Company with the possible dilution or loss of such interests. The effects of these factors cannot be accurately predicted, but any of these issues could impede development or render it uneconomic. Further, revenues, financings and profits, if any, will depend upon various factors, including the success, if any, of exploration programs and general market conditions for natural resources. Any additional equity financing will cause dilution to shareholders and may result in a change of control.

Stress in the Global Economy

Reduction in credit, combined with reduced economic activity and the fluctuations in the United States dollar and the price of metals, may adversely affect businesses and industries that purchase commodities, affecting commodity prices in more significant and unpredictable ways than the normal risks associated with commodity prices. The availability of services such as drilling contractors and geological service companies and/or the terms on which these services are provided may be adversely affected by the economic impact on the service providers. The adverse effects on the capital markets generally make the raising of capital by equity or debt financing much more difficult and the Company is dependent upon the capital markets to raise financing. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on the Company's businesses, operating results, and financial condition.

Global Financial Condition

Global financial conditions have been subject to increased volatility. Access to financing has been negatively impacted by various factors and the liquidity crisis affecting the asset-backed commercial paper market. As such, the Company is subject to counterparty risk and liquidity risk. The Company is exposed to various counterparty risks including, but not limited to: (i) through financial institutions that hold the Company's cash; (ii) through companies that have payables to the Company's; and (iii) through the Company's insurance providers. The Company is also exposed to liquidity risks in meeting its operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. If these increased levels of

volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Company's shares could be adversely affected.

Permits and Licenses

The operations of the Company require licenses and permits from various governmental and non-governmental authorities. There can be no assurances that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations for its proposed projects.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company's, in the search for and the acquisition of attractive mineral properties. The ability of the Company to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable properties or prospects for mineral exploration. There is no assurance that the Company will continue to be able to compete successfully with the competition in acquiring such properties or prospects.

No Assurance of Title to Property

While the Company has conducted title searches on its properties, and to the best of its knowledge, title its properties are in good standing this should not be construed as a guarantee of title. The Company's claims may be subject to prior unregistered agreements or transfers or third party and native land claims and title may be affected by undetected defects. If any such title issues arise and are unresolved, any mineral prospect or mineral deposit defined or delineated may fail to meet the definition of a "mineral reserve" pursuant to applicable legislation. Furthermore, there is no assurance that the interests of the Company's may not be challenged or impugned.

Dependence on Key Individuals

The Company is dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on the Company. The Company does not maintain key-person insurance on the lives of any of its key personnel. In addition, while certain of the Company's officers and directors have experience in the exploration of mineral producing properties, the Company will remain highly dependent upon contractors and third parties in the performance of their exploration and development activities. There can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Company or be available upon commercially acceptable terms.

Environmental and other Regulatory Requirements

The operations of the Company require permits from various levels of government. Such operations are subject to laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. The Company believes it is in substantial compliance with all material laws and regulations that currently apply to its activities. There can be no assurance, however, that all permits which the Company may require for construction of mining facilities and conduct of

mining operations, particularly environmental permits, will be obtainable on reasonable terms or that compliance with such laws and regulations would not have an adverse effect on the profitability of any mining project that the Company may undertake.

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

The Company may be liable for environmental contamination and natural resource damages relating to properties that it currently owns, operates or have an interest in, or at which environmental contamination occurred while or before it owned, operated or acquired an interest in the properties. No assurance can be given that potential liabilities for such contamination or damages caused by past activities at these properties do not exist.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Unknown Environmental Risks for Past Activities

Exploration and mining operations involve a potential risk of releases to soil, surface water and groundwater of metals, chemicals, fuels, liquids having acidic properties and other contaminants. In recent years, regulatory requirements and improved technology have significantly reduced those risks. However, those risks have not been eliminated, and the risk of environmental contamination from present and past exploration or mining activities exists for mining companies. The Company may be liable for environmental contamination and natural resource damages relating to properties that they currently own, operate or have an interest in, or at which environmental contamination occurred while or before they owned, operated or acquired an interest in the properties. No assurance can be given that potential liabilities for such contamination or damages caused by past activities at these properties do not exist.

Political Regulatory Risks

Any changes in government policy may result in changes to laws affecting ownership of assets, mining policies, monetary policies, taxation, rates of exchange, environmental regulations, labour relations, repatriation of income and return of capital. This may affect both the Company's ability to undertake exploration and development activities in respect of present and future properties in the manner currently contemplated, as well as their ability to continue to explore, develop and operate those properties in which they have an interest or in respect of which they have obtained exploration and development rights to date. The possibility that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

Currency Risk

Currency fluctuations may affect the cash flow which the Company may realize from its operations, since most mineral commodities are sold in a world market in U.S. dollars. The Company's costs are incurred primarily in Canadian dollars.

Conflicts of Interest

The directors and officers of the Corporations will not be devoting all of their time to the affairs of the Corporations. Some of the directors and officers of the Company are also directors and officers of other companies, some of which are in the same business as the Company. The directors and officers of the Company are required by law to act in the best interests of the Company. They have the same obligations to the other companies in respect of which they act as directors and officers. Discharge by the directors and officers of their obligations to the Company may result in a breach of their obligations to the other companies, and in certain circumstances this could expose the Company to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of the Company. Such conflicting legal obligations may expose the Company to liability to others and impair its ability to achieve its business objectives.

Insurance

The Company does not have insurance to adequately protect itself against certain risks associated with mineral exploration. Even if they were to obtain insurance, the Company will remain at risk and will be potentially subject to liability for hazards which it cannot insure against or which it may elect not to insure against because of premium costs or other reasons. In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

Influence of Third Party Stakeholders

The lands in which the Company hold interests, or the exploration equipment and road or other means of access which the Company intend to utilize in carrying out work programs or general exploration mandates, may be subject to interests or claims by third party individuals, groups or companies. In the event that such third parties assert any claims, the work programs of the Company may be delayed even if such claims are not meritorious. Such delays may result in significant financial loss and loss of opportunity for the Company.

Fluctuation in Market Value of Shares

The market price of a publicly-traded stock is affected by many variables not directly related to the corporate performance of the entity, including the market in which it is traded, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The future effect of these and other factors on the market price of Company's shares on the Exchange cannot be predicted.

ADDITIONAL INFORMATION

Additional information about the Company may be obtained on SEDAR at www.sedar.com by accessing the Company's issuer profile.