SPANISH MOUNTAIN GOLD LTD.

Management Discussion & Analysis

For the Nine Months Ended September 30, 2012

Dated: November 26, 2012

The following is the management's discussion and analysis ("MD&A") of the financial condition and results of operations of Spanish Mountain Gold Ltd. (the "Company"). This MD&A should be read in conjunction with the audited consolidated financial statements, including the notes thereto, of the Company for the years ended December 31, 2011 and December 31, 2010 as well as the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2012.

The accompanying unaudited condensed consolidated interim financial statements and related notes are presented in accordance with International Financial Reporting Standards 34, Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by the IASB have been condensed or omitted. These condensed consolidated interim financial statements, together with the following MD&A dated November 26, 2012 ("Report Date"), are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as potential future performance. Please refer to the cautionary notices at the end of this MD&A, especially in regard to forward looking statements. All dollar amounts are in Canadian dollars unless otherwise noted.

Additional information relating to the Company including the Company's consolidated financial statements may be found under the Company's profile on SEDAR at *www.sedar.com* or by visiting the Company's website at *www.spanishmountaingold.com.*

This MD&A was reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on November 26, 2012. The information contained within this MD&A is current to November 26, 2012.

Overview

The Company is an exploration stage company engaged in the acquisition, exploration and development of mineral properties. The Company's primary asset is the Spanish Mountain property located approximately 180 kilometres (km) north of Kamloops, British Columbia. The Spanish Mountain property refers to the contiguous mineral and placer claims the Company holds while the Spanish Mountain gold project refers to the mineral resource that Company has defined in an area within the property. An updated resource estimate for the project was released in July 2012. The Company announced the results of a Preliminary Economic Assessment ("PEA") on the Spanish Mountain gold project on November 15, 2012 and will file a NI 43-101 Technical Report within 45 days on SEDAR. The Company's other gold properties comprise the Sediment Hosted Gold (SHG) property group, which is both on trend and with similar geological setting as the Spanish Mountain property.

The Company's September 30, 2012 condensed consolidated interim financial statements reflect the financial position and results for the nine months then ended including those for its wholly-owned subsidiary, Wildrose Resources Ltd. ("Wildrose"). All material inter-company transactions have been eliminated.

The Company announced the signing of a Protocol Agreement with Soda Creek Indian Band ("Xatśūll") on March 27, 2012 and a Cooperation Agreement with Lhtako Dene Nation ("Lhtako Dene") on September 12, 2012. These agreements address the involvement of Xatśūll and Lhtako Dene during the environmental assessment and permitting review process in relation to the development of the Spanish Mountain gold project; and reflect a commitment by both the Company and First Nations groups for continued engagement in a respectful and collaborative manner. The Company separately signed a Protocol Agreement with Williams Lake Indian Band in March 2011.

On April 17, 2012, the Company announced the appointment of Mr. Jim Rogers to the Board of Directors. Mr. Rogers is a critically acclaimed author, financial commentator and successful international investor. He is frequently featured in such publications as *Time, The New York Times, Barron's, Forbes, The Wall Street Journal, and Financial Times* and is a regular guest on television shows around the world. In connection with the appointment, the Company granted 1,000,000 stock options with an exercise price of $0.44 expiring April 11, 2017.

On April 23, 2012, the Company's Board of Directors authorized granting of incentive stock options to employees and directors to acquire an aggregate of 2,350,000 common shares of the Company. The options have an exercise price of $0.55 per share, exercisable until April 23, 2017.

On July 24, 2012, the Company announced an update resource estimate for the Main Zone of the Spanish Mountain gold project. The updated resource was based on all drill data, including data from the 24,000 metre (142 drill holes) in-fill drilling program completed by the Company during the first half of 2012. When compared to the previous resource estimate dated November 15, 2011, there had been a 46% increase in contained gold ounces within the Measured and Indicated categories bringing the combined total to 3,180,000 ounces.

On November 15, 2012, the Company announced the completion of a positive Preliminary Economic Assessment for the Spanish Mountain gold project, the results of which demonstrate the potential technical and economic viability of establishing a new gold mine and mill complex on the property. The PEA envisages a mining operation lasting 15 years producing a total of 2.8 million ounces (oz) of gold at average of 197,000 oz per annum.

Mineral Assets

Spanish Mountain Gold Project, B.C.

The Spanish Mountain gold project is located in the Cariboo region of central British Columbia, 6 kilometres (km) east of the village of Likely, and 66 km northeast of the City of Williams Lake. The property, which comprises approximately 51 contiguous mineral claims and 13 placer claims and covers an area of approximately 95 square kilometres (or 37 square miles), is 100% owned by the Company.

The property can be reached from Williams Lake via a paved secondary road that leaves Highway 97 at 150 Mile House, approximately 16 km south of Williams Lake, and continues for 87 km to the village of Likely. From Likely, the property is accessed from the Spanish Mountain Forest Service Road 1300.

The Spanish Mountain gold deposit is a bulk-tonnage, gold system of finely disseminated gold. The largest zone carrying significant gold mineralization is called the Main Zone, which has been traced by drilling over a length of approximately 900 metres (m) north-south and a width of 800 metres.

Gold mineralization occurs predominately as disseminated within the black, graphitic argillite. Gold grain size is typically less than 30 microns, and is often, but not always, associated with pyrite. Gold mineralization also occurs within quartz veins as free, fine to coarse (visible) gold. Although the highest grades have come from coarse gold within quartz veins, disseminated gold within the argillite units is the most economically important type of mineralization. The area of gold enrichment has been traced for over 2 km, occurring in multiple stratigraphic horizons.

The Spanish Mountain gold deposit is classified as sediment-hosted vein ("SHV") deposit, as it has many of the features common to these deposits, including some of the structural characteristics, regional extent of alteration, alteration mineralogy, mineralization style and gold grade.

The following highlights the key recent development in respect of the Spanish Mountain gold project which is located in the northern part of the property area:

Metallurgy

Under the direction of Dr. Morris Beattie, extensive metallurgical testwork has been completed by G&T Metallurgical and SGS Lakefield and a flowsheet for the recovery of gold from the deposit has been developed. This flowsheet incorporates gravity concentration followed by flotation to produce concentrates that are subsequently leached by cyanidation. The gravity concentrate is leached by means of intensive cyanidation followed by regrinding and combination with the flotation concentrate for CIL leaching. Testwork on the Main Zone has demonstrated a gold recovery of 97% or better using this procedure for the gravity concentrate. The gold extraction from the Main Zone flotation concentrate by CIL leaching has been indicated to be 95 - 97%. The recent completed PEA supports an average gold recovery of approximately 88% over the proposed mine life of 15 years for the project and an average 90% recovery during the initial three years.

Drilling and Other Field Activities

The Company completed an infill drilling program in May 2012 totalling approximately 24,000 metres at the Main Zone, the results of which were incorporated in an updated resource estimate being released in July 2012.

In July 2012, the Company announced the deferral of exploration drilling activities associated with the Phoenix Zone located in the northern Cedar Creek area in order to focus on such other field activities as the collection of geotechnical, groundwater and infrastructure site testing data.

Tables containing all significant assay results are available on the Company's website and under the Company's profile on SEDAR.

The Company is preparing for an additional infill drilling program in order to reclassify Inferred Mineral Resources within the PEA pit to at least an Indicated classification. This infill program will be completed over the winter so that these resources can be incorporated in further economic studies.

Resource Estimate

On July 24, 2012, the Company released a National Instrument (NI) 43-101 compliant resource estimate for the Spanish Mountain gold project. This resource estimate is an update to the previous estimate disclosed by the Company in a news release dated November 15, 2011.

The recently completed PEA has established an economic cut-off of 0.2 g/t gold based on assumptions of operating costs for a potential open pit operation. The following table presents the updated resource at a cut-off grade of 0.2 g/t gold.

Resource Estimate at a 0.20 g/t gold cut-off

Classification	Tonnes	Gold grade (g/t)	Silver grade (g/t)	Gold (ounces)	Silver (ounces)
Measured	29,360,000	0.60	0.67	560,000	630,000
Indicated	186,870,000	0.44	0.69	2,620,000	4,150,000
Measured & Indicated	**216,220,000**	**0.46**	**0.68**	**3,180,000**	**4,780,000**
Inferred	**316,740,000**	**0.36**	**0.65**	**3,650,000**	**6,620,000**

Tonnages and contained ounces presented above may not total as shown due to rounding. Readers are cautioned that mineral resources, which are not mineral reserves, do not have demonstrated economic viability.

In total, 670 diamond drill holes (154,368 m) from 2005 to 2012 inclusive have been used in the current resource estimate. A three dimensional geologic model was produced by the Company's geologist E.A. Gow using Vulcan 3D mining software. The Main Zone mineralization was modelled into an Upper Argillite unit, an Altered Siltstone unit, a Tuff unit and a Lower Argillite unit. The North Zone Argillite was modelled as a separate unit.

Spanish Mountain Gold Ltd. has been drilling on the Property since 2005. Diamond drilling has identified gold mineralization in an area that extends approximately 1,300 m by 800 m. From drill hole data, elevated gold assay results are observed to be laterally continuous along various stratigraphic sequences. The 2011 and 2012 drill programs in particular have expanded the known mineralization in the northern region of the Main Zone.

All core samples were fire assayed at ALS Chemex Laboratory in Vancouver, BC. The sample security, sample preparation and analytical procedures during the exploration programs by the Company followed accepted industry practice appropriate for the stage of mineral exploration undertaken in accordance with NI 43-101 requirements.

The resource estimate was prepared by independent resource estimate consultant Gary Giroux MASc, P.Eng. (BC) of Giroux Consultants Ltd., who is a qualified person by virtue of education, experience and membership in a professional association. He is independent of both the Company and ALS Chemex, applying all of the tests pursuant to section 1.5 of NI 43-101.

The completed NI 43-101 compliant technical report has been filed under the profile of the Company on SEDAR.

Preliminary Economic Assessment

The completion of a positive PEA for the Spanish Mountain gold project was announced by the Company on November 15, 2012. The PEA was completed by Tetra Tech, an internationally recognized engineering firm. The NI 43-101 Technical Report is expected to be filed on SEDAR with 45 days.

The results of the PEA demonstrate the potential technical and economic viability of establishing a new gold mine and mill complex on the Project site.

The PEA is based on an open pit mine with a conventional truck and shovel operation that provides 40,000 tonnes per day (tpd) of mill feed for a period of 14 years followed by stockpile treatment during year 15. The life of mine strip ratio is expected to be 2.3. The process plant is conventional in design with crushing and grinding followed by gravity concentration and flotation to produce concentrates that are enriched in gold.

PROPOSED PROJECT HIGHLIGHTS

- A 15 year mine life producing an average of 197,000 ounces per year of gold for the first 14 years and a total life-of-mine (LOM) production of 2.8 million ounces of gold and one million ounces of silver.

- Average gold production over years one through three of 268,000 ounces per year.

- An average feed grade during the first three years of operation of 0.70 g/t Au with a life of mine average grade of 0.48 g/t.

- Cash costs averaging US$526 per ounce for the first three years of production and US$774 per ounce over the life of the mine.

- Financial Analysis - base case gold price assumption of $1462/oz being the November 1, 2012 - 36 month trailing average as per US Securities and Exchange Commission guidance.

Gold Price US$/oz	**Pre-tax**		
	Net Present Value @ 5% disc. (US$ millions)	**Internal Rate of Return (%)**	**Payback Period (years)**
1350	226	10	7.5
1462 (3-year trailing)	**454**	**15**	**4.4**
1716 (spot Nov.1, 2012)	887	23	2.7

- Initial Capital Cost (Q3 2012) of US$755.9 million.
- Life of mine average gold recovery of 88%.
- By-product silver production with a silver recovery of 25%.
- On-site operating cost of US$10.26 per tonne milled plus $0.42 per tonne off-site costs for a total of $10.68 per tonne for the life of mine.
- Production Summary:

Year	**1**	**2**	**3**	**LOM**
Au, g/t	0.758	0.784	0.570	0.481
Au Recovery, %	90	90	90	88
Strip Ratio	1.58	.90	1.55	2.29
Oz Au Produced	212,000	332,000	241,000	2.8 million
Cash Cost, $US/oz	517	453	634	774

CAPITAL COST

- The estimated development capital is based on the third quarter of 2012 and includes a contingency of $86 million.

- The initial capital cost estimate is summarized as follows:

Pre-Production Capital	**US$ (millions)**
Overall Site	19.9
Open Pit Mining	127.7
Ore handling	54.3
Process	168.1
Tailings and Water Management	69.7
Environmental	11.9
On-site Infrastructures	56.5
Off-site Infrastructures	16.1
Project Indirects	129.0
Owner's Costs	16.6
Contingencies	86.1
PEA Total	**755.9**

- The life-of-mine sustaining capital is estimated at $168.1 million.

OPERATING COST

- Operating costs were estimated for each area of the project and life-of-mine average costs are summarized as follows:

Operating Cost	**US$/tonne milled**
Mining	5.19
Process	4.45
Tailings	0.04
G&A	0.58
Offsite costs (incl. royalty)	0.42
Total	**10.68**

DISCOUNTED CASH FLOW ANALYSIS

The results of the Discounted Cash Flow (DCF) analysis indicate that the project has a pre-tax NPV of US$454 million and an after tax NPV of $291 million at a discount rate of 5% with a pre-tax IRR of 15% and a post tax IRR of 12%. Payback on the project from the start of commercial production is 4.4 years. The NPV calculations are based on the beginning of the construction period, two years prior to the start of production.

The pit design was developed using a gold price of US$1350/oz while the November 1, 2012 three year trailing gold price of $1462 and a silver price of $28/oz was used for the financial base case gold price. Payables for gold were 99.5%. All prices quoted are in Q3 2012 US dollars unless otherwise noted. A three year trailing exchange rate of C$0.99 to US$1.00 was used in the study.

INFRASTRUCTURE CONSIDERATIONS

The Spanish Mountain gold property is located in an active mining region of the province with the Mt Polley copper mine and QR gold mine being visible from the project site. An existing highway provides access to within a few kilometres of the project and a Forest Service Road leads from this highway through the area of the project.

Studies are ongoing with BC Hydro for the construction of a 230kV power line from the main lines in the area of the McLeese Lake Capacitor Station to the project site.

Several alternative locations were considered for the tailings storage facility on the basis of cost and risk analysis. The preferred location upon which the project economic model is based envisages a dam construction approximately 2 km in length in the area just below Nina Lake where seepage control is readily achieved. The man-made structure that created Nina Lake has been proposed for decommissioning by the British Columbia Provincial government due to stability concerns and the storage facility could occupy this area.

The Company cautions, in accordance with National Instrument 43-101 -- *Standards of Disclosure for Mineral Projects* as adopted by the Canadian Securities Regulators, that the PEA referred to herein is preliminary in nature, includes inferred mineral resources that are considered too speculative geologically to have the economic consideration applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA will be realized. Mineral resources are not mineral reserves and do not have demonstrated economic viability.

The independent PEA was completed by Tetra Tech, an internationally recognized engineering firm. The PEA was prepared under the supervision of the following independent consultants:

Project Infrastructure –	Hassan Ghaffari, P. Eng. of Tetra Tech WEI Inc.
Project Execution –	Hassan Ghaffari, P.Eng. of Tetra Tech WEI Inc.
Capital Cost –	Hassan Ghaffari, P. Eng. of Tetra Tech WEI Inc.
Mineral Processing –	Andre de Ruijter, P.Eng. of Tetra Tech WEI Inc.
Operating Cost –	Andre de Ruijter, P. Eng. of Tetra Tech WEI Inc.
Economic Analysis –	Sabry AbdelHafez, P. Eng. of Tetra Tech WEI Inc.
Resource Estimates –	Gary Giroux, P. Eng. of Giroux Consultants Ltd.
Mine Planning –	Bob Fong, P Eng. of Moose Mountain Technical Services
Geotechnical –	Warren Newcomen, P. Eng. of BGC Engineering Inc.
Environmental –	Ken Brouwer, P. Eng. of Knight Piésold Ltd.
Tailings Facility –	Les Galbraith, P. Eng. of Knight Piésold Ltd.
Power Supply –	Ibro Hadzismajlovic, P. Eng. of Stantec Consulting Ltd.
Tax Model –	PricewaterhouseCoopers LLP

Agreement with First Nations

The Company executed Protocol Agreements with the Williams Lake Indian Band in March 2011 and the Soda Creek Indian Band (Xatśūll First Nation) in March 2012; and a Cooperation Agreement with Lhtako Dene Nation in September 2012. These agreements address issues in relation to the development of the Spanish Mountain gold project.

Under the agreements, the Company recognizes and respects the First Nations groups' asserted aboriginal rights and title in the area of the Spanish Mountain gold project and the First Nation groups recognize and respect the Company's rights and interests in the exploration and development of the Company's properties. They also reflect commitments by the parties for continued engagement in a respectful and collaborative manner.

The agreements provide capacity support to the First Nations groups for their ongoing involvement in the project as well as training, employment, and business opportunities. Additionally, the parties have committed to negotiating a more detailed agreement regarding the impacts and benefits associated with the construction, operation and reclamation of a large scale mine development.

Environmental Assessment and Permitting Process

On August 4, 2011, the Company announced that the Project Description for the Spanish Mountain gold project had been accepted by both the British Columbia Environmental Assessment Office and the Canadian Environmental Assessment Agency. The Project Description describes the technical, economic, social, environmental, heritage and health components of the construction and operation of the proposed gold mine on the Spanish Mountain property. The acceptance of the Project Description means that the project had now entered the 'Pre-Application' phase of the Environmental Assessment and Permitting process. As part of the process, public meetings will be scheduled although the Company has already held initial public meetings in the communities of Likely, Big Lake and Williams Lake and has held several meetings with both the Williams Lake Indian Band and Soda Creek Indian Band. As described above, the Company has separately signed a protocol agreement with each Indian band.

For further details on the Environmental Assessment and Permitting processes, please refer to the websites listed below:

- British Columbia Environmental Assessment Office: http://www.eao.gov.bc.ca
- Canadian Environmental Assessment Agency: http://www.ceaa.gc.ca
- Government of Canada Major Projects Management Office: http://www.mpmo-bggp.gc.ca

SHG Property Group, B.C.

The Company holds a 100% interest in 129 claims, the SHG property group, comprising of four separate properties with a combined area of more than 569 square kilometres (219 square miles) in central British Columbia. These individual properties are: Prince George, Manson Creek, Thunder Ridge (Spanish Creek) and Dunkley. All of the properties are on trend and cover ground with a similar geological setting to the Spanish Mountain property.

The Thunder Ridge property is located approximately 100 km south of Spanish Mountain and the Company has completed 30 holes to date. Assay results from the 2010 drill program were published in October 2010. Seven NQ diamond holes with depths between 203 and 268 m and a total length of 1,797 m were completed. Three of the drill holes defined and further explored the eastward extent of the vein systems on the northern portion of the property while the remaining four holes tested the continuity of the veins previously drilled on the southern limits of the explored ground. The gold mineralization, as defined by a large surface soil geochemical gold anomaly, is associated with quartz veins. The soil anomaly trends southwest to northeast over 1.5 km and is 500 to 600 m wide. The quartz veins dip to the northeast. The vein system remains open to the north, south and at depth to the east. Drill results to date appear to confirm that the gold system extends east beyond the defined soil geochemical gold anomaly. A table containing significant assay results is available on the Company's website and under the Company's profile on SEDAR. Highlights of assay results include:

- Hole 10-SC-31 intersected 0.77 g/t gold over 54.0 m with an interval of 19.15 g/t gold and 83.80 g/t silver over 1.0m.
- Hole 10-SC-27 intersected 0.77 g/t gold over 20.0 m with an interval of 1.97 g/t gold and 100.00 g/t silver over 1.0m.
- Hole 10-SC-25 intersected 0.77 g/t gold over 6.6 m.

Given the Company's current focus on the Spanish Mountain gold project, the work on Thunder Ridge, in the near term, will be limited to performing additional analysis on drilling results to date along with a re-interpretation of the soil geochemistry of the area to delineate potential drill targets.

Manson Creek and Prince George projects are located to the north of the Spanish Mountain property and are at an earlier stage of exploration. Additional mapping and soil geochemistry work will be conducted.

Cedar Creek Area, B.C.

The Company acquired a 100% interest in the Cedar Creek property in June 2010. The property occupies an area of approximately 14 square km (or 5 square miles) and is contiguous to the western boundary of the Company's Spanish Mountain gold project. The property is referred to as the Cedar Creek area of the Spanish Mountain property.

Exploration drilling on the Cedar Creek area has been deferred in order to focus on other field activities associated with advancing the Spanish Mountain gold project.

Results of Operations

Three Months Ended September 30, 2012 Compared to Three Months Ended September 30, 2011

General and administrative (G&A) expenses for the three months ended September 30, 2012 total $794,500, compared to $903,623 for the three months ended September 30, 2011, a decrease of $109,123. The decrease is primarily due to lower salary and wages of $36,289 (2012--$185,639 vs. 2011--$221,928) and lower consulting fees of $82,219 (2012--$65,464 vs. 2011--$147,683) over the same quarter in the prior year. The former is the result of a change in the compensation arrangement for an executive while the latter is due to a one-time billing adjustment of approximately $80,000 by a consultant during the period in 2011. During the three months ended September 30, 2012, the Company recorded share-based payments of $367,408 (2011--$367,747). Share-based payments recognize the portion of the fair values of granted options attributable to the periods using the Black-Scholes valuation model. The fair values of options are influenced by such parameters as stock price volatility and current interest rates incorporated in the valuation model. Share-based payments are non-cash expenditures.

For the three months ended September 30, 2012, the Company earned an interest income of $8,127 (2011--$38,162) on its cash balance, which on average was less than the balance during the same period in the prior year as a result of fund raising occurring in July of 2011.

For the three months ended September 30, 2012, the Company recorded a deferred income tax recovery of $270,476 compared to a recovery of $184,268 for the same period in the prior year. The current quarter includes a provision of $166,000 for investment tax credit generated on its exploration expenditures whereas in prior year most of the expenditures were renounced under its flow-through financing program and hence did not generate an investment tax credit. The remaining balance of the Company's deferred tax recovery primarily reflects the income tax benefit computed on the net loss for the periods.

For the three months ended September 30, 2012, the Company incurred expenditures on its mineral properties, before recoverable tax credits, totaling $5,380,902 (2011--$3,056,167), which had been capitalized in accordance with its accounting policies.

Nine months Ended September 30, 2012 Compared to Nine months Ended September 30, 2011

General and administrative expenses for the nine months ended September 30, 2012 total $2,627,288, compared to $2,208,550 for the nine months ended September 30, 2011, an increase of $419,738. The increase is primarily due to higher non-cash share-based payments of $379,981 (2012--$1,189,214 vs. 2011--$809,233) attributable to the granting of 3,350,000 stock options during the second quarter of the current year.

For the nine months ended September 30, 2012, the Company recorded a deferred income tax recovery of $1,080,996 compared to a recovery of $685,117 for the same period in the prior year. The current period includes a provision of $674,000 for investment tax credit generated on its exploration expenditures whereas in prior year most of the expenditures were renounced under its flow-through financing program and hence did not generate an investment tax credit. The remaining balance of the Company's deferred tax recovery primarily reflects the income tax benefit computed on the net loss for the periods.

For the nine months ended September 30, 2012, the Company incurred expenditures on its mineral properties, before recoverable tax credits, totaling $14,995,007 (2011--$6,876,281), which had been capitalized in accordance with its accounting policies. The higher 2012 expenditures reflect the higher intensity of current year's program as the Company advances its project through various technical and engineering studies.

Summary of Quarterly Results

The selected quarterly consolidated information set out below has been derived from and should be read in conjunction with the previous eight quarterly consolidated financial statements for each respective financial period.

	Revenue $	Income (Loss) $	Income (Loss) per share $
September 30, 2012	Nil	(517,067)	(0.00)
June 30, 2012	Nil	(721,954)	(0.00)
March 31, 2012	Nil	(233,770)	(0.00)
December 31, 2011	Nil	(250,401)	(0.00)
September 30, 2011	Nil	(681,193)	(0.01)
June 30, 2011	Nil	(320,566)	(0.00)
March 31, 2011	Nil	(482,424)	(0.00)
December 31, 2010	Nil	(123,969)	(0.00)
September 30, 2010	Nil	(643,471)	(0.00)
June 30, 2010	Nil	(775,972)	(0.00)

While the Company's G&A expenses tend to be incurred evenly throughout the year, fluctuations in expenditures occur reflecting the seasonal variations of exploration and the Company's ability to defer certain expenditures without hindering its projects' progress. The Company's ability to raise capital to fund its project activities may also influence the timing of certain expenditures. For example, most exploration activities occur during the non-winter months with an attendant increase in G&A expenses over the period. Furthermore, periods ending in December typically have year-end adjustments such as deferred income tax recoveries or share based payments for incentive stock options.

Liquidity and Capital Resources

At September 30, 2012, the Company has working capital of $5,652,981 (December 2011 - $15,602,496), which includes $5,610,741 (December 2011 - $17,290,967) in cash and cash equivalents and $4,089,030 (December 2011 - $1,474,091) in BC Mining Exploration Tax Credit (BCMETC) receivable. The decrease in cash balance during the period ended September 30, 2012 primarily reflects significant cash expenditures incurred for the Company's operations. The BCMETC balance represents the expected refund from the Company's outstanding BCMETC claims for prior years' qualified exploration expenditures as well as an accrual for the eligible expenditures incurred during the current period . Generally, the BCMETC refund amounts to 30% of qualified exploration expenditures on the Company's properties. The filed claim is subject to Canada Revenue Agency's formal assessment process, which may include a field audit by its auditors. The actual refund may be different from what the Company has accrued and any adjustment will be recorded when the CRA issues its Notice of Assessment for the claim.

The current working capital balance described above is expected to sufficiently meet the Company's planned exploration expenditures and other development activities. The Company is at a development/ exploration stage and has no revenue from its business operations. The Company's ability to meet its future obligations and maintain operations for the foreseeable future is contingent upon successful completion of additional financing arrangements. Although the Company has been successful in raising funds in the equity markets to date, there can be no assurance that additional funding will be available in the future at reasonable terms.

At Report Date, the Company had 37,123,660 warrants outstanding with exercise prices ranging from $0.33 to $0.70 and 10,820,000 options outstanding (8,788,750 of which are vested and exercisable) with exercise prices ranging from $0.25 to $1.59. If these instruments are exercised by their holders, they will provide additional funding for the Company. However, there is no assurance that the holders of these instruments will choose to exercise prior to their expiry dates. The decision to exercise is dependent largely on the prevailing share price of the Company's common stock relative to the exercise prices of these instruments.
The change in cash flow activities can be summarized as follows:

	Increase (Decrease) in Cash & Cash Equivalents for the Nine months Ended September 30	
	2012	**2011**
Operating Activities	$(183,034)	$(859,579)
Financing Activities	$ 2,821,837	$24,831,992
Investing Activities	$(14,319,028)	$(6,457,474)
Total Change in Cash	$(11,680,225)	$17,514,939
Cash and Cash Equivalents, Beginning of the Year	$17,290,967	$2,660,484
Cash and Cash Equivalents, End of the Period	$5,610,741	$20,175,421

Cash used in operating activities primarily comprise general and administrative expenditures as the Company is at an exploration/ project development stage and has no significant source of revenue. The $676,545 decrease in the use of cash for operating activities for the nine months ended September 30, 2012 is attributable to the increase in aging of accounts payable balances over the same period in the prior year.

The Company is dependent on equity financing to fund its operations. For the nine months ended September 30, 2012, the Company did not complete any equity placements whereas the Company received net proceeds of $24,274,968 during the same period in 2011 primarily from the issuance of shares pursuant to two private placements.

The Company's expenditures of $14,210,591 on mineral properties account for most its cash used in investing activities for the nine months ended September 30, 2012. During the same period in the prior year, the Company incurred expenditures of $6,383,720 on mineral properties reflecting the lower level of planned activities.

Transactions with Related Parties

The Company has engaged Beattie Consulting Ltd., on an ongoing basis, to provide technical and strategic advice since 2010. Following the appointment of Dr. Morris Beattie to the Company's Board of Directors in March 2011, Beattie Consulting Ltd., of which Dr. Beattie is major shareholder, has been classified as a related party. For the nine months ended September 30, 2012, the Company paid a total of $162,000 (2011 --$62,133) to the consulting firm.

Due to the significant increase in investor and shareholder activities in Europe during the last two years, the Board of Directors has authorized the Company to retain Lancelot Gold Limited, a London-based firm, to provide marketing, administrative support and, if required, office facility. A director of the Company is a director and major shareholder of this firm. For the nine months ended September 30, 2012, the Company was charged $178,999 (2011 --$136,371) for such services.

Compensation of key management personnel, including directors, for the nine months ended September 30, 2012 is $1,982,315 (2011 -- $1,398,528) which includes $1,125,025 (2011 -- $773,390) in non-cash share based payments. Certain executive officers are entitled to termination benefits equivalent up to two years' gross salary totalling approximately $740,000 in the event of a change of control in the Company's ownership. No termination benefits were paid to any key management personnel during the nine months ended September 30, 2012 (2011 --$30,154).

Financial Instruments and Other Instruments

The Company has classified its financial instruments as follows:

- Cash and cash equivalents as fair value through profit or loss ("FVTPL")
- Accounts receivable (excluding taxes receivable) as loans and receivables
- Deposits for reclamation as held-to-maturity
- Accounts payable, accrued liabilities and flow-through share premium as other financial liabilities.

The carrying values of cash and cash equivalents, accounts receivable and accounts payable, approximate their fair values due to the short-term maturity of these financial instruments. The carrying value of reclamation deposits approximates fair value since amounts held earn interest at market rates.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Credit risk refers to the potential that counterparty to a financial instrument will fail to discharge its contractual obligations and arises principally from the Company's holdings of cash and cash equivalents. The Company manages credit risk, in respect of cash and cash equivalents by holding these at a major Canadian financial institution. In regards to accounts receivable, the Company is not exposed to significant credit risk as majority of the accounts receivable is due from the government.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents as all amounts are held at a single major Canadian financial institution.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company maintains sufficient cash and cash equivalents at September 30, 2012 in the amount of $5,610,741 and receivables of $517,694 in order to meet short-term liabilities. At September 30, 2012, the Company had accounts payable and accrued liabilities of $4,856,534, which have contractual maturities of 90 days or less.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to interest rate, foreign currency risk, and other price risk as follows:

I. Interest rate risk

   The Company's cash and cash equivalents are held in bank accounts earning interest at variable interest rates. Due to the short-term nature of these financial instruments and the prevailing interest rate environment, fluctuations in market rates do not have a significant impact on estimated fair values as of September 30, 2012.

II. Foreign currency risk

   The Company's operations are located in Canada with substantially all transactions denominated in Canadian dollars and, accordingly, the Company is not exposed to significant foreign currency risk.

III. Other price risk

   Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk with respect to its financial instrument as their fair values and future cash flows are not impacted by fluctuations in market prices.

Outstanding Share Data

The Company had the following common shares, stock options and warrants outstanding as at Report Date:

	At Report Date
Common shares	180,106,468
Stock options	10,820,000
Warrants	37,123,660
Fully Diluted shares outstanding	228,050,128

Off-balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company does not currently have any proposed transactions. All current transactions are fully disclosed in the consolidated interim financial statements for the nine months ended September 30, 2012.

Critical Accounting Estimates

Significant areas requiring the use of management estimates include the collectability of amounts receivable, recovery of British Columbia Mining Exploration Tax Credit receivable, balances of accrued liabilities, the fair value of financial instruments, the rates for amortization of property and equipment, the recoverability of mineral property interests, determination of asset retirement and environmental obligations, estimates of deferred income tax assets and liabilities, valuation allowances for deferred income tax assets and the determination of variables used in the calculations of share-based payment. While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

<u>Commitments</u>

The Company's minimum combined lease payments for office premises and equipment for the next five years are as follows:

2012 (remainder)	$	51,121
2013		204,486
2014		189,976
2015		175,764
2016		171,971
	$	793,317

Commitments related to mineral properties are as follows:

Spanish Mountain Property, British Columbia

Pursuant to the purchase agreement, the Company's discharged the remaining obligation of $51,000 with a cash payment on January 20, 2012. The wholly-owned property is subject to various net smelter returns ("NSR") at 2.5%. The Company may, at its option, reduce the NSR to 1% or 1.5% dependent on the underlying mineral claims with a maximum aggregate payment of $1,000,000 to the vendors.

SHG, Cariboo Mining Division, British Columbia

The Company purchased 100% of five mineral properties to the northwest of the Spanish Mountain property. The vendor retains a 2% NSR, 1% of which may be purchased by the Company for $1,000,000.

Cedar Creek Mineral Claims, British Columbia

The wholly-owned property is subject to a 2.5% NSR in favour of a third party. The NSR may be purchased by the Company for $500,000 per 1% NSR. On May 23, 2011 the Company acquired two additional mineral claims that are adjacent to the Cedar Creek Property for $110,000 cash. The claims are subject to a 3% NSR, 2.5% of which may be purchased for $1,000,000.

Acrex Mineral Claims, British Columbia

The property is subject to an underlying 4% NSR. The Company has the option to reduce the NSR to 2% by paying a onetime cash payment of $2,000,000 to the royalty holders.

<u>New Standards and Interpretations Not Yet Adopted</u>

All of the new and revised standards described below may be applicable to the Company and may be early-adopted. The Company has not yet assessed the impact of these standards.

(a) IFRS 9 *Financial Instruments* (2010)

A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*.

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at FVTPL; in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

Applicable to annual periods beginning on or after January 1, 2015; this standard supersedes IFRS 9 (2009). However, for annual reporting periods beginning before January 1, 2015, an entity may early-adopt IFRS 9 (2009) instead of applying this standard.

(b) IFRS 11 Joint Arrangements

Replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

Joint arrangements are either joint operations or joint ventures:

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint operators recognize their assets, liabilities, revenue and expenses in relation to its interest in a joint operation (including their share of any such items arising jointly).

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (joint venturers) have rights to the net assets of the arrangement. A joint venturer applies the equity method of accounting for its investment in a joint venture in accordance with IAS 28 Investments in Associates and Joint Ventures (2011). Unlike IAS 31, the use of "proportionate consolidation" to account for joint ventures is not permitted.

Applicable to annual reporting periods beginning on or after January 1, 2013. If early-adopted, must be adopted together with IFRS 10, IFRS 12, IAS 27 (2011) and IAS 28 (2011).

(c) IFRS 12 Disclosure of Interests in Other Entities

Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

In high-level terms, the required disclosures are grouped into the following broad categories:

- Significant judgments and assumptions - such as how control, joint control, significant influence has been determined;
- Interests in subsidiaries - including details of the structure of the group, risks associated with structured entities, changes in control and so on;
- Interests in joint arrangements and associates - the nature, extent and financial effects of interests in joint arrangements and associates (including names, details and summarized financial information); and
- Interests in unconsolidated structured entities - information to allow an understanding of the nature and extent of interests in unconsolidated structured entities and to evaluate the nature of, and changes in, the risks associated with its interests in unconsolidated structured entities.

IFRS 12 lists specific examples and additional disclosures, which further expand upon each of these disclosure objectives, and includes other guidance on the extensive disclosures required.

Applicable to annual reporting periods beginning on or after January 1, 2013; if early-adopted, must be adopted together with IFRS 10, IFRS 11, IAS 27 (2011) and IAS 28 (2011).

(d) IFRS 13 *Fair Value Measurement*

Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.

This IFRS defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

IFRS 13 applies when another IFRS requires or permits fair value and requires disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about hose measurements). With some exceptions, the standard requires entities to classify these measurements into a ”fair value hierarchy” based on the nature of the inputs:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the entity can assess at the measurement date;

Level 2 – Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Unobservable inputs for the asset or liability.

Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g., whether it is recognized in the financial statements or merely disclosed) and the level in which it is classified.

Applicable to annual reporting periods beginning on or after January 1, 2013.

(e) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognized as an asset, how the asset is initially recognized, and subsequent measurement.

The Interpretation requires stripping activity costs, which provide improved access to ore, are recognized as a non-current “stripping activity asset” when certain criteria are met. The stripping activity asset is depreciated or amortized on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity, using the units-of-production method unless another method is more appropriate.

Applicable to annual periods beginning on or after January 1, 2013.

Subsequent Events

Subsequent to September 30, 2012, 25,000 stock options with an exercise price of $0.65 were forfeited.

Other Requirements

Additional disclosure of the Company’s technical reports, material change reports, news releases, and other information can be obtained under the Company’s profile on SEDAR.

Risks and Uncertainties

The Company’s principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, metal prices, political and economical.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company has no significant source of operating cash flow and no revenues from operations. None of the Company’s mineral properties currently have reserves. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish ore reserves.

The property interests owned by the Company, or in which it has an option to earn an interest are in the exploration stages only, are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and few properties, which are explored, are ultimately developed into producing mines. Exploration of the Company's mineral properties may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously held an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Cautionary Notices

The Company's consolidated financial statements for the three months ended March 31, 2012, and this accompanying MD&A contain statements that constitute "forward-looking statements" within the meaning of National Instrument 51-102, *Continuous Disclosure Obligations* of the Canadian Securities Administrators. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting" and "intend" and statements that an event or result "may", "will", "should", "could", or "might" occur or be achieved and other similar expressions. Forward-looking statements in this MD&A include statements regarding the Company's future exploration plans and expenditures, the satisfaction of rights and performance of obligations under agreements to which the Company is a part, the ability of the Company to hire and retain employees and consultants and estimated administrative assessment and other expenses. The forward-looking statements that are contained in this MD&A involve a number of risks and uncertainties. As a consequence, actual results might differ materially from results forecast or suggested in these forward-looking statements. Some of these risks and uncertainties are identified under the heading "RISKS AND UNCERTAINTIES" in this MD&A. Additional information regarding these factors and other important factors that could cause results to differ materially may be referred to as part of particular forward-looking statements. The forward-looking statements are qualified in their entirety by reference to the important factors discussed under the heading "RISKS AND UNCERTAINTIES" and to those that may be discussed as part of particular forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause the actual results to differ include market prices, exploration success, continued availability of capital and financing, inability to obtain required regulatory approvals and general market conditions. These statements are based on a number of assumptions, including assumptions regarding general market conditions, the timing and receipt of regulatory approvals, the ability of the Company and other relevant parties to satisfy regulatory requirements, the availability of financing for proposed transactions and programs on reasonable terms and the ability of third-party service providers to deliver services in a timely manner. Forward-looking statements contained herein are made as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.