SPANISH MOUNTAIN GOLD LTD.

Management Discussion & Analysis

For the Year Ended December 31, 2012

Dated: April 22, 2013

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, 2012 and 2011.

The accompanying audited consolidated financial statements and related notes are presented in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements, together with the following MD&A dated April 22, 2013 ("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 its consolidated financial statements may be found under the Company's profile on SEDAR at *www.sedar.com* and on 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 April 22, 2013. The information contained within this MD&A is current to April 22, 2013.

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 filed a NI 43-101 Technical Report on December 19, 2012 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 December 31, 2012 consolidated financial statements reflect the financial position and results for the year 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.

On December 13, 2012, the Company completed a private placement and issued 8,212,808 flow-through units at $0.33 per unit for gross proceeds of $2,710,227. Each unit consists of one common share and one-half common share purchase warrant with each whole warrant entitling the holder to acquire an additional common share of the Company at $0.45 per share for a period of eighteen months.

Subsequent to the 2012 fiscal year, the Company announced the appointment of Rothschild as financial advisor to review strategic options with the objective of maximizing shareholder value.

On March 7, 2013, the Company provided an update regarding project activities including the on-going preparatory work for an infill drilling program, additional evaluation and trade-off studies, a review of resource grade, a reinterpretation of drill data from the Phoenix Zone and community engagements. The Company believes that these activities can further advance the project without immediately requiring the commitment of significant financial resources.

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 47 contiguous mineral claims and 13 placer claims and covers an area of approximately 77 square kilometres (or 30 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 developments 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 early 2012, the Company completed exploration drilling at the Phoenix Zone located in the northern Cedar Creek area. With the acquisition of additional claims that are contiguous to the north, the Company evaluated the geological potential for the entire area that is approximately two kilometres west of the Main Zone. The analysis of the results from the 2011 and 2012 drilling programs at the Phoenix Zone as well as the historical data on the newly acquired claims suggests that there is a broad trend of gold mineralization that is not primarily associated with an argillite layer (as is the case in the Main Zone) extending through this area and that the gold mineralization is structurally controlled. Further drilling to the northwest of the most recent Phoenix holes is being evaluated in order to establish whether there is continuity between the areas drilled to date which span a strike length of just over 2.5 kilometres.

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

The Company is currently completing preparatory work for an additional infill drilling program in order to reclassify Inferred Mineral Resources within the PEA pit to at least an Indicated classification.

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.

The Company 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.

The latest resource statement contained in the technical report summarized the results of reverse circulation drilling (RC) and core drilling and demonstrated a negative bias for the core results, upon which the resource estimate is based. The Company has subsequently evaluated the results obtained by analyzing entire core intervals and comparing the results obtained with those obtained for sub-samples taken from the core according to the standard sample preparation protocol. The results of this comparison appear to support the RC results by indicating that the existing diamond drill grade estimates are potentially understated by a material amount. The Company is currently evaluating additional RC drilling requirements in order to confirm the expected grades during the initial phase of the project as defined by the PEA. A report authored by Dr. Morris Beattie, P. Eng, Chief Operating Officer of the Company, summarizing the results of the comparisons of assays from diamond drilling and RC and the results of analyzing entire drill intervals, including a recommended work program, will be filed under the profile of the Company on SEDAR by mid-April, 2013.

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 was filed on December 19, 2012 under the Company's profile on SEDAR.

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.

CURRENT ACTIVITIES

Following the release of the positive PEA for the Spanish Mountain gold project, the Company's project team is currently evaluating multiple scenarios and trade-off studies with the objective of further improving the overall economics of the Project. Among other things, the project team is continuing a critical evaluation of major project parameters such as potential mining rate, resulting life of mine, cut-off grade, capital cost and operating cost based on the data contained in the PEA in order to define the most attractive potential project for further studies.

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 approximately 75 mineral claims, the SHG property group, comprising of four separate properties with a combined area of more than 324 square kilometres (125 square miles) in central British Columbia. These individual properties are: Thunder Ridge (also known as Spanish Creek), Willow River (also known as Prince George), Quesnel Lake 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 the Spanish Mountain gold project 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 m 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 m 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.

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.

Other properties within the SHG property group 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.

Summarized Annual Financial Results

	2012	2011	2010
Revenues (1)	Nil	Nil	Nil
Net loss	$ (4,105,594)	$ (1,734,584)	$ (2,225,079)
Net loss per share	$ (0.02)	$ (0.01)	$ (0.02)
Dividends paid	Nil	Nil	Nil
Cash and cash equivalents	$ 3,718,025	$ 17,290,967	$ 2,660,484
Total assets	$ 84,986,234	$ 83,407,488	$ 58,531,150
Non-current liabilities	$ 3,623,233	$ 3,341,422	$ 2,994,965

(1) The Company's primary business operation is to explore and develop its mineral properties. It does not currently generate any revenue and has been relying on equity-based financing to fund its operations.

Results of Operations

Three Months Ended December 31, 2012 Compared to Three Months Ended December 31, 2011

General and administrative (G&A) expenses for the three months ended December 31, 2012 total $454,619, compared to $891,618 for the three months ended December 31, 2011, a decrease of $ 436,998. The decrease is primarily due to the significantly lower share-based payments during the current quarter. During the three months ended December 31, 2012, the Company recorded a recovery of share-based payments of $40,992, compared to $399,326 recorded during the same period in the prior year, representing a total decrease of $440,318. This decrease is due to $208,600 in lower share-based payments as a result of fewer granted options and lower fair value attributed to the options granted during the current quarter in 2012, as well as a provision of $231,718 for the estimated forfeiture on granted options based on historical forfeiture rates recorded during the three months ended December 31, 2013. 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. During the three month period ended December 31, 2012, rent expense increased by $18,007 (2012 - $37,902 vs. 2011 - $19,895) due to new office space assumed during the current year. This increase is offset by reduction in office and travel expenses, leaving total cash G&A expenditures at a similar level as the same period in 2011.

For the three months ended December 31, 2012, the Company earned an interest income of $21,675 (2011 - $70,230) on its cash balance, which on average was significantly 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 December 31, 2012, the Company recorded a deferred income tax expense of $1,362,807 compared to a recovery of $570,990 for the same period in the prior year. The increase of the tax provision during the current period is primarily related to certain recorded project expenditures receiving a different treatment under current tax rules.

Thirty mineral claims, collectively known as Manson Creek, within the SHG property group expired in November 2012. The Company elected to let these claims lapse as its focus is primarily on the Spanish Mountain gold property. Following the acquisition of the property, the Company has incurred exploration expenditures totaling $839,850, net of mineral exploration credit of $37,421, on Manson Creek. The amount was charged to income during the three months ended December 31, 2012 as result of the expiry of these claims.

For the three months ended December 31, 2012, the Company incurred expenditures on its mineral properties, before recoverable tax credits, totaling $1,550,433 (2011 - $4,254,421), which had been capitalized in accordance with its accounting policies.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

General and administrative expenses for the year ended December 31, 2012 total $3,079,286, compared to $3,099,172 for the year ended December 31, 2011, a decrease of $19,886. The decrease is primarily due to lower non-cash share-based payments of $60,337 (2012 - $1,148,222 vs. 2011 - $1,208,559), which is offset by the increase in rent expense by $41,983 (2012 - $121,461 vs. 2011 - $79,478). The former is attributable to lower fair value calculated for the options granted during the second quarter of 2012 while the latter is due to new office premise assumed during the second quarter of the current year.

For the year ended December 31, 2012, the Company recorded a deferred income tax expense of $281,811 compared to a recovery of $1,256,107 in the prior year. The tax recovery recorded in the prior year includes a recovery of $1,602,564 related to the timing difference in recognition of the premium on flow-through shares issued in 2011.

For the year ended December 31, 2012, the Company incurred expenditures on its mineral properties, before recoverable tax credits, totaling $16,545,441 (2011 - $11,130,702), 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 $
December 31, 2012	Nil	(2,632,803)	(0.01)
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)

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 a corresponding increase in G&A expenses over the period.

Liquidity and Capital Resources

At December 31, 2012, the Company has working capital of $4,832,574 (2011 - $15,602,497), which includes $3,718,025 (2011 - $17,290,967) in cash and cash equivalents and $2,764,651 (2011 - $1,474,091) in BC Mining Exploration Tax Credit (BCMETC) receivable. The decrease in cash balance during the year ended December 31, 2012 reflects significant cash expenditures incurred for the Company's operations. The BCMETC balance represents the expected refund on qualified exploration expenditures as determined by the Company. 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 cash requirements in the near term. Following the completion of the preliminary economic assessment for its Spanish Mountain gold project in December 2012, the Company is reviewing its next phase of exploration/development program and has not yet committed to any significant project-related expenditure for 2013. The Company's current monthly expenditures approximate $250,000 comprised of primarily payroll costs for current level of staff, general administrative costs for its head office and maintenance costs for its camp facilities at the project site. The Company has initiated cost cutting measures to conserve cash and may take actions to further reduce expenditures if required. The Company is at an exploration/development 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. As needs arise, the Company will explore financing opportunities involving stock or flow-through shares to fund its exploration/development program. The Company has engaged an investment bank to review strategic options that are available given the current capital market conditions. Field activities, which consume significant financial resources, will be postponed until adequate funding is in place. The Company's expenditures on its mineral properties, which are capitalized in accordance with its accounting policy, have been the most significant use of its capital resources. Under the terms of the offering of flow-through shares completed in December 2012, the Company is required to incur eligible exploration expenditures, as defined under relevant tax legislation, totalling $2,710,227 by December 31, 2013. The Company has not made additional commitments with respect to expenditures on mineral properties or other capital items for 2013 at Report Date.

At Report Date, the Company had 20,773,064 warrants outstanding with exercise prices ranging from $0.45 to $0.70 and 9,845,000 options outstanding (8,420,000 of which are vested and exercisable) with exercise prices ranging from $0.25 to $0.82. 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 Year Ended December 31	
	2012	**2011**
Operating Activities	$(2,060,269)	$(2,001,178)
Financing Activities	$ 5,318,884	$24,865,569
Investing Activities	$(16,831,557)	$(8,233,906)
Total Change in Cash	$(13,572,942)	$14,630,485
Cash and Cash Equivalents, Beginning of the Year	$17,290,967	$2,660,484
Cash and Cash Equivalents, End of the Period	$3,718,025	$17,290,967

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 $59,091 increase in the use of cash for operating activities for the year ended December 31, 2012 over the prior year is mainly attributable to the increase in G&A expenditures.

The Company currently has no revenues from operations and has been dependent on equity financing to fund its operations. For the year ended December 31, 2012, the Company completed an offering of flow-through units for net proceeds of $2,497,047 and received total proceeds of $2,684,337 from warrant exercises, compared to net proceeds of $24,274,968 during the prior year from the issuance of shares pursuant to two private placements.

The Company's expenditures of $17,004,991 on mineral properties account for most of its cash used in investing activities for the year ended December 31, 2012. These expenditures include the acquisition of a group of mineral claims that are contiguous to the Spanish Mountain property for $1,263,229 (inclusive of transaction costs), comprised of $500,000 cash and two million common shares of the Company. During the prior year, the Company incurred expenditures of $8,101,214 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 year ended December 31, 2012, the Company was charged $216,000 (2011 - $113,133) for such services.

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 year ended December 31, 2012, the Company was charged $238,703 (2011 - $202,763) for such services.

Compensation of key management personnel, including directors, for the year ended December 31, 2012 is $2,243,070 (2011 - $2,211,925) which includes $1,111,380 (2011 - $1,067,853) 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 year ended December 31, 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")
- Deposits for reclamation as held-to-maturity
- Accounts payable and accrued liabilities as other financial liabilities.

The carrying values of cash and cash equivalents, accounts payable and accrued liabilities, 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.

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 December 31, 2012 in the amount of $3,718,025. At December 31, 2012, the Company had accounts payable and accrued liabilities of $2,042,106, 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 December 31, 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	188,319,276
Stock options	9,845,000
Warrants	20,773,064
Fully Diluted shares outstanding	218,937,340

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 financial statements for the year ended December 31, 2012.

Critical Accounting Estimates

Significant areas requiring the use of management estimates include the collectability of amounts receivable, recovery of the BCMETC receivable, completeness 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, 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.

Commitments

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

2013	204,486
2014	189,976
2015	175,764
2016	171,971
2017	67,587
	$809,783

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.

On June 15, 2010, the Company acquired a 100 undivided interest in the Cedar Creek property, which is contiguous to the Spanish Mountain property. 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.

On August 21, 2012, the Company completed the acquisition of an additional group of mineral claims for considerations of $500,000 in cash and 2,000,000 common shares of the Company. 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.

SHG, Cariboo Mining Division, British Columbia

The Company purchased 100% of five mineral properties to the northwest of the Spanish Mountain property on July 26, 2006. The vendor retains a 2% NSR, which may be reduced to 1% by the Company for $1,000,000.

New Standards and Interpretations Not Yet Adopted

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 (2009)*

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a “business model” test and a “cash flow characteristics” test are measured at amortized cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as “fair value through other comprehensive income” with only dividends being recognized in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognized in profit or loss
- The concept of “embedded derivatives” does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

This standard is only applicable if it is optionally adopted for the Company’s annual periods beginning before January 1, 2015. For annual periods beginning on January 1, 2015, the Company must adopt IFRS 9 (2010).

(b) 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 the Company’s annual periods beginning on January 1, 2015; this standard supersedes IFRS 9 (2009). However, for annual reporting periods beginning before January 1, 2015, the Company may early-adopt IFRS 9 (2009) instead of applying this standard.

(c) IFRS 10 *Consolidated Financial Statements*

Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities.

The standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.

The standard introduces a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in "special purpose entities"). Under IFRS 10, control is based on whether an investor has power over the investee, exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the returns.

Applicable to the Company on January 1, 2013.

(d) 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 the Company on January 1, 2013.

(e) 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 Company on January 1, 2013.

(f) 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.

(g) IFRS 7 *Amendment Offsetting Financial Assets and Financial Liabilities*

Amends the disclosure requirements in IFRS 7 Financial Instruments: Disclosures to require information about all recognized financial instruments that are set-off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation.

The amendments also require disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32.

Applicable to the Company on January 1, 2013.

(h) IAS 27 *Separate Financial Statements (2011)*

This amended version of IAS 27 that now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 Consolidated and Separate Financial Statements. Requirements for consolidated financial statements are now contained in IFRS 10.

Applicable to the Company on or after January 1, 2013.

Subsequent Events

Subsequent to December 31, 2012, the following stock options were forfeited: 25,000 with an exercise price of $0.65 and 100,000 with an exercise price of $0.85. In addition, 150,000 stock options with an exercise price of $0.43 expired on March 8, 2013 and 14,787,000 share purchase warrants with an exercise price of $0.42 expired on February 9, 2013.

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 year ended December 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.