

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following information should be read in conjunction with the Issuer's audited financial statements for the period ended January 31, 2012 and related notes thereto. The audited financial statements were prepared in accordance with International Financial Reporting Standards. All currency amounts are expressed in Canadian dollars.

### Overall Performance

The Issuer is a mineral exploration company involved in the acquisition and assessment of mineral properties in the Republic of Ghana. The Issuer's objective is to undertake mineral exploration on properties assessed to be of merit and to define mineral resources. Metals being targeted are precious metals with a focus on gold.

On June 15, 2011, the Issuer entered into the Purchase Agreement with Goknet to acquire the Fahiakoba Concession, in the Ashanti and Central Regions in the Republic of Ghana, whereby the Issuer acquired a 100% interest in the Fahiakoba Concession (subject to a royalty interest) by paying Goknet the sum of US\$51,976 (C\$50,630) and by agreeing to expend US\$1,000,000 over a five year period. In the event that the Issuer sells its interest in the Fahiakoba Concession within two years from June 15, 2011, it must pay Goknet a sum, in cash, equal to 10% of the sale price. The Issuer also granted Goknet a 3% net smelter return royalty on production from the Fahiakoba Concession.

Between May 4, 2011 and September 14, 2011, the Issuer raised gross proceeds of \$23,250 through the issuance of 2,325,000 Common Shares at a price of \$0.01 per Common Share, \$391,750 through the issuance of 7,835,000 Units at a price of \$0.05 per Unit, and \$1,450,250 through the issuance of 5,801,000 Common Shares at a price of \$0.25 per Common Share. The proceeds from the sale of these Common Shares and Units were used to pay the acquisition cost of the Fahiakoba Concession (US\$51,976/C\$50,630) and exploration activities (\$231,992). During the period ended January 31, 2012 the Issuer also paid \$205,360 in accounting and legal fees, \$198,012.14 in management and consulting fees, \$687,870 in office, banking and general overhead expenses, and \$149,913 in promotion and travel. Stock based compensation for the period totalled \$557,400. The remainder of the proceeds raised was reserved for legal and financing costs related to completion of the Prospectus, office and administration overhead, and geological consulting in preparation for a work program on the Fahiakoba Concession.

Subsequent to period end, the Issuer completed an initial public offering (February 28, 2012) of 4,000,000 Units at \$0.50 for cumulative gross proceeds of \$2,000,000. The Agent received at closing, a cash commission of 7.5% of the gross proceeds; and that number of Agent Warrants that is equal to 7.5% of the number of Offered Securities sold in the Offering. In addition, the Issuer issued to the Agent 150,000 Corporate Finance Shares.

The Issuer has commenced exploration on the Fahiakoba Concession and will carry out a drilling program comprised of 5,000 metres of dominantly diamond drilling, ground geophysics and auger drilling. The Issuer anticipates obtaining financing in the future primarily through further equity financing.

### Selected Financial Information

The following tables summarizes selected financial data from the Issuer's audited financial statements for the period ended January 31, 2012, and should be read in conjunction with such statements and related notes contained therein.

Selected Financial Information	January 31, 2012	
Revenues		Nil
Expenses	\$	1,241,156
Net loss for the period	\$	1,241,156
Current assets	\$	890,275
Deferred financing	\$	31,013
Mineral property acquisition	\$	50,630
Mineral property exploration	\$	231,992
Total assets	\$	1,206,408
Current liabilities	\$	71,504
Working capital	\$	818,771
Shareholders' equity	\$	1,134,904
Basic and diluted loss per Common Share	\$	0.137
Weighted average number of Common Shares outstanding-basic and diluted		9,044,746

### Dividends

There are no restrictions that could prevent the Issuer from paying dividends on its Common Shares. The Issuer has not paid any dividends on its Common Shares and it is not contemplated that the Issuer will pay any dividends in the immediate or foreseeable future. It is the Issuer's intention to use all available cash to finance operations and explore its mineral properties.

### **Results of Operations**

The Issuer's loss from operations for the period ended January 31, 2012 was \$1,241,156 or \$0.137 per Common Share. The Issuer's loss from operations was made up of general and administrative expenses. Among these administrative expenses were audit fees of which \$27,948 was accrued at January 31, 2012. In addition, the Issuer incurred management fees of \$120,000 charged by the Issuer's Chief Executive Officer at a rate of \$15,000 per month from June 1, 2011, and a director at a rate of \$7,500 per month since June 1, 2011. As at January 31, 2012, the Issuer incurred a share-based compensation expense of \$464,400 related to 1,350,000 options granted and vested on October 24, 2011.

The Issuer capitalizes all mineral property acquisition and exploration costs until the properties to which the costs are related are placed into production, sold or abandoned. The decision to abandon a property is largely determined by exploration results and the amount and timing of the Issuer's write-offs of capitalized mineral property costs will vary in a fiscal period from one year to the next and typically cannot be predicted in advance.

During the period ended January 31, 2012, mineral property acquisition and exploration costs totalling \$282,622 were capitalized to mineral properties. Exploration costs consisted of acquisition, aerial survey, auger drilling, associated general and administrative costs and commission of a Technical Report.

### **Summary of Period Results**

See "Selected Information" above.

## Liquidity and Capital Resources

At January 31, 2012, the Issuer had working capital of \$818,771 available to fund its operations and exploration programs. An additional \$2,000,000 (gross proceeds) was raised subsequent to period end, upon completion of the Company's Initial Public Offering.

On June 15, 2011, the Issuer entered into the Purchase Agreement with Goknet to acquire the Fahiakoba Concession, in the Ashanti and Central Regions in the Republic of Ghana, whereby the Issuer acquired a 100% interest in the Fahiakoba Concession (subject to a royalty interest) by paying Goknet the sum of US\$51,976 (C\$50,630) and by agreeing to expend US\$1,000,000 over a five year period. In the event that the Issuer sells its interest in the Fahiakoba Concession within two years from June 15, 2011, it must pay Goknet a sum, in cash, equal to 10% of the sale price. The Issuer also granted Goknet a 3% net smelter return royalty on production from the Fahiakoba Concession.

Any shortfalls in these expenditure commitments could result in the Issuer being in default of the terms of the Purchase Agreement and loss of the property.

Cash used in investing activities for the period ended January 31, 2012 was \$285,129 and consisted of cash spent on mineral property acquisition and exploration costs.

At present, the Issuer's operations do not generate cash flow and its financial success is dependent on management's ability to discover economically viable mineral deposits. The mineral exploration process can take many years and is subject to factors that are beyond the Issuer's control.

In order to finance the Issuer's exploration programs and to cover general and administrative expenses, the Issuer raises money through equity sales. Many factors influence the Issuer's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Issuer's track record, and the experience and calibre of its management. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration activities. Management believes it will be able to raise equity capital as required in the long term, but recognizes there will be risks involved that may be beyond their control.

Cash provided by financing activities for the period ended January 31, 2012 was \$1,787,647 and consisted of cash from private placements of Common Shares at \$0.01, \$0.05 and \$0.25 per Common Share, net of share issue costs and deferred financing costs.

## Off-Balance Sheet Arrangements

The Issuer does not have any off-balance sheet arrangements.

### Additional Disclosure for Venture Issuers without Significant Revenue

Capitalized acquisition and exploration costs for:	January 31, 2012
(a) Fahiakoba Concession	
Acquisition	\$ 50,630
Assays	\$ 18,249
Soil drilling	\$ 45,669
Geology & geophysics	\$ 102,289
General, Administrative	\$ 65,785
<b>TOTAL</b>	<b>\$ 282,622</b>

Estimated total operating costs for the forthcoming twelve months are \$1,350,000 for exploration expenditures on the Fahiakoba Concession and \$858,822 for general and administrative costs. No other funds are projected to be expended on capital expenditures during this time period.

### Outstanding Securities Data

As at May 22, 2012 there are 20,111,000 Common Shares issued and outstanding. There are 10,445,600 Warrants outstanding, comprised of 8,145,600 exercisable at \$0.25 per Common Share (7,835,000 exercisable up to June 10, 2013; 294,600 exercisable up to February 28, 2013; and 16,000 exercisable up to March 14, 2013); 300,000 at \$0.50 per Common Share (exercisable up to February 27, 2012); and 2,000,000 exercisable at \$0.70 per Common Share (exercisable up to February 27, 2014). There are also a total of 1,350,000 incentive options granted to directors, officers and consultants of the Issuer, all exercisable at \$0.75 per Common Share, up to October 24, 2016 and 200,000 options granted to directors of the issuer, exercisable at \$0.75 per Common Share up to April 3, 2017.

### Risks and Uncertainties

See "Risk Factors" below.

### Transactions with Related Parties

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

The following entities transacted with the Issuer in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

#### *Transactions with Key Management Personnel*

The aggregate value of transactions with key management personnel being directors and senior management comprising the Chief Executive Officer and Chief Financial Officer were as follows:

	January 31, 2012
<b>Compensation, for the period ended</b>	
Management fees paid to a company (or companies) controlled by a Director or Officer	\$ 158,345
Share-based compensation	361,200
Total	\$ 519,545

***Transactions with other Related Parties***

The aggregate value of transactions and outstanding balances with related parties were as follows:

	January 31, 2012
<b>Transactions, for the period ended</b>	
Consulting fees for business development paid to a company controlled by a Director or Officer	\$ 60,000.00
Total for services rendered	\$60,000

	January 31, 2012
<b>Related party balances payable, as at</b>	
Amount payable to Directors or Officers at period end	\$ 7,500
	7,500

**Significant Accounting Policies**

*(a) Statement of Compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee (“IFRIC”).

*(b) Basis of Preparation*

These financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial assets at fair value through profit or loss, and available-for-sale which are stated at their fair value. In addition these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

*(c) Financial Instruments*

Non-derivative financial assets:

The Issuer has the following non-derivative financial assets at fair value through profit or loss, available-for-sale financial assets, and loans and receivables.

#### *Financial assets at fair value through profit or loss ("FVTPL")*

Financial assets are designated as at FVTPL if the Issuer manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Issuer's documented risk management or investment strategy. Attributable transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

The Issuer does not have any assets classified as FVTPL financial assets.

#### *Available-for-sale financial assets*

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets as at FVTPL. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The change in fair value attributable to translation differences that result from the amortized cost of the monetary asset is recognized in profit or loss. The change in fair value of AFS equity investments is recognized in other comprehensive income or loss.

The Issuer does not have any assets classified as AFS financial assets.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Cash is classified as loans and receivables.

#### Impairment of financial assets:

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income or loss are reclassified to profit or loss in the period. Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been impacted. For marketable securities classified as AFS, a significant or prolonged decline in the fair value of the securities below their cost is considered to be objective evidence of impairment.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

Non-derivative financial liabilities:

The Issuer has the following non-derivative financial liabilities: accounts payable and accrued liabilities, and balances payable to related parties.

Such financial liabilities are recognized initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

(d) *Mineral Exploration and Evaluation Expenditures*

Pre -exploration Costs

Pre-exploration costs are expensed in the period in which they are incurred.

Exploration and Evaluation Expenditures

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs, are expensed in the period in which they occur.

The Issuer may occasionally enter into farm-out arrangements, whereby the Issuer will transfer part of a mineral interest, as consideration, for an agreement by the transferee to meet certain exploration and evaluation expenditures which would have otherwise been undertaken by the Issuer. The Issuer does not record any expenditures made by the transferee on its behalf. Any cash consideration received from the agreement is credited against the costs previously capitalized to the mineral interest given up by the Issuer, with any excess cash accounted for as a gain on disposal.

When a project is deemed to no longer have commercially viable prospects to the Issuer, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of comprehensive loss/income.

The Issuer assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as 'mines under construction'. Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Issuer currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

(e) *Cash*

Cash in the statement of financial position comprises cash held at a major financial institution which is readily convertible into a known amount of cash. The Issuer's cash is invested in a business account which is available on demand by the Issuer for its program.

(f) *Impairment*

At the end of each reporting period the carrying amounts of the Issuer's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Issuer estimates the recoverable amount of the cash-generating unit to which the asset belongs. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(g) *Share Capital*

Financial instruments issued by the Issuer are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Issuer's common shares, share warrants and options are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(h) *Share-based Payment Transactions*

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive loss/income over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of

whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are reflected in reserves, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in reserves is credited to share capital, adjusted for any consideration paid.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Issuer immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

*(i) Income Taxes*

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized in other comprehensive income or loss or directly in equity, in which case it is recognized in other comprehensive income or loss or equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided using the balance sheet liability method, providing for unused tax loss carry forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and differences relating to investments in subsidiaries, associates, and joint ventures to the extent

that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period applicable to the period of expected realization or settlement.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Issuer intends to settle its current tax assets and liabilities on a net basis.

*(j) Restoration, Rehabilitation, and Environmental Obligations*

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss.

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Issuer have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Issuer are not predictable.

The Issuer has no material restoration, rehabilitation and environmental obligations as the disturbance to date is insignificant.

*(k) Loss per Share*

The Issuer presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Issuer by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

(l) *Deferred financing costs*

Costs directly identifiable with the raising of capital will be charged against the related capital stock. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related capital stock or charged to operations if the shares are not issued.

(m) *Segment Reporting*

The Issuer operates in a single reportable operating segment - the acquisition, exploration and development of mineral properties in Ghana.

The Issuer's only mineral property interest, the Fahiakoba Concession is located Ghana, West Africa.

(n) *Significant Accounting Estimates and Judgments*

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

*Critical accounting estimates*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i. the recoverability of amounts receivable which are included in the statements of financial position;
- ii. the carrying value and the recoverability of the carrying value of the mineral property interest included in the statements of financial position;
- iii. the inputs used in accounting for share-based compensation expense in loss; and
- iv. the provision for the income tax expense which is included in profit or loss and the composition of deferred income tax liabilities included in the statements of financial position.

*Critical accounting judgments*

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves assessments made by management.

(o) *New accounting pronouncements*

Certain new accounting standards and interpretations have been published that are not mandatory for the January 31, 2012 reporting period. The following standards are assessed not to have any impact on the Issuer's financial statements:

- IFRS 9, Financial Instruments: effective for accounting periods commencing on or after January 1, 2013.

### **Financial Risk Management**

The Issuer is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

#### *Credit Risk*

Credit risk is the risk of potential loss to the Issuer if a counterparty to a financial instrument fails to meet its contractual obligations. The Issuer's credit risk is primarily attributable to its liquid financial assets, including cash, amounts receivable and balances receivable from related parties. The Issuer limits the exposure to credit risk by only investing its cash and cash equivalents with high-credit quality financial institutions in business and saving accounts, guaranteed investment certificates, and in government treasury bills which are available on demand by the Issuer.

#### *Liquidity Risk*

Liquidity risk is the risk that the Issuer will not be able to meet its financial obligations when they become due. The Issuer ensures, as far as reasonably possible, it will have sufficient capital in order to meet short to medium term business requirements, after taking into account cash flows from operations and the Issuer's holdings of cash and cash equivalents. The Issuer's cash and cash equivalents are currently invested in business accounts which are available on demand.

#### *Foreign Exchange Risk*

The Issuer is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates.

#### *Interest rate risk*

The Issuer is subject to interest rate risk with respect to its investments in cash. The Issuer's policy is to invest cash at fixed rates of interest and cash reserves are to be maintained in cash and cash equivalents in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates when the cash and cash equivalents mature impact interest income earned. The Issuer is not exposed to significant interest rate risk.

#### *Commodity Price Risk*

While the value of the Issuer's only mineral resource property, Fahiakoba Concession, is related to the price of gold, the Issuer currently does not have any operating mines and hence does not have any hedging or other commodity based risks in respect of its operational activities.

Gold prices have historically fluctuated widely and are affected by numerous factors outside of the Issuer's control, including, but not limited to, industrial and retail demand, central bank lending, forward sales by producers and speculators, levels of worldwide production, short-term changes in

supply and demand because of speculative hedging activities, and certain other factors related specifically to gold.

#### *Capital Management*

The Issuer's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. The capital structure of the Issuer consists of equity, comprising share capital, net of accumulated deficit.

There were no changes in the Issuer's approach to capital management during the year. The Issuer is not subject to any externally imposed capital requirements.

#### *Fair Value*

The fair value of the Issuer's financial assets and liabilities approximates the carrying amount. Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - Inputs that are not based on observable market data.