

**JAYDEN RESOURCES INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND
RESULTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2012**

The following Management's Discussion and Analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations of Jayden Resources Inc. ("Jayden" or the "Company") as at March 31, 2012 and for the three month period then ended in comparison to the same period in 2011.

This MD&A should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2011 and supporting notes. These financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

All monetary amounts are in Canadian dollars unless otherwise specified. The effective date of this MD&A is May 14, 2012. Additional information relating to the Company is available on SEDAR at www.sedar.com.

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1. Overview

Jayden is a mineral exploration company engaged in resource exploration and project development. In this regard, the Company's plan is to acquire properties of merit and take them through the exploration phase and hopefully through feasibility and on to construction and production.

Jayden is in the advanced stage of exploration on its 80% owned Silver Coin Property. The Silver Coin Property is located approximately 25 kilometres by road north of Stewart, British Columbia in the Skeena Mining Division of British Columbia and consists of 39 claims totalling 1470 net Ha.

Since 2004, the Company, along with its joint venture partner Mountain Boy Minerals Ltd. ("Mountain Boy") has conducted extensive exploration as well as environmental, metallurgical and resource studies on its Silver Coin Property. In April 2007, Minefill Services calculated a NI 43-101 compliant resource on the Silver Coin Property. Subsequently, the Company conducted aggressive drill campaigns in 2007 and 2008. In December of 2009 Tetra Tech Inc. completed a NI 43-101 compliant Preliminary Economic Assessment, incorporating the new drill holes and issued an update to this report on March 12, 2010.

The Company completed a drill program in September of 2010 with the objectives of confirming historical drill results, filling in undrilled portions of the mineralization, extending the mineralization to the north of the existing resource and obtaining fresh core for continued metallurgical testing. Based on this new drilling, the Company contracted Minarco MineConsult to complete an updated NI 43-101 compliant Technical Report and Preliminary Economic Analysis with an updated resource which was issued April 13, 2011.

Jayden began a significant drill program in May 2011 with the principal objective of reducing hole spacing in the main resource area. This program was completed in September of 2011 with a total of 109 core holes drilling 17,468m. In addition to Jayden's normal core logging/QAQC and assay procedures the Company also determined specific gravity for a representative sample of much of the 2011 core to bolster the Company's engineering data.

The Company delivered assay data for the 2011 program to Minarco-MineConsult for a new resource calculation and those results are anticipated by the end of the second quarter.

Jayden has conducted the majority of its exploration on its properties using third party geological consultants and subcontractors for its exploration.

The Company is taking additional steps to advance the Silver Coin Property toward production. These include contracting AMEC Earth and Environmental to continue environmental baseline studies begun in 2009 by Cambria Gordon Ltd. This baseline environmental study will be part of the Company's future effort to complete an Environment Assessment and obtain permits to build and operate the project.

Metallurgical test work, including comminution testing, continues to support the Company's belief that the Silver Coin mineralization can be effectively treated using standard milling practices. During 2011 the Company conducted an aggressive metallurgical test program, the results of which are currently being reviewed. The test work has confirmed the Company's previous favourable recovery estimates and confirmed that a gravity circuit may be useful in recovering free gold and electrum, that a bulk sulphide concentrate will recover very high percentages of the gold and silver and that concentrate can be treated effectively by cyanide to recover an overall 87% of the gold and roughly 50% of the silver in a dore.

2. Highlights for the three months ended March 31, 2012

- Jayden granted 5,250,000 stock options to directors, officers and consultants at an exercise price of \$0.15 per share for a period of five years.
- Jayden entered into an asset purchase agreement with Decade Resources Ltd. ("Decade") to acquire Decade's Grassy 1 and Grassy 2 mineral claims which adjoin the eastern edge of the Silver Coin Property. Under the terms of the agreement the Company must pay \$60,000 to Decade by December 31, 2012.

3. Results of operations for the three months ended March 31, 2012

The following table sets forth selected consolidated information for the three months ended March 31, 2012, 2011 and 2010.

For the three months ended March 31,	2012	2011	2010
Financial results:			
Net (loss) for the period	\$ (756,001)	\$ (675,054)	\$ (302,607)
Basic and diluted gain (loss) per share	(0.03)	(0.04)	(0.00)
Balance sheet data:			
Cash and cash equivalents	1,037,599	885,824	319,060
Mineral properties	15,541,965	10,430,849	8,902,872
Net current assets	1,299,811	816,770	375,101
Shareholders' equity	17,013,320	11,450,118	9,426,464
Cash flow data:			
Exploration expenditures	(265,636)	(135,161)	(160,980)
Common share proceeds (gross)	-	1,148,000	-

Because the Company is an exploration company, it has no revenue from mining operations.

The table below sets forth selected results of operations for the Company's eight most recently completed quarters.

	Mar 30, 2012	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 30, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010
Net loss	(756,001)	(362,710)	(171,801)	(442,168)	(675,054)	(891,688)	(768,591)	(2,745,086)
Basic and diluted loss per share	(0.03)	(0.00)	(0.00)	(0.00)	(0.04)	(0.01)	(0.00)	(0.02)
Write-down of interests in mineral properties	-	-	-	-	-	-	-	-
Share-based payments	487,100	46,600	-	-	-	-	-	1,630,317
Total assets	17,224,905	17,473,443	18,032,549	14,821,649	12,123,702	11,455,807	13,053,465	13,145,806
Working capital	1,299,811	1,849,833	2,858,516	990,007	816,770	585,506	1,874,031	3,302,186

Quarter ended March 31, 2012 compared to quarter ended March 31, 2011

For the three-month period ended March 31, 2012, the Company recorded a net loss of \$756,001 compared to \$675,054 in the comparable period in the prior year. The increase in net loss from the period in the prior year is attributable to the period's share-based compensation of \$487,100. Without this expense the net loss for the three months ended March 31, 2012 would only be \$268,901, a significant decrease from the prior year's period indicating a decrease in all categories with the exception of a small increase in depreciation, investor relations and staff costs.

The Company started 2012 with a working capital of \$1,849,833 and by the end of the three-month period ended March 31, 2012 this position has decreased to \$1,299,811, a net decrease of \$550,022 which is accounted for as approximately 50% general administration expenses and 50% exploration and evaluation expenditures in the quarter.

3.1 Exploration projects

3.1.1 Silver Coin Property:

GEOLOGY

The Silver Coin Property covers an area of Lower-Jurassic Age, intensely altered intermediate volcanic rocks. Detailed regional and property scale geologic mapping conducted by government and Company-contracted geologists indicates that the area was a regional paleotopographic high with a stratovolcano centered on the nearby Mount Dilworth. The rocks are cut by a variety of intrusive rocks of both early Jurassic and Eocene Age. During the 2011 field season, the Company conducted detailed geologic mapping of the lithology, alteration and structure of the main resource area. This work confirmed several of the working theories related to controls on the mineralization but also added important new insights on the alteration and structure that may control mineralization.

HISTORY

In 1991, Silver Coin was operated as an underground mine and produced 102,539 tonnes at an average grade of 8.9 g/t Au and 55.50 g/t Ag from the high-grade Facecut Zone, located on the Big Missouri claim. This ore was processed at the nearby Silbak Premier Mill.

Prior to the Company's participation in the Silver Coin Property, a total of 422 holes were drilled with an aggregate depth of approximately 37,401 meters. This historic drilling included 293 underground drill holes with an aggregate depth of approximately 17,500 meters during the period from 1988 to 1994.

In 2004, the Company entered into a joint venture agreement with Mountain Boy Minerals Ltd and since June 2006, the Company has been the operator of the Silver Coin Property, with Mountain Boy serving in advisory and contractor capacities only. Mountain Boy was granted a first right to negotiate contracts to provide services in connection with exploration and development work on the Silver Coin Property and this has proven very beneficial to the Company because of their extensive local knowledge and capability.

In 2010, the Company contracted AMEC Earth and Environmental to continue with environmental baseline studies started in 2009 by Cambria Gordon Ltd. AMEC has since expanded the water sampling and hydrology program and importantly, confirmed Cambria Gordon's conclusion that No Name Lake is non-fish-bearing. To RIC standards, No Name Lake, a potential site for tailings placement, is devoid of fish and thus remains a potentially viable option for design and operation of the project. AMEC is focusing on surface hydrology studies to characterize flow rates in several critical streams on the property, surface water quality of these streams and confirmation studies

of the fish-bearing status of No Name Lake. AMEC has also installed a continuously monitoring weather station on the property to establish baseline air quality and climate data for the project.

Also in 2010, the Company drilled 18 holes totaling 2807 meters with the objective of confirming historical drilling, better understanding the geology and expanding the resource. Based on these new drill results the Company completed a 43-101 compliant Technical Report and Preliminary Economic Analysis dated April 13, 2011. This updated resource estimate represents an overall increase in the average gold grade of 10.9 per cent and an 11.1-per-cent increase in the number of resource ounces previously reported, from 191,300 measured ounces, 644,300 indicated ounces and 655,200 inferred ounces, to 218,410 measured ounces, 624,006 indicated ounces and 813,273 inferred ounces. The updated resource estimate incorporates a total of 732 drill holes (88,645 metres) plus 76 trenches (1,447 metres).

Silver Coin hosts a gold-silver-zinc resource containing a 43-101 resource of 24.13 million tonnes grading 1.08 g/t gold for a total of 842,416 ounces of gold, 4.45 million ounces of silver and 91.17 million pounds of zinc in the measured and indicated categories at a 0.3 gram gold per tonne cut-off grade. The estimated inferred resources comprise an additional 813,273 ounces of gold, 6.69 million ounces of silver and 128 million pounds of zinc. Minarco MineConsult of Beijing, China estimated the resource in a technical report dated April 13, 2011 as follows:

0.3 gt Au Cut-off	Tonnes	Au (g/t)	Ag (g/t)	Zn (%)	Au (oz)	Ag (oz)	Zn (lbs)
Measured	4,372,225	1.55	6.53	0.26	218,410	918,417	25,531,741
Indicated	19,759,025	0.98	5.57	0.15	624,006	3,537,769	65,642,277
M&I	24,131,250	1.08	5.74	0.17	842,416	4,456,186	91,174,018
Inferred	32,443,840	0.78	6.41	0.18	813,273	6,691,185	128,006,920

2011 WORK

In May of 2011, the Company began a drilling program with objectives that included upgrading the inferred resource ounces to the indicated or measured classification, collecting fresh core for metallurgical testing and enhancing the understanding of the geology of the deposit. That drill program was completed in September of 2011 and included 109 holes totalling 17,468m.

During 2011 the Company also advanced metallurgical test work and site-based environmental baseline studies as well as initiated work on detailed site engineering studies.

2011 DRILLING

During the summer of 2011, the Company drilled 109 holes totalling 17,468m. The drill program was successful in drilling significant widths of good grade gold and silver mineralization. Highlights from the program include:

DHID	From	To	Interval	Gold Weighted Average (g/T)	Silver Weighted Average (g/T)	Gold Weighted Average (oz.t)	Silver Weighted Average (oz.t)
SC11-328	41.2	57.68	16.48	1.553	6.625	0.045	0.193
SC11-334	8.2	35.91	27.71	1.334	7.609	0.039	0.222
SC11-341	89.57	106	16.43	2.673	14.247	0.078	0.416
SC11-350	99.2	104.3	5.1	4.235	13.261	0.124	0.387

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SC11-351	93.5	150.16	56.66	1.476	4.714	0.043	0.138
SC11-351	189.67	202.69	13.02	2.743	3.761	0.080	0.110
SC11-353	171.05	174.12	3.07	18.747	11.768	0.547	0.343
SC11-354	113.37	129.87	16.5	2.109	16.577	0.062	0.483
SC11-354	143.64	152.42	8.78	2.044	9.038	0.060	0.264
SC11-356	136.25	148.44	12.19	1.188	4.711	0.035	0.137
SC11-356	153.18	160	6.82	2.290	6.980	0.067	0.204
SC11-356	185.93	192.27	6.34	3.701	10.895	0.108	0.318
SC11-357	91.5	94.5	3	24.964	14.650	0.728	0.427
SC11-357	184	200.56	16.56	3.250	10.815	0.095	0.315
SC11-357	204.35	208.85	4.5	2.134	5.267	0.062	0.154
SC11-358	91.5	117	25.5	1.851	3.375	0.054	0.098
SC11-358	133	161.35	28.35	1.252	4.764	0.037	0.139
SC11-358EXT	133	162.87	29.87	1.158	2.050	0.034	0.060
SC11-358EXT	158	159.56	1.56	4.319	2.800	0.126	0.082
SC11-359	112.72	122	9.28	2.596	10.374	0.076	0.303
SC11-360	14.15	24.34	10.19	2.156	7.411	0.063	0.216
SC11-361	58.04	66	7.96	25.239	34.726	0.736	1.013
SC11-362	146	157.6	11.6	2.495	10.265	0.073	0.299
SC11-363	128	155.02	27.02	5.717	13.879	0.167	0.405
SC11-363	156.4	170.84	14.44	1.654	5.873	0.048	0.171
SC11-363	173.5	191	17.5	1.753	4.804	0.051	0.140
SC11-365	89.46	93.49	4.03	3.796	11.191	0.111	0.326
SC11-367	58	80.66	22.66	1.152	4.853	0.034	0.142
SC11-368	128.5	131.56	3.06	7.154	22.348	0.209	0.652
SC11-370	198.1	210.5	12.4	0.940	3.243	0.027	0.095
SC11-370	235.95	249.33	13.38	2.816	34.248	0.082	0.999
SC11-373	247.8	248.76	0.96	13.630	83.900	0.398	2.447
SC11-376	44.5	46	1.5	9.900	5.200	0.289	0.152
SC11-404	64.46	80.58	16.12	7.104	10.768	0.207	0.314
SC11-409	15.24	21	5.76	2.687	47.630	0.078	1.389
SC11-409	26.7	29.98	3.28	3.542	118.630	0.103	3.460
SC11-417	58.71	71.16	12.45	3.643	22.107	0.106	0.645
SC11-417	82.97	89	6.03	7.919	28.684	0.231	0.837
SC11-421	42	51	9	1.642	62.052	0.048	1.810
SC11-422	18.29	25.36	7.07	2.079	10.537	0.061	0.307
SC11-422	30.18	33.22	3.04	6.902	32.200	0.201	0.939
SC11-424	78.45	96.93	18.48	11.684	18.885	0.341	0.551
SC11-425	35.97	45.11	9.14	5.102	21.881	0.149	0.638
SC11-431	5.33	8.68	3.35	5.595	41.847	0.163	1.221
SC11-433	40.53	43.58	3.05	5.668	16.711	0.165	0.487
SC11-434	46.44	49	2.56	7.959	47.965	0.232	1.399
SC11-437	39.7	46.66	6.96	4.339	14.609	0.127	0.426
SC11-437	112.54	117	4.46	14.979	60.272	0.437	1.758
SC11-438	66.57	69.49	2.92	6.612	9.547	0.193	0.278
SC11-439	125.07	126.57	1.5	5.224	22.100	0.152	0.645
SC11-439	147	148.5	1.5	21.220	9.800	0.619	0.286
SC11-440	33.53	37.05	3.52	6.787	30.132	0.198	0.879

In 2011, the Company also advanced metallurgical studies that incorporate lower sample head grades that are closer to the expected ore grades for an expanded resource model scenario. The recently completed laboratory testing used a blended master composite sample (1.2 g/t Au, 4 g/t Ag) and other variability samples (grading from 0.5 g/t to 2.5 g/t Au) obtained from drill core intervals. These samples were used to simulate the response that would be expected in processing such ore by gravity and flotation, with the option of cyanide leaching of the flotation concentrate.

These recent preliminary metallurgical results indicate the lower grade feeds responded very well to standard flotation procedures. Further, the test data indicates that gravity pre-treatment is effective in recovering coarse gold and electrum which in turn improves the gold and silver leach response. The combined gravity and flotation recovery is expected to be approximately 96% for gold and 87% for silver. Leach recovery of the sulphide concentrate varied, with gold dissolution ranging from 85% to 95%, with lower grade concentrates trending toward the lower recoveries. Silver leach dissolution rates ranged from 40% to 60%. A typical flotation concentrate might be expected to grade 29 g/t Au and 93 g/t Ag, contained in less than 5% of the original feed weight, thereby greatly reducing the size of a leach circuit. Optionally, with additional flotation cleaning the final concentrate can be upgraded further to as little as 2% of the original feed weight. This indicates excellent upgrading potential which may allow the Company the option to sell or treat the concentrate offsite. In summary, the preliminary metallurgical testing shows excellent flotation response that allows for a variety of process options to be considered in advancing the project.

Environmental baseline studies are continuing on the site including a continuously recording meteorological station and certain improvements have been made to expand the data we collect from our network of stream sites.

In 2011, the Company initiated infrastructure studies to model potential locations for such facilities as buildings, roads, waste disposal and tailings. These studies also included road access to the site and delivery of electric power. These inputs will support ongoing technical and economic studies.

The location of Silver Coin is ideal for the construction of a potential open pit mining operation. The Granduc Road passes through the property, linking Silver Coin with the deep water seaport at Stewart, B.C.

Long Lake Hydro is a private company developing a significant hydroelectric power project that will produce power year around from turbines less than four kilometers from or proposed plant site. New, public BC Hydro lines will connect to the turbines and the Company will have access to dependable public utility power within a few kilometers of the property with minimal capital expenditure.

During 2011 the Company made several important advances in its ownership of the project. These include the acquisition of the 4 large INDI claims from Nanika Resources and the addition of a number of cell claims staked by the Company both within and peripheral to the core claim block. Also during 2011, the Company completed its required expenditure of \$4 million on the project to earn the additional 10% to bring its total ownership in Silver Coin to 80%. To allow greater flexibility in future operational planning, the Company entered into an option to purchase the two Grassy claims from Decade Resources. These claims are east of and contiguous to the main Silver Coin block and can provide additional space for future operations at the site.

Hydrology studies continued during the 2011 field season. The Company intends to resume baseline studies for 2012 field season.

To advance understanding of important development aspects of Silver Coin, the Company contracted All North Consultants Ltd to initiate detailed infrastructure studies such as road access, building design and location, routing between the proposed open pit mine and the mill and waste facilities, design of an electric transmission line to bring power to the project from the Long Lake Hydro turbines and associated costs for all this construction and infrastructure development.

The Company also expanded the scope of work from AMEC to include detailed design of waste rock facilities and tailings impoundments based on recent work by Minarco to develop a mine and mill plan for the project.

In summary, the Silver Coin Property hosts substantial gold and silver resources, it is amenable to low cost open pit mining, the metallurgy of the mineralization is excellent offering high recoveries and flexible options for concentrate treatment, it is road accessible and reliable electric power is available just a few kilometers from the site. The Company is currently conducting engineering studies designed to advance the project and demonstrate its economic viability.

3.1.2 Surprise Creek Property

Located 32 km northeast of Stewart, BC, in the Bear River pass near Surprise Creek, the Company acquired 24 claims in 2003 and subsequently staked more claims adjacent to the property. The property has had very little exploration in the last 30 years and only sporadic work efforts since the early 1900s. The Company evaluated and dropped some of its claims and presently has 19 claims covering roughly 7,500 hectares. The property follows the contact zone between the Mt. Dilworth rhyolite and overlying Salmon River sedimentary formations, the same stratigraphic sequence that is host to numerous gold deposits including Eskay Creek, Snip and Premier and Big Missouri Mines. The rhyolite horizon was traced along the entire north-south length of the Surprise Creek claim group.

In July of 2006 some surface reconnaissance was carried out on the property by Company geologists. In July 2007 the Company completed a four-hole drilling program of approximately 2000 meters. The results helped the Company to understand the general geology and serve as a guide to future drilling. No work was carried out on the Surprise Creek Property in 2008 or 2009.

In May 2010, the Company optioned the Surprise Creek Property to Great Bear Resources Ltd. for consideration of \$150,000 and 700,000 shares (200,000 shares received) to be issued over 2 years. The Company has reserved a 1.0% net smelter returns royalty of the claims.

In September 2010, the Company sold its 100% interest and title to 0891596 B.C. Ltd. for \$5,000. All of Great Bear Resources Ltd.'s option and obligations are still outstanding and payable to the Company

4. Liquidity and capital resources

The following table summarizes the Company's cash on hand, working capital and cash flow

As at March 31,	<u>2012</u>	<u>2011</u>
Cash and equivalents	\$ 1,037,599	\$ 885,824
Working capital	1,299,811	816,770
Period ended March 31,	<u>2012</u>	<u>2011</u>
Cash used in operating activities	(234,649)	(544,233)
Cash used in investing activities	(265,092)	(142,492)
Cash provided by financing activities	-	1,148,000
Change in cash	<u>\$ (499,741)</u>	<u>\$ 461,275</u>

The Company is dependent on the sale of treasury shares to finance its exploration activities, property acquisition payments and general and administrative costs. The Company required additional funds in 2011 to continue its exploration program and during year ended December 31, 2011 received \$7,894,701 upon the exercise of warrants.

To maintain the Silver Coin Property in good standing, no work or payments are required on the majority of the claims until October 2017, with the exception of the Kansa claim which is a Crown Grant and therefore subject to an annual tax payment of \$24. Several recently acquired cell claims, which overlie some of the older Silver Coin legacy claims, have annual payments due in October 2012 and September 2013.

Jayden's completed its 2011 plans of reducing drill-hole spacing, preliminary metallurgical test-work, initiating mine planning and baseline environmental studies, continued surface geologic mapping, and securing adequate supplies of water and power. These items are required for the project to proceed toward feasibility.

At March 31, 2012, the Company had no loans payable.

The Company will need to continue to raise more funds in order to proceed with its exploration plans.

4.1.1. Share capital

The Company has an authorized share capital of an unlimited number of common shares of which 251,396,301 shares were issued and outstanding at the end of March 31, 2012.

In May 2010, the Company completed a rights offering in which one right was issued for each share held, where each right entitled the holder to acquire an additional common share for \$0.05. A total of 91,576,134 shares were issued raising gross proceeds of \$4,578,807. Share issue costs of \$3,684,062 were incurred. Progress Advanced Holdings Ltd. ("Progress Advanced") agreed to provide a standby commitment under which it would purchase any common shares that were not otherwise subscribed for under the rights offering prior to the expiry time. In consideration, Progress Advanced was granted 22,894,033 warrants where each warrant entitled the company to purchase an additional common share at \$0.05 for a period of six months from the closing, subsequently extended to September 30, 2011. The fair value of these warrants was \$3,449,070 which was accounted for as part of the total share issue costs.

In October 2011, the Company issued 67,894,033 shares resulting from 45,000,000 share purchase warrants exercisable at a price of \$0.15 per share and 22,894,033 share purchase warrants exercisable at a price of \$0.05 per share being exercised for gross proceeds of \$7,894,701.

The Company has no full share equivalent warrants outstanding as of March 31, 2012 and December 31, 2011.

The Company has no shares remaining in escrow at March 31, 2012.

The Company has a stock option plan whereby the maximum number of shares subject to the plan, in the aggregate, shall not exceed 10% of the Company's issued and outstanding shares. The maximum term of any option will be ten years and the vesting is at the direction of the board, however, options granted to consultants performing "investor relations' activities" must at a minimum vest in stages over a period of not less than twelve months, with no more than ¼ of the options vesting in any three month period or such longer period as the board determines. The exercise price shall be no less than the discount market price as determined in accordance with TSE policies.

In October 2011, the Company granted 400,000 stock options to a consultant of the Company exercisable for 2 years at an exercise price of \$0.20 per share. During the year ended December 31, 2011, 720,000 stock options expired.

In January 2012, the Company granted 5,250,000 stock options to directors, officers and consultants at an exercise price of \$0.15 per share for a period of five years.

At the end of the three months ending March 31, 2012, a total of 18,005,000 options were outstanding and exercisable at prices ranging from \$0.20 to \$0.40 per share. The weighted average exercise price is \$0.19 per share. The maximum number of shares subject to the plan, in the aggregate may not exceed 10% of the Company's issued shares. The Company uses the Black-Scholes option pricing model to estimate the fair value of the options.

During the three months ended March 31, 2012 the Company recognized \$487,100 (2011 - \$nil) of share-based compensation expense. The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following weighted average assumptions:

	<u>2012</u>
Risk-free interest rate	1.26%
Dividend yield	Nil
Expected volatility	112%
Expected option life	5.0 years

Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a realistic measure of fair value of the Company's stock options and warrants at the date of the grant or thereafter.

4.1.2. Contractual commitments

The Company entered into consulting contracts providing the following services:

	Monthly Fee	Service Provided
	\$	
Baron Global Financial Canada Ltd. (June 2011)	10,000	Corporate advisor
James Andrew & Company (June 2011)	6,000	Consultant
Lawrence A. Dick Consulting Ltd. (June 2011)	3,000	Consultant
Robert Perry Consulting LLP (June 2011)	US\$13,000	Geological services
TransMax Investing (June 2011)	10,000	Management

5. Related party transactions

(a) Related party expenses

The Group incurred the following material related party transactions during the respective periods:

Services provided for the period ended March 31, 2012	Management services	Consulting and advisory services	Rent and office expenses
	\$	\$	\$
Baron Global Financial Canada Ltd. (1)	19,500	-	10,500

Services provided for the year ended December 31, 2011	Management services	Consulting and advisory services	Rent and office expenses
	\$	\$	\$
Baron Global Financial Canada Ltd. (1)	78,000	-	42,000
Baron Asia Limited (2)	-	-	20,742

- (1) Mr. Herrick Lau Mong Tak and Mr. David Arthur Eaton, directors of the Company, were the vice president of corporate finance and managing director of Baron Global Financial Canada Ltd, respectively.
- (2) Ms. Letty Wan Ho Yan, a director of the Company, has indirect controlling equity interest in Baron Asia Limited.

According to the commercial agreements between the Company and the related companies, the transactions with Baron Global Financial Canada Ltd. and Baron Asia Limited. will continue after the reporting date until the expiry of the commercial agreements. The commercial agreements for other related party transactions had been terminated during the years. The directors of the Company are of the opinion that the related party transactions were conducted on normal commercial terms and in the ordinary and usual course of the Group's business.

(b) Compensation of key management personnel

Key management personnel are the directors of the Company whose compensation included in staff costs comprised the following:

	Three months ended March 31, 2012	Year ended December 31, 2011
	\$	\$
Employees' remuneration summary		
Salaries and other benefits	69,033	253,934
Director's fees	23,224	23,675
Share-based payments	357,280	-
	<u>449,537</u>	<u>277,609</u>

All related party transactions have been recorded at the exchange amount, which is the amount of consideration established and agreed to between the related parties.

6. Adoption of accounting standards and pronouncements under IFRS

Future accounting changes

The following pronouncements from the IASB will become effective for financial reporting periods beginning on or after January 1, 2013 and have not yet been adopted by the Company. All of these new or revised standards permit early adoption with transitional arrangements depending upon the date of initial application.

- IFRS 9, *Financial Instruments* addresses the classification and measurement of financial assets.
- IFRS 10, *Consolidated Financial Statements* builds on existing principles and standards and identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company.
- IFRS 11, *Joint Arrangements* establishes the principles for financial reporting by entities when they have an interest in arrangements that are jointly controlled.
- IFRS 12, *Disclosure of Interest in Other Entities* provides the disclosure requirements for interests held in other entities including joint arrangements, associates, special purpose entities and other off balance sheet entities.
- IFRS 13, *Fair Value Measurement* defines fair value, requires disclosure about fair value measurements and provides a framework for measuring fair value when it is required or permitted within the IFRS standards.
- IAS 19, *Employee Benefits* revises the existing standard to eliminate options to defer the recognition of gains and losses in defined benefit plans, requires remeasurements of a defined benefit plan's assets and liabilities to be presented in other comprehensive income and increases disclosure.
- IAS 27, *Separate Financial Statements* revised the existing standard which addresses the presentation of parent company financial statements that are not consolidated financial statements.
- IAS 28, *Investments in Associate and Joint Ventures* revised the existing standard and prescribes the accounting for investments and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

The IASB also issued *Presentation of Items of Other Comprehensive Income*, an amendment to IAS 1 *Financial Statement Presentation*. The amendment addresses the presentation of other comprehensive income and requires the grouping of items within other comprehensive income that might eventually be reclassified to the profit and loss section of the income statement. The change becomes effective for financial years after July 1, 2012 with earlier adoption permitted.

Information on new and amended IFRSs that are expected to have an impact on the Group's accounting policies is provided in note 2(b) of the most recent annual consolidated financial statements as at and for the year ended December 31, 2011.

The directors are in the process of assessing the impact of other new or revised IFRSs upon initial adoption. So far, the directors anticipate that the application of these IFRSs is unlikely to have a significant impact on the Group's results and financial positions.

7. Financial instruments

(a) Categories of financial instruments

The Company's financial instruments are classified as follows:

	At March 31, 2012	At December 31, 2011
	\$	\$
Financial assets		
Available-for-sale investments	47,088	37,318
At amortized cost		
Cash and cash equivalents	1,037,599	1,537,340
	<u>1,084,687</u>	<u>1,574,658</u>
Financial liabilities		
At amortized costs		
- Payables and accruals	(195,893)	(182,363)
- Amount due to related companies	(15,692)	(18,629)
	<u>(211,585)</u>	<u>(200,992)</u>

(b) Fair value

Except for available-for-sale financial assets, the fair value of all the financial instruments of the Company approximates their carrying value because of the demand nature or short-term maturity of these instruments.

The fair value of available-for-sale financial assets is determined by prices from observable current market transactions.

(c) Financial risk management objectives and policies

The Company's financial instruments include cash, investments, trade and other receivables, and payables and accruals. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Currency risk

Cash held in foreign currencies other than the Canadian dollar is subject to currency risk. The Company does not enter into derivative financial instruments to mitigate this risk but the Company does not believe its net exposure to foreign exchange risk is significant.

The following table details the Company's sensitivity to a 10% increase or decrease in the Canadian dollar against the foreign currency denominated monetary items above. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign currency rates. A positive number indicates a decrease in loss for the year where the foreign currencies strengthen against the Canadian dollar. The opposite number will result if the foreign currencies depreciated against the Canadian dollar.

	Three months ended		Year ended	
	March 31,		December 31,	
	2012		2011	
	USD	Other	USD	Other
	\$	\$	\$	\$
Effect on loss after tax for the year and retained profits				
- The Group	716	26,010	(923)	(30,612)

(ii) Credit risk

The Company's cash is held in large Canadian and Hong Kong financial institutions. The Company does not have any asset-backed commercial paper. At March 31, 2012 the Company's receivables consist of GST/HST receivable due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to its financial instruments is minimal.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is a very limited interest rate risk as the Company holds no interest bearing financial obligations or assets.

(iv) Liquidity risk

The Company has net current assets amounted to \$1,511,396 at March 31, 2012 and is exposed to liquidity risk of being able to raise sufficient funds to meet its financial obligations when they fall due. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

(v) Price risk

The ability of the Company to explore its mineral properties and the future profitability of the Company are directly related to the market price of precious metals. The Company monitors precious metal prices to determine the appropriate course of action to be taken by the Company.

The Company's investments are subject to ongoing fair value fluctuations from changes in equity and commodity markets.

IFRS 7 establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy.

	At March 31, 2012			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Assets:				
Available-for-sale investments				
- listed equity securities, at fair value	47,088	-	-	47,088
	47,088	-	-	47,088
Assets:				
Available-for-sale investments				
- listed equity securities, at fair value	37,318	-	-	37,318
	37,318	-	-	37,318

8. Internal control over financial reporting

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of the Company, together with the Company's management, are responsible for the information disclosed in this MD&A and in the Company's other external disclosure documents. For the period ended March 31, 2012, the CEO and the CFO have designed, or caused to be designed under their supervision, the Company's disclosure controls and procedures ("DCP") to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries has been disclosed in accordance with regulatory requirements and good business practices and that the Company's DCP will enable the Company to meet its ongoing disclosure requirements.

The CEO and CFO have evaluated the effectiveness of the Company's DCP and have concluded that the design and operation of the Company's DCP were effective as of March 31, 2012 and that the Company has the appropriate DCP to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable.

The CEO and the CFO are also responsible for the design of the internal controls over financial reporting ("ICFR") within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS"). During 2010, the Company engaged an international business advisory firm to assess the effectiveness of the Company's ICFR.

During the design and evaluation of the Company's ICFR, management identified certain non-material deficiencies, a number of which have been addressed or are in the process of being addressed in order to enhance the Company's processes and controls. The Company employs entity level and compensating controls to mitigate any deficiencies that may exist in its process controls. Management intends to continue to further enhance the Company's ICFR.

The Company's management, including its CEO and CFO, believe that any DCP and ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override to the future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

There have been no changes in the Company's ICFR during the period ended March 31, 2012 that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

9. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Depreciation

The Company's management exercises its judgement in estimating the useful lives of the depreciable assets. The estimated useful lives reflect the management's estimate of the periods the Company intends to derive future economic benefits from the use of these assets. The Company depreciates its property, plant and equipment in accordance with the accounting policies. The carrying amount of the property, plant and equipment is disclosed in note 9 of its condensed consolidated interim financial statements.

Asset retirement obligations

The Company recognizes the liability for an asset retirement obligation. The relevant costs in associated with the assets retirement obligations are estimated based on the Company's interpretation of current regulatory requirements. Based on the assessment, the Company did not have any significant asset retirement obligations at the reporting dates.

Critical judgements in applying the Company's accounting policies

The following is the critical judgement, apart from those involving estimations that management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Exploration and evaluation assets

When there are events or changes in the circumstances which indicate the carrying amount of the exploration and evaluation assets may not be recoverable, the Company will take into consideration of the recoverable amounts of the relevant cash generating unit ("CGU"). After taking into account the current economic environment, the management reviews the developing projects and exploration plans and confirms that there is no indicator for impairment on the exploration and evaluation assets of the Group at the reporting dates.

Impairment of available-for-sale investments

For available-for-sale investments, a significant or prolonged decline in fair value below its cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant and/or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account.

10. Cautionary statement on forward-looking information

This MD&A, which contains certain forward-looking statements, are intended to provide readers with a reasonable basis for assessing the financial performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies.

Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, fluctuations in the currency markets such as Canadian dollar, and U.S. dollar, fluctuations in the prices of commodities, changes in government legislation, taxation, controls, regulations and political or

economic developments in Canada, the United States, or other countries in which the Company carries or may carry on business in the future, risks associated with mining or development activities, the speculative nature of exploration and development, including the risk of obtaining necessary licenses and permits, and quantities or grades of reserves. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company.

Readers are cautioned that forward-looking statements are not guarantees of future performance. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those acknowledged in such statements. Specific reference is made to the Company's most recent Annual Information Form on file with Canadian provincial securities regulatory authorities for a discussion of some of the factors underlying forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable laws.