RED EAGLE MINING CORPORATION

Management's Discussion and Analysis

For the year ended December 31, 2012

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Red Eagle Mining Corporation and its subsidiaries ("Red Eagle" or the "Company") during the year ended December 31, 2012 and to the date of this report. The MD&A supplements, but does not form part of, the consolidated financial statements of the Company and the notes thereto for the year ended December 31, 2012. Consequently, the following discussion of performance and financial condition should be read in conjunction with the consolidated financial statements for the year ended December 31, 2012 and the notes thereto. All amounts presented in this MD&A are in Canadian dollars unless otherwise indicated. The Company has prepared its financial statements in accordance with IFRS as issued by the IASB since inception on January 4, 2010.

Additional information related to Red Eagle is available on SEDAR at **www.sedar.com** and on the Company's website at **www.redeaglemining.com**.

This MD&A contains information up to and including April 5, 2013.

FORWARD-LOOKING INFORMATION

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. For more information on forward-looking information, please refer to pages 24 and 25 of this MD&A.

CORPORATE OVERVIEW

The Company was incorporated under the *Business Corporations Act (British Columbia)* on January 4, 2010. The Company completed its initial public offering ("IPO") on June 24, 2011 and commenced trading its common shares under the symbol "RD" and its share purchase warrants under the symbol RD.WT on the TSX Venture Exchange ("Exchange") as a Tier 2 Mining Company on June 28, 2011. The Company is engaged in exploration and development of mineral properties located in Colombia.

MINERAL PROPERTIES

The Company has two significant mineral properties, Santa Rosa and Pavo Real, both of which are located in Colombia. All direct costs relating to the acquisition of mineral property interests are capitalized into intangible assets on a property by property basis. All mineral property exploration expenditures are expensed as incurred. A breakdown of expenditures on these two properties is provided below in the section "Mineral Properties". Further information on the mineral properties can be found in the consolidated financial statements for the year ended December 31, 2012.

Santa Rosa Project

On April 15, 2011 the Company signed the final purchase and sale agreement by which the Company can acquire 100% of the Santa Rosa Project, which is comprised of various concession contracts in Colombia through payment of US $8,380,000 cash and a final payment ("Final Payment") equal to the greater of US$2,000,000 and US$15 per gold equivalent ounce multiplied by the quantity of Measured and Indicated gold equivalent ounces (as defined in National Instrument Policy 43-101 and as calculated by an independent qualified person) on a predefined 20 hectare area of the project. On July 18, 2012 the Company signed an amendment to the final purchase and sale agreement whereby the Final Payment was set at US $2,000,000 payable in two installments of US $1,000,000 each on or before December 15, 2012 (paid) and November 30, 2013, and the contingent element was removed.

The following table sets out the payments, including the amended Final Payment (all US dollars):

Cash payments:		
Paid	$	4,140,000
Due upon title transfer of concession contracts LDM-08061 and LKA-08004		740,000
Due on or before November 30, 2013		5,500,000
	$	**10,380,000**

Sale of Royalty

On October 22, 2012, concurrent with a private placement financing, the Company completed the sale of a 2% NSR royalty over the Santa Rosa property to Liberty Metals and Mining Holdings LLC for gross proceeds of $8,333,333. This transaction was recorded as a credit to the mineral property. The Company has the option to sell an additional 1% NSR for $4,666,667 at any time until December 31, 2013 or repurchase 1% NSR for $8,333,333 at any time until two years after the first gold production. The 2% royalty covers the Santa Rosa property as described above, including concession contracts LDM-08061 and LKA-08004. Under the terms of the royalty sale agreement the Company is obliged to make the remaining payments for the property and the optionality has been removed. This obligation results in the remaining payments being considered a liability and has been recorded under the caption mineral property obligation in current liabilities and as an acquisition cost to the property. The liability has not been discounted on account of the short timeframe until discharge of the obligation.

Acquisition of additional Santa Rosa property

On October 24, 2012 the Company executed an agreement with Bullet Holdings Corp. to acquire certain mineral property exploration rights totaling 35,910 hectares adjacent to the Company's Santa Rosa project. The consideration for the transaction was the issuance of 905,000 common shares valued at $461,550, reimbursement of current year concession fees of $324,872 and the granting of a 1.5% NSR Royalty over the properties acquired. The 2% NSR sold to Liberty does not cover these new properties. The Company incurred transaction costs of $31,676 for a total acquisition cost of $818,098. The new properties extend the Company's Santa Rosa project and are considered part of the Santa Rosa project for mineral property and segmented reporting purposes.

MINERAL PROPERTIES (continued)

Pavo Real Project

The Pavo Real project covers approximately a 15km by 20km area in the Tolima Department of Colombia, consisting of 100% owned concessions and the Pavo Real Joint Venture.

The Company, through its 70% owned subsidiary Rovira Mining Limited, is earning in to an option agreement on the Pavo Real property with Miranda Gold Corp. (TSX-V: MAD). The terms of the option agreement require paying certain cash amounts, issuing common shares and incurring certain minimum levels of exploration expenditure. The Company has made all required payments and share issuances to date. The details of the option agreement can be found in the consolidated financial statements for the year ended December 31, 2012. There have been no changes to the terms of the option agreement to the date of this MD&A.

Following is the breakdown of mineral property expenditures incurred during the year ended December 31, 2012:

For the year ended December 31, 2012

	Santa Rosa	Pavo Real	Cajamarca	Total
Mineral property exploration costs:				
Assays and sampling	$ 672,471	$ 93,010	$ -	**$ 765,481**
Concession fees	15,658	7,918	29,721	**53,297**
Depreciation	142,740	43,513	-	**186,253**
Drilling	3,668,317	550,961	-	**4,219,278**
Field and camp expenses	1,005,846	177,498	-	**1,183,345**
Legal, office and administration	343,101	166,514	50,121	**559,736**
Geological and geochemical	91,379	14,952	-	**106,331**
Metallurgical testwork	15,090	-	-	**15,090**
Salaries and consulting fees	1,603,260	674,131	-	**2,277,391**
Technical studies	94,011	-	-	**94,011**
Travel and transportation	287,273	94,762	-	**382,035**
Total exploration costs for the year ended December 31, 2012	**$ 7,939,146**	**$ 1,823,259**	**$ 79,842**	**$ 9,842,248**

For the year ended December 31, 2011

	Santa Rosa	Pavo Real	Cajamarca	Total
Mineral property exploration costs:				
Assays and sampling	$ 189,226	$ 99,868	$ 1,938	**$ 291,032**
Concession fees	12,004	19,249	93,677	**124,930**
Depreciation	96,189	28,168	-	**124,357**
Drilling	1,461,653	200,448	-	**1,662,101**
Field and camp expenses	936,239	269,270	4,872	**1,210,381**
Legal, office and administration	173,768	231,777	36,247	**441,792**
Geological and Geochemical	148,171	44,803	13,054	**206,028**
Geophysics	87,779	28,916	-	**116,695**
Salaries and consulting fees	1,246,014	902,294	33,838	**2,182,146**
Travel and transportation	201,985	83,401	2,264	**287,650**
Total exploration costs for the year ended December 31, 2011	**$ 4,553,028**	**$ 1,908,194**	**$ 185,890**	**$ 6,647,112**

Cumulative expenditures as at January 1, 2011	$ 377,060	$ 659,728	$ -	$ 1,036,788
Cumulative exploration costs as at December 31, 2012	**$ 12,869,234**	**$ 4,391,181**	**$ 265,732**	**$ 17,526,148**

MINERAL PROPERTIES (continued)

Exploration during 2012 has primarily been focussed on the Santa Rosa gold project. Exploration to date has entailed:

- Detailed structural and geological mapping of over 250 near surface underground adits within the oxidized saprolite and over 60 historic open cut hydraulic workings;
- Surface geological mapping;
- Bulldozer and hand trenching;
- Collection and analysis of over 2,600 adit and trench channel samples in the oxides;
- Helicopter-borne magnetic and radiometric surveys;
- Detailed Mobile Metal Ion (MMI) geochemical sampling programme on a 200m by 50m grid;
- Core drilling in three phases (totaling 23,000 metres in 139 holes);
- Preliminary metallurgical testwork; and
- Environmental baseline studies.

Surface exploration programmes to date at Santa Rosa have identified a number of intrusive related gold targets that have never been drilled. In these targets, potassic alteration from the radiometric survey, anomalous gold results from the MMI programme and historic workings are coincident. The Company has initially focussed on advancing the San Ramon deposit where a significant gold system has been defined in the south-east sector of Santa Rosa. Mineralized quartz veins and veinlet stockworks at San Ramon occur primarily within a strong shear zone structure striking approximately east-west. The San Ramon shear zone appears to be related to regional-scale northwest-southeast striking fault systems. Sinistral movement along these structures is believed to have created the dilational east-west shear zone, which is up to 50 meters wide, dips 70° to the north, has been defined over at least 1,900 metres of strike length and is exposed at surface. In addition, mineralised quartz veins are common within the hanging wall of the shear zone. The 23,000 metres of core drilling conducted to date has primarily tested the San Ramon deposit on 50 to 100 metre centres to a vertical depth of over 250 metres. An initial NI 43-101 compliant Resource Estimate was released on January 21, 2013 containing an Indicated Resource of 7.34 million tonnes at 1.37 g/t Au containing 322,000 ounces gold and an Inferred Resource of 9.45 million tonnes at 1.50 g/t Au containing 456,000 ounces gold. Preliminary metallurgical testwork to date has returned an average CIL gold recovery of 94%.

OUTLOOK

The work program for San Ramon for 2013 includes:

- Phase Four core drill programme totaling 22,000 metres to infill the drill pattern to 50m centres and to test and define the down dip continuity of the mineralization to 500 metres vertical depth;
- PEA level metallurgical testwork on larger volumes of material;
- Updated NI 43-101 compliant Resource Estimate;
- Preliminary Economic Assessment (PEA);
- Environmental Impact Assessment (EIA); and
- Commencement of permitting.

Also in 2013, the Company plans to advance exploration of additional gold targets on the Santa Rosa property and commence regional-scale gold exploration of the extensive and prospective holdings (390 km^2) that surround the Santa Rosa property on all sides. Further work on the Company's Pavo Real project has been deferred until 2014 in order to focus in 2013 on progressing San Ramon through advanced resource delineation and mine development, and advancing gold targets in the area surrounding San Ramon.

RESULTS OF OPERATIONS

THREE MONTHS ENDED DECEMBER 31, 2012 COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2011

The Company recorded a loss of $3,799,052 for the three months ended December 31, 2012 which is an increase of $170,767 compared to the loss for the three months ended December 31, 2011.

Following is an analysis of the significant movements in balances between the three month periods ended December 31, 2012 and December 31, 2011:

	For the three months ended December 31, 2012	For the three months ended December 31, 2011	
Salaries and benefits	**389,479**	112,642	Increase due to more employees and the grant of options in December 2012
Office and administration	**400,217**	197,468	Increase due to grant of options to employees and directors in December 2012. Cash based office and administration expenses remain comparable to prior year
Investor relations and promotion	**162,148**	191,356	Decrease due to vesting of significant option expense in 2011
Impairment of assets	-	63,037	No impairments in the three months ended December 31, 2012

RESULTS OF OPERATIONS (continued)

YEAR ENDED DECEMBER 31, 2012 COMPARED TO YEAR ENDED DECEMBER 31, 2011

The Company recorded a loss of $12,198,024 for the year ended December 31, 2012, which is an increase of $2,116,309 compared to the year ended December 31, 2011.

Following is an analysis of the significant movements in balances between the years ended December 31, 2012 and December 31, 2011:

	For the year ended December 31, 2012	For the year ended December 31, 2011	
Mineral property exploration costs	**9,842,248**	**6,647,112**	Increase due to a significant increase in drilling during 2012.
Salaries and benefits	**815,725**	1,213,917	Decrease due to the IPO stock option grant incurring a greater share based payment expense in 2011 than the grants in 2012 This is partially offset by an increase in cash based salaries and benefits resulting from an increase in headcount
Office and administration	**920,654**	1,257,969	Decrease due to a reduction of $331k in the share based payment expense relating to employees and directors. Cash based office and administration expenses remain comparable to prior year
Investor relations and promotion	**502,694**	331,066	Increased due to a higher profile of the Company and expanded investor relations activity
Professional fees	**114,612**	413,440	Decrease due to 2011 IPO
Filing fees	**56,290**	107,876	Decrease due to 2011 IPO
Travel	**21,878**	79,680	Decrease due to a decrease in head office travel
Impairment of assets	-	73,141	No assets were impaired during 2012

SUMMARY OF QUARTERLY RESULTS

Following is a summary of quarterly results since inception on January 4, 2010. These results are taken from the interim and annual financial statements of Red Eagle Mining Corporation, which are prepared in accordance with IFRS as issued by the IASB. The results are presented in Canadian dollars, which is the functional currency of the parent company. The Colombian branches have a functional currency of the Colombian peso.

	For the three months ended March 31, 2012	For the three months ended June 30, 2012	For the three months ended September 30, 2012	For the three months ended December 31, 2012
Interest income	$ 19,776	$ 12,442	$ 16,872	$ 25,127
Net loss	3,500,171	2,819,194	2,079,607	3,799,052
Basic and diluted loss per share	0.09	0.07	0.06	0.09

	For the three months ended March 31, 2011	For the three months ended June 30, 2011	For the three months ended September 30, 2011	For the three months ended December 31, 2011
Interest income	$ 385	$ 20,295	$ 20,408	$ 26,176
Net loss	1,002,919	3,296,334	2,154,177	3,628,285
Basic and diluted loss per share	0.04	0.13	0.06	0.10

The analysis provided in the "results of operations" section above provides information regarding the movements during the years ended December 31, 2012 and December 31, 2011. Due to the nature of operations and the climate at the Company's locations in Colombia (very little fluctuation in temperatures and precipitation throughout the year) there is no significant seasonality in the business. The Company incorporated on January 4, 2010 and has grown in its level of operations since that date. The Loss per quarter is most impacted by the nature of the drilling program underway at the time, and whether or not there is a significant share based payment expense due to the granting of stock options. Excluding the options grants, the general trend is for the loss to increase in each quarter through to early 2012, although in 2012 there is a decrease in expenditures as the quarters progress with the drilling programs further refined, rationalized and focused on the Santa Rosa project.

LIQUIDITY

As at	December 31, 2012	December 31, 2011	December 31, 2010
Working capital	$ 9,523,558	$ 9,138,634	$ 5,833,959
Total assets	20,385,464	14,055,651	6,582,216
Total liabilities	(7,035,647)	(930,037)	(157,032)
Share capital	32,643,403	20,829,110	7,967,847
Deficit	(22,503,785)	(10,871,529)	(1,430,327)

As at December 31, 2012, the Company had working capital of $9,523,558 (December 31, 2011: $9,138,634), including cash and cash equivalents of $15,893,971 (December 31, 2010: $5,161,767). Included in current liabilities is a $6,198,750 mineral property obligation due in November 2013.

The Company targets to obtain financing in the future primarily through further equity financings. At present, Red Eagle has no operations that generate cash flow and its financial success is dependent on management's ability to discover and develop economically viable mineral deposits, raise required funding through future equity issuances, asset sales or a combination thereof. The mineral exploration process can take many years and is subject to many factors that are beyond the Company's control.

The Company relies on equity financings and the exercise of options and warrants to fund its exploration activities and its corporate and overhead expenses. Many factors influence the Company's ability to raise funds, including the health of the resource market, the climate for mineral exploration investment, the Company's track record, and the experience and caliber of its management and personnel. Actual funding requirements may vary from those planned due to a number of factors, including the progress and results of exploration activities.

The Company's operations to date have been financed by issuing common shares and the sale of a 2% NSR over the Santa Rosa property. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. There is no guarantee that the Company will be able to secure additional financings in the future at terms that are favourable. To date, the Company has not used, nor does it currently have future plans to use, debt or other similar debt structures of financing to fund its exploration programs.

Based on the cash position on hand as at the date of this MD&A, management believes the Company is sufficiently capitalized to fund the ongoing operational needs for the balance of 2013 and into 2014.

OUTSTANDING SHARE DATA

Common shares

As at December 31, 2012 and the date of this MD&A the Company had 58,567,818 issued and outstanding common shares (December 31, 2011: 36,095,859).

Details of common shares issued the year ended December 31, 2012 are as follows:

- 1,035,000 shares were issued as part consideration for mineral property purchases. (See note 7)
- 21,436,959 shares were issued at a price of $0.55 as part of a financing for gross proceeds of $11,790,327, incurring $504,084 share issue costs.

Warrants

The Company had the following warrants outstanding as at December 31, 2012 and as of the date of this MD&A:

Expiry Date	Warrants Outstanding		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)
June 28, 2013	5,748,550		1.50	0.49
June 28, 2013	833,333		1.25	0.49
February 12, 2015	4,500,000		0.25	2.12
	11,081,883	**$**	**0.97**	**1.15**

Options

The Company had the following stock options outstanding as at December 31, 2012

Expiry Date	Options Outstanding	Options Exercisable		Exercise Price	Weighted Average Remaining Contractual Life (in Years)
June 28, 2016	2,550,000	2,550,000	$	1.25	3.49
July 28, 2016	200,000	200,000		1.25	3.58
December 6, 2016	160,000	120,000		1.00	3.93
March 31, 2013	250,000	250,000		0.50	0.25
December 6, 2017	2,305,000	1,457,500		0.55	4.93
	5,465,000	**4,577,500**	**$**	**0.91**	**3.97**

On March 31, 2013 250,000 stock options expired unexercised and so the number of options outstanding as at the date of this MD&A is 5,215,000 and the number exercisable is 4,327,500

TRANSACTIONS WITH RELATED PARTIES

The following is a listing of all subsidiaries, including country of incorporation and percentage of equity ownership held.

Name	Country of incorporation	Principal activities	% of ordinary shares held & voting rights
Principal subsidiaries			
Red Eagle Mining de Colombia Limited	Canada	Exploration company	100%
Rovira Mining Limited	Canada	Exploration company	70%
Miranda Gold Colombia IV Ltd.	Canada	Exploration company	70%

The aggregate value of management compensation is as follows:

	Year ended December 31, 2012	Year ended December 31, 2011
Short-term employee benefits	**$ 889,849**	$ 431,634
Share option based payments	**255,072**	1,272,540
	$ 1,144,921	$ 1,704,174

The following table provides the total amount of transactions which have been entered into by the Group with related parties during the years ended December 31, 2012 and 2011 and the balances with related parties at December 31, 2012 and 2011:

		Purchases from	**Amounts due from (to)**
Consulting fees from Quantum Advisory Partners LLP, a partnership in which Paul Robertson, the former CFO of the Company, is a partner;	2012	$ -	$ -
	2011	$ 63,620	$ -
Office, rent and related costs from SB Management Ltd., a company controlled by Ian Slater, Robert Bell and Tim Petterson	2012	$ 500,000	$ 50,000
	2011	$ 450,000	$ -
Legal fees to Anfield Sujir Kennedy & Durno LLP, a partnership in which Jay Sujir, a director of the Company, is a partner;	2012	$ 136,365	$ (23,000)
	2011	$ 148,109	$ (24,202)
Secondment of a project geologist from Slater Mining Corporation, a company with the following directors in common: Ian Slater, Robert Bell, Tim Petterson, Jay Sujir and Jeffrey Mason	2012	$ 117,000	$ (12,500)
	2011	$ -	$ -

The Company's CEO is a director common to both the Company and Miranda Gold Corp., which entered into Share Purchase Agreements and Shareholders' Agreement on both the Pavo Real project and the Cajamarca project as described in Note 7 of the consolidated financial statements for the year ended December 31, 2012.

CHANGES IN ACCOUNTING POLICIES

The following amendment to an accounting standard was adopted effective January 1, 2012.

IFRS 7 - Disclosures - Transfers of financial assets (Amendment)

The IASB issued an amendment to IFRS 7 that enhances disclosures for financial assets. These disclosures relate to assets transferred (as defined under IAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment was adopted effective January 1, 2012 with no comparative requirements and had no impact on the financial statements for the year ended December 31, 2012.

FINANCIAL INSTRUMENTS

Please refer to note 15 of the Company's consolidated financial statements for the year ended December 31, 2012 for disclosure regarding the Company's financial instruments. There has been no change in designation of financial instruments or nature of risks in the year ended December 31, 2012. The only significant change is that the Guaranteed Investments Certificates that were held as other financial assets have matured and the proceeds were reinvested as cash equivalents. The Company's financial instruments consist of cash and cash equivalents, amounts receivable and accounts payable. The Company does not hold any complex financial instruments or derivatives. The cash is held to fund ongoing exploration work and head office costs and the cash equivalents are held to earn interest until they are needed to fund exploration work and head office costs. Amounts receivable and accounts payable relate to regular working capital requirements.

Credit risk

The Company is exposed to credit risk with respect to its cash, cash equivalents and other financial assets. Other financial assets are short term investments that have been placed on deposit with major Canadian financial institutions. All cash and cash equivalents are on deposit with major Canadian or Colombian financial institutions.

The risk arises from the non-performance of counterparties of contractual financial obligations. The Company manages credit risk, in respect of cash and cash equivalents, by purchasing highly liquid, short-term investment-grade securities held at major Canadian financial institutions.

Concentration of credit risk with respect to the Company's cash, cash equivalents and short term investments is mitigated since the amounts are held at several major Canadian financial institutions. The Company's concentration of credit risk and maximum exposure thereto is as follows:

FINANCIAL INSTRUMENTS (continued)

		December 31, 2012		December 31, 2011
Held at major Canadian financial institutions:				
Cash and cash equivalents	**$**	**15,627,796**	$	4,827,746
Short-term investments		**-**		4,400,000
	$	**15,627,796**	$	9,227,746
Held at major Colombian financial institutions:				
Cash and cash equivalents		**266,175**		334,021
Total cash and short-term investments	**$**	**15,893,971**	$	9,561,767

The credit risk associated with cash, cash equivalents and short term investments is minimized by ensuring the majority of these Canadian financial assets are held with major Canadian financial institutions with strong investment-grade ratings by a primary rating agency. The amounts held in Colombia are with a major Colombian financial institution.

Interest rate risk

The Group has cash balances, investment-grade short-term deposit certificates issued by its banking institution and no interest-bearing debt. Interest income is not material to the Group. The Group is not exposed to significant interest rate risk.

Foreign currency risk

The Group is exposed to currency risk to the extent that monetary assets and liabilities held by the Group are not denominated in Canadian dollars. The Group has not entered into any foreign currency contracts to mitigate this risk. Certain of the Group's cash and cash equivalents, and accounts payable and accrued liabilities are held in Colombian Peso ("COP"); therefore, COP amounts are subject to fluctuation against the Canadian dollar (CAD).

The Group had the following balances in foreign currency as at December 31, 2012:

	COP		CAD Equivalent
Cash	471,997,219	$	266,175
Amounts receivable	270,000		152
Accounts payable and accrued liabilities	(1,124,140,947)		(633,943)
	(651,873,728)	$	(367,616)

Assuming that all other variables remain constant, a 10% appreciation or depreciation of the COP against the CAD would have a negligible impact on net loss since translation of the COP functional currency to the presentation currency results in translation differences being recorded within other comprehensive income.

The Company also has transactional currency exposures. Such exposures arise from purchases in currencies other than the respective functional currencies, typically the US dollar. The Company manages this risk by partially matching receipts and payments in the same currency and monitoring foreign currency exchange rate movements.

FINANCIAL INSTRUMENTS (continued)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Company is not exposed to significant other price risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company anticipates that there is sufficient capital and liquidity to meet liabilities when due.

The Company maintained sufficient cash and cash equivalents at December 31, 2012 in the amount of $15,893,971 in order to meet short-term business requirements. As at December 31, 2012, the Company had accounts payable of $836,897, which will be repaid within three months and a mineral property obligation due by November 30, 2013.

CAPITAL COMMITMENTS AND OFF BALANCE SHEET ARRANGEMENTS

The Company's capital commitments mostly relate to the mineral property purchase agreements and option agreements. See table below and Note 12 to the consolidated financial statements for capital commitments as at December 31, 2012. The Santa Rosa property payments are a contractual obligation due in less than one year and the obligation has been capitalized and recorded as a current liability. The Pavo Real and Cajamarca commitments are options (see note 7 to the consolidated financial statements) and have not been capitalized or recorded as a liability.

In addition there are also operating leases relating to the Colombian offices and camps. There are no other capital commitments, nor are there any off balance sheet arrangements.

	Payments Due by Period				
Commitments	*Total*	*Less than 1 year*	*1 – 3 years*	*4 – 5 years*	*After 5 years*
Santa Rosa obligation	$6,240,000	$6,240,000	$-	$-	$-
Operating lease commitments	$255,743	$191,371	$64,372	$-	$-
Total Commitments	$6,495,743	$6,431,371	$64,372	$-	$-

RISKS AND UNCERTAINITES

Exploration, Development and Operations

Exploration and development of mineral deposits involves a high degree of risk which even a combination of careful evaluation, experience and knowledge does not eliminate. Few properties which are explored are ultimately developed into producing properties. Any potential determination as to whether a mineral deposit will be commercially viable can be affected by such factors as: deposit size, grade, unusual or unexpected geological formations and metallurgy; proximity to infrastructure; metal prices which are highly cyclical; environmental factors; unforeseen technical difficulties; work interruptions; and government regulations, including regulations relating to permitting, prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted.

The long term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that any such deposit will be commercially viable or that the funds required for development can be obtained on a timely basis.

Mining operations generally involve a high degree of risk. The Company's operations will be subject to all the hazards and risks normally encountered in the exploration, development and production of gold and copper, including unusual and unexpected geologic formations, seismic activity, rock bursts, cave-ins, flooding and other conditions involved in the drilling and removal of material, any of which could result in damage to, or destruction of, the mine and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although appropriate precautions to mitigate these risks are taken, operations are subject to hazards such as equipment failure or failure of structures which may result in environmental pollution and consequent liability. Even though the Company intends to obtain liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

RISKS AND UNCERTAINITES (continued)

Risks with Title to Mineral Properties

The Company's interest in the Santa Rosa Gold Project is subject to the Santa Rosa Purchase Agreement pursuant to which the Company must make one final cash payment of US$5,500,000 on or before November 30, 2013 in order to retain its interest in the property. If the Company fails to make this payment, it may lose its interest in the property. Any failure by the Company to retain title to properties which comprise its projects could have a material adverse effect on the Company and the value of the Common Shares.

Title on mineral properties and mining rights involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mining properties. The Company has diligently investigated and continues to diligently investigate and validate title to its mineral claims; however, this should not be construed as a guarantee of title. The Company is continuously in the process of establishing the certainty of the title of mineral concessions which it holds either directly or through its equity interest in its subsidiaries or will be seeking to consolidate those titles through a government-sanctioned process. The Company cannot give any assurance that title to properties it acquired individually or through historical share acquisitions will not be challenged or impugned and cannot guarantee that the Company will have or acquire valid title to these mining properties.

The Company Has No Mineral Properties in Production or Under Development

The Company does not currently have mineral properties under development. The future development of properties found to be economically feasible, and the development of which is approved by the Board, will require the construction and operation of mines, processing plants and related infrastructure. As a result, the Company is and will continue to be subject to all of the risks associated with establishing new mining operations, including:

- the timing and cost, which can be considerable, of the construction of mining and processing facilities;
- the availability and cost of skilled labour and mining equipment;
- the need to obtain necessary environmental and other governmental approvals and permits and the
- timing of the receipt of those approvals and permits;
- the availability of funds to finance construction and development activities;
- potential opposition from non-governmental organizations, environmental groups or locals;
- groups which may delay or prevent development activities; and
- potential increases in construction and operating costs due to changes in the cost of fuel, power, materials and supplies.

RISKS AND UNCERTAINITES (continued)

The costs, timing and complexities of developing the Company's projects may be greater than anticipated because the majority of such property interests are not located in developed areas, and, as a result, the Company's property interests may not be served by appropriate road access, water and power supply and other support infrastructure. Cost estimates may increase as more detailed engineering work is completed on a project. It is common in new mining operations to experience unexpected costs, problems and delays during construction, development and mine start-up. In addition, delays in the early stages of mineral production often occur. Accordingly, the Company cannot provide assurance that its activities will result in profitable mining operations at its mineral properties.

Metal Price Volatility

The Company's business is strongly affected by the world market price of gold. If the world market price of gold were to drop and the prices realized by the Company on gold sales were to decrease significantly and remain at such a level for any substantial period, the Company's future profitability and cash flow would be negatively affected.

Gold prices can be subject to volatile price movements, which can be material and can occur over short periods of time and are affected by numerous factors, all of which are beyond the Company's control. Industry factors that may affect the price of gold include: industrial and jewellery demand; the level of demand for gold as an investment; central bank lending, sales and purchases of gold; speculative trading; and costs of and levels of global gold production by producers of gold. Gold prices may also be affected by macroeconomic factors, including: expectations of the future rate of inflation; the strength of, and confidence in, the U.S. dollar, the currency in which the price of gold is generally quoted, and other currencies; interest rates; and global or regional, political or economic uncertainties.

Depending on the market price of gold, the Company may determine that it is not economically feasible to continue some or all of its operations or the development of some or all of the its projects, as applicable, which could have an adverse impact on the Company's financial performance and results of operations. In such a circumstance, the Company may also curtail or suspend some or all of its exploration activities.

History of Losses and No Immediate Foreseeable Earnings

The Company has a history of losses and there can be no assurance that it will ever be profitable. The Company expects to continue to incur losses unless and until such time as it develops its properties and commences mining operations on its properties. The development of the properties will require the commitment of substantial financial resources. The amount and timing of expenditures will depend on a number of factors, some of which are beyond the Company's control, including the progress of ongoing exploration, studies and development, the results of consultant analysis and recommendations, the rate at which operating losses are incurred and the execution of any joint venture agreements with any strategic partners, if any. There can be no assurance that the Company will ever achieve profitability.

RISKS AND UNCERTAINITES (continued)

Mining Risks and Insurance Risks

The mining industry is subject to significant risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological conditions, labour force disruptions, civil strife, unavailability of materials and equipment, weather conditions, pit wall failures, rock bursts, cave-ins, flooding, seismic activity, water conditions and gold bullion losses, most of which are beyond the Company's control. These risks and hazards could result in: (i) damage to, or destruction of, mineral properties or producing facilities; personal injury or death; environmental damage; (ii) delays in mining; and (iii) monetary losses and possible legal liability. As a result, production may fall below historic or estimated levels and the Company may incur significant costs or experience significant delays that could have a material adverse effect on the Company's financial performance, liquidity and results of operation.

The Company does not maintain insurance to cover these risks and hazards. The lack of, or insufficiency of, insurance coverage could adversely affect the Company's cash flow and overall profitability.

Permitting Approvals

The operations of the Company and the exploration agreements into which it has entered require approvals, licenses and permits from various regulatory authorities, governmental and otherwise (including project specific governmental decrees) that are by no means guaranteed. The Company believes that it holds or will obtain all necessary approvals, licenses and permits under applicable laws and regulations in respect of its main projects and, to the extent that they have already been granted, believes it is presently complying in all material respects with the terms of such approvals, licenses and permits. However, such approvals, licenses and permits are subject to change in various circumstances and further project-specific governmental decrees and/or legislative enactments may be required. There can be no guarantee that the Company will be able to obtain or maintain all necessary approvals, licenses and permits that may be required and/or that all project-specific governmental decrees and/or required legislative enactments will be forthcoming to explore and develop the properties on which it has exploration rights, commence construction or operation of mining facilities or to maintain continued operations that economically justify the costs involved.

Repatriation of Earnings Risk

There are currently no restrictions on the repatriation from Colombia of earnings to foreign entities. However, there can be no assurance that restrictions on repatriations of earnings from Colombia will not be imposed in the future. Exchange control regulations require that any proceeds in foreign currency originated on exports of goods from Colombia (including minerals) be repatriated to Colombia. However, purchase of foreign currency is allowed through any Colombian authorized financial entities for the purpose of payments to foreign suppliers, repayment of foreign debt, payments of dividends to foreign stockholders and other foreign expenses.

RISKS AND UNCERTAINITES (continued)

Changes in Legislation

The mining industry in Colombia is subject to extensive controls and regulations imposed by various levels of government. All current legislation is a matter of public record and the Company will be unable to predict what additional legislation or amendments may be enacted. Amendments to current laws, regulations and permits governing operations and activities of mining companies, including environmental laws and regulations which are evolving in Colombia, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenditures and costs, affect the Company's ability to expand or transfer existing operations or require the Company to abandon or delay the development of new properties.

Economic and Political Factors in Colombia

Although Colombia has a long-standing tradition respecting the rule of law, which has been bolstered in recent years by the present and former government's policies and programs, no assurances can be given that the Company's plans and operations will not be adversely affected by future developments in Colombia. The Company's property interests and proposed exploration activities in Colombia are subject to political, economic and other uncertainties, including the risk of expropriation, nationalization, renegotiation or nullification of existing contracts, mining licenses and permits or other agreements, changes in laws or taxation policies, currency exchange restrictions, and changing political conditions and international monetary fluctuations. Future government actions concerning the economy, taxation, or the operation and regulation of nationally important facilities such as mines, could have a significant effect on the Company. Colombia is home to South America's largest and longest running insurgency. While the situation has improved significantly in recent years, the conflict continues in very localized areas and there can be no guarantee that the situation not again deteriorate. Any increase in kidnapping, gang warfare, homicide and/or terrorist activity in Colombia generally may disrupt supply chains and discourage qualified individuals from being involved with the Company's operations.

Additionally, the perception that matters have not improved in Colombia may hinder the Company's ability to access capital in a timely or cost effective manner. Any changes in regulations or shifts in political attitudes are beyond the Company's control and may adversely affect the Company's business.

Exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income and/or mining taxes, expropriation of property, environmental legislation and mine and/or site safety.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other parties with greater financial, technical and other resources than the Company, in the search for and acquisition of exploration and development rights on attractive mineral properties. The Company's ability to acquire exploration and development rights on properties in the future will depend not only on its ability to develop the properties on which it currently has exploration and development rights, but also on its ability to select and acquire exploration and development rights on suitable properties for exploration and development. There is no assurance that the Company will continue to be able to compete successfully in acquiring exploration and development rights on such properties.

RISKS AND UNCERTAINITES (continued)

Changes to Environmental Laws

The Company's operations are subject to the extensive environmental risks inherent in the gold mining industry. The current or future operations of the Company, including development activities, commencement of production on its properties, potential mining and processing operations and exploration activities require permits from various governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters.

Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Existing and possible future environmental legislation, regulations and actions could cause significant additional expense, capital expenditures, restrictions and delays in the activities of the Company. Although the Company believes that it is in substantial compliance in all material respects with applicable material environmental laws and regulations, there are certain risks inherent in its activities such as accidental spills, leakages or other unforeseen circumstances, which could subject the Company to extensive liability. In addition, the Company cannot assure that the illegal miners operating on its properties are in compliance with applicable environmental laws and regulations.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

Shortage of Experienced Personnel and Equipment

The ability to identify, negotiate and consummate transactions that will benefit the Company is dependent upon the efforts of the Company's management team. The loss of the services of any member of management could have a material adverse effect on the Company. The Company's future drilling activities may require significant investment in additional personnel and capital equipment. Given the current level of demand for equipment and experienced personnel within the mining industry, there can be no assurance that the Company will be able to acquire the necessary resources to successfully implement its business plan.

Furthermore, certain of the directors and officers of the Company are directors and officers of other reporting issuers and, as such, will devote only a portion of their time to the affairs of the Company.

RISKS AND UNCERTAINITES (continued)

Conflicts of Interest

Certain of the Company's directors and officers serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies participate in ventures in which the Company may participate, the directors of the Company will have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises, a director or officer who has such a conflict will disclose that conflict and will abstain from voting for or against the approval of such participation or such terms. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will consider, among other things, the degree of risk to which the Company may be exposed and its financial position at that time.

Possible Volatility of Stock Price

The market price of the Common Shares can be subject to wide fluctuations in response to factors such as actual or anticipated variations in the Company's results of operations, changes in financial estimates by securities analysts, general market conditions, the issuance of Common Shares in connection with acquisitions made by the Company or otherwise, and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations may adversely affect the market price of the Common Shares.

Enforcement of Civil Liabilities

Substantially all of the Company's assets are located outside of Canada and certain of the directors and officers of the Company are resident outside of Canada. As a result, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of the Company or any of the Company's directors and officers residing outside of Canada.

Dividends

Any payments of dividends on the Common Shares will be dependent upon the financial requirements of the Company to finance future growth, the financial condition of the Company and other factors which the Board may consider appropriate in the circumstance. It is unlikely that the Company will pay dividends in the immediate or foreseeable future.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important determinants, which effect capital and operating costs. Unusual or infrequent weather phenomena, terrorism, sabotage, community, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations, financial condition and results of operations.

RISKS AND UNCERTAINITES (continued)

Financing Risks

Additional funding may be required to complete the proposed or future exploration and other programs on the properties. There is no assurance that any such funds will be available. Failure to obtain additional financing, if required, on a timely basis, could cause the Company to reduce or delay its proposed operations.

The majority of sources of funds currently available to the Company for its acquisition and development projects are in large portion derived from the issuance of equity. While the Company has been successful in the past in obtaining equity financing to undertake its currently planned exploration and development programs, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

Joint Ventures

The Company is party to the Pavo Real and Cajamarca Shareholder Agreements and may enter into other joint ventures in the future. Any failure of a joint venture partner to meet its obligations to the Company or third parties, or any disputes with respect to the parties' respective rights and obligations could have a material adverse effect on such joint ventures. In addition, the Company may be unable to exert influence over strategic decisions made in respect of properties that are the subject of such joint ventures and could suffer dilution of its interest in the properties if it is not able to meet its funding obligations under the terms of the joint venture.

Currency Risk

The Company maintains its accounts in Canadian dollars and the market for gold is principally denominated in U.S. dollars. The Company's operations in Colombia make it subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. Colombia has a free and unrestricted supply and demand market. The Company is exposed to foreign exchange risk from the exchange rate of Colombian pesos relative to the Canadian and U.S. dollars. Foreign exchange risk is mainly derived from assets and liabilities stated in Colombian pesos. The Company limits its foreign exchange risk by the acquisition of short-term financial instruments and, when possible, minimizes its Colombian peso monetary asset positions.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. The market for the Common Shares will be subject to market trends generally, notwithstanding any potential business of the Company. The value of the Shares will be affected by such volatility.

Stress in the Global Economy

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

APPROVAL

The Board of Directors of the Company has approved the disclosure contained in this MD&A. A copy of this MD&A is filed on SEDAR will be provided to anyone who requests it.

FORWARD-LOOKING INFORMATION

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of metals; the estimation of mineral reserves and resources, the realization of mineral reserve estimates; the timing and amount of estimated future production, costs of production, and capital expenditures; costs and timing of the development of new deposits; success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which 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. Such risks and other factors include, among others, risks related to the integration of acquisitions; risks related to operations; risks related to joint venture operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of metals; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the sections entitled "Risks and Uncertainties" in this MD&A. Although the Company has attempted to identify important factors that could affect the Company and may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. 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. In light of the risks and uncertainties inherent in all forward-looking statements, the inclusion or incorporation by reference of forward-looking statements in this MD&A should not be considered a representation by the Company or any other person that the Company's objectives or plans will be achieved.

FORWARD-LOOKING INFORMATION (Continued)

The forward-looking statements in this MD&A speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events.

Forward-looking statements and other information contained herein concerning the mining industry and general expectations concerning the mining industry are based on estimates prepared by the Company using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.