FORTRESS MINERALS CORP.

THIRD QUARTER REPORT

SEPTEMBER 30, 2013

FORTRESS MINERALS CORP.

Condensed Consolidated Interim Statements of Financial Position
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Note		September 30, 2013		December 31, 2012
ASSETS					
Current assets					
Cash	4	$	22,723,839	$	22,834,935
Receivables			24,919		45,653
Prepaid expenses and advances			13,200		9,950
		$	22,761,958	$	22,890,538
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities		$	24,789	$	32,925
EQUITY					
Share capital	5		97,948,333		97,948,333
Equity-settled share-based payment reserve	7		2,281,432		2,230,113
Foreign currency translation reserve	8		6,811		6,547
Deficit			(77,499,407)		(77,327,380)
			22,737,169		22,857,613
		$	22,761,958	$	22,890,538

Nature and continuance of operations (Note 1)

Approved by the Board of Directors

/s/ Ron F. Hochstein
Ron F. Hochstein

/s/ Ian W. Gibbs
Ian W. Gibbs

FORTRESS MINERALS CORP.

Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

		Three months ended September 30,		Nine months ended September 30,	
	Note	2013	2012	2013	2012
EXPENSES					
Investor relations		$ 228	$ 337	$ 1,426	$ 958
Office and general		89,915	83,019	272,024	260,789
Professional fees		27,461	5,785	36,480	59,158
Regulatory and transfer agent		9,154	10,934	18,309	30,364
Salaries and benefits		-	731	37	27,884
Stock-based compensation	7	9,303	56,048	51,319	151,200
Loss before other items		136,061	156,854	379,595	530,353
OTHER ITEMS					
Loss (gain) on foreign exchange		15,969	25,785	(26,161)	25,579
Interest and other income		(61,018)	(62,484)	(181,407)	(188,931)
Net loss for the period		$ 91,012	$ 120,155	$ 172,027	$ 367,001
OTHER COMPREHENSIVE LOSS					
Currency translation adjustment	8	(240)	144	(264)	-
Comprehensive loss for the period		$ 90,772	$ 120,299	$ 171,763	$ 367,001
Basic and diluted loss per common share		$ 0.01	$ 0.01	$ 0.01	$ 0.02
Weighted-average number of common shares outstanding		14,831,758	14,831,758	14,831,758	14,831,758

FORTRESS MINERALS CORP.

Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Note	Number of Common Shares		Share Capital		Equity-settled Share-based Payment Reserve		Foreign Currency Translation Reserve		Deficit		Total
Balance January 1, 2012		14,831,758	$	97,948,333	$	2,032,904	$	6,547	$	(76,863,645)	$	23,124,139
Stock-based compensation		-		-		151,200		-		-		151,200
Currency translation adjustment	8	-		-		-		-		-		-
Net loss for the period		-		-		-		-		(367,001)		(367,001)
Balance September 30, 2012		14,831,758	$	97,948,333	$	2,184,104	$	6,547	$	(77,230,646)	$	22,908,338
Balance, December 31, 2012		14,831,758	$	97,948,333	$	2,230,113	$	6,547	$	(77,327,380)	$	22,857,613
Stock-based compensation		-		-		51,319		-		-		51,319
Currency translation adjustment	8	-		-		-		264		-		264
Net loss for the period		-		-		-		-		(172,027)		(172,027)
Balance September 30, 2013		14,831,758	$	97,948,333	$	2,281,432	$	6,811	$	(77,499,407)	$	22,737,169

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

FORTRESS MINERALS CORP.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in Canadian Dollars)

	Nine months ended September 30, 2013	2012
OPERATING ACTIVITIES		
Net loss for the period	$ (172,027)	$ (367,001)
Items not affecting cash:		
Stock-based compensation	51,319	151,200
	(120,708)	(215,801)
Changes in non-cash working capital items:		
Receivables	20,734	161
Prepaid expenses and advances	(3,250)	12,113
Accounts payable and accrued liabilities	(8,136)	(25,000)
Net cash used for operating activities	(111,360)	(228,527)
INVESTING ACTIVITIES		
Net cash provided by investing activities	-	-
FINANCING ACTIVITIES		
Net cash provided by financing activities	-	-
Effect of foreign exchange rate differences on cash	264	-
Net decrease in cash	(111,096)	(228,527)
Cash, beginning of period	22,834,935	23,109,638
Cash, end of period	$ 22,723,839	$ 22,881,111
Supplemental information		
Interest received	$ 183,112	$ 190,327

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. Nature and continuance of operations

Fortress Minerals Corp. ("Fortress" or the "Company") was originally incorporated in British Columbia and continued under the Canada Business Corporations Act in 2002, and is evaluating strategic alternatives in the natural resource sector.

The Company had previously announced on April 26, 2012 that it had received notice from the TSX Venture Exchange that the Company had a Tier 2 Continued Listing Requirements Deficiency in relation to its assets and operations for a company classified as a Mining Issuer and was given a deadline of October 16, 2012 to provide a submission to the Exchange evidencing that it meets Tier 2 Continued Listing Requirements. The Company had not provided a submission by the deadline and therefore its listing was transferred to NEX and it now trades under the symbol FST.H effective October 17, 2012.

The Company is located in Suite 2000, 885 W. Georgia Street, Vancouver, BC.

The Company estimates it has sufficient working capital to continue operations for the upcoming year.

2. Basis of preparation and consolidation

These unaudited condensed consolidated interim financial statements, including comparatives, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*. As a result, they do not conform in all respects with the disclosure requirements for annual financial statements under IFRS, and should be read in conjunction with the Company's audited consolidated financial statements for the fiscal year ended December 31, 2012.

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency.

In preparing these unaudited condensed consolidated interim financial statements, the Company applied the same accounting policies and key sources of estimation uncertainty as those that were applied to the Company's audited consolidated financial statements for the fiscal year ended December 31, 2012, except as described in Note 3.

These unaudited condensed consolidated interim financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries, including special purpose entities). Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. All significant intercompany transactions and balances have been eliminated.

These financial statements were approved for issue by the Audit Committee and Board of Directors on November 26, 2013.

3. Adoption of new IFRS pronouncements

As of January 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with the transitional provisions outlined in the respective standards as listed below.

a) Pronouncement affecting financial statement presentation or disclosures

i) IFRS 12, Disclosure of interests in other entities
The Company adopted IFRS 12 on January 1, 2013. IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities.

3. Adoption of new IFRS pronouncements (continued)

The requirements of IFRS 12 relate to disclosures only and are applicable for the first annual period after adoption. IFRS 12 does not require the disclosures to be included for any period that precedes the first annual period for which IFRS 12 is applied. Additional disclosures will be included in the Company's annual consolidated financial statements for the year ended December 31, 2013.

ii) IFRS 13, Fair value measurement
The Company adopted IFRS 13 with prospective application from January 1, 2013. IFRS 13 is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date.

The adoption of IFRS 13 did not have an effect on the Company's condensed consolidated interim financial statements for the current period. The disclosure requirements of IFRS 13 will be incorporated in the annual consolidated financial statements for the year ended December 31, 2013.

iii) Amendment to IAS 1, Presentation of Financial Statements
The Company adopted the amendments to IAS 1 on January 1, 2013, with restrospective application. The amendments to IAS 1 require items to be grouped within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified.

The adoption of the IAS 1 amendments did not have an effect on the Company's condensed consolidated interim financial statements for the current period or prior period.

iv) Amendment to IAS 34, Interim financial reporting
The Company adopted the amendments to IAS 34 effective January 1, 2013. IAS 34 was amended to establish criteria for disclosing total segmented assets and require certain fair value disclosures. The fair value disclosures have been incorporated into these condensed consolidated interim financial statements.

b) Pronouncements affecting accounting policies only

i) IFRS 10, Consolidated financial statements
The Company adopted IFRS 10 on January 1, 2013 with retrospective application. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supercedes IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation – Special Purpose Entities.

The Company has concluded that IFRS 10 did not have an effect on the consolidated financial statements for the current period or prior periods presented as the adoption did not result in the consolidation status of any of the subsidiaries.

ii) IFRS 11, Joint arrangements
The Company adopted IFRS 11 on January 1, 2013 with retrospective application. IFRS 11 requires a venturer to classify its interest in a joint agreement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

The Company has concluded that IFRS 11 did not have an effect on the condensed consolidated interim financial statements for the current period or prior periods presented as the Company does not have any joint arrangements.

(Expressed in Canadian Dollars, unless otherwise noted)

4. Cash

The carrying amounts of the Company's cash is denominated in the following currencies:

Currency		September 30, 2013		December 31, 2012
Canadian dollars	$	21,961,723	$	22,096,006
US dollars		762,116		738,929
	$	22,723,839	$	22,834,935

5. Share capital

Authorized:

- Unlimited number of common shares without par value
- Unlimited number of preference shares without par value

6. Stock options

The Company has a rolling stock-based compensation plan (the "Plan") allowing for the reservation of a maximum 10% of the common shares issued and outstanding at any given time for issuance under the Plan. Under the Plan, all stock options are granted at the discretion of the Company's board of directors. The term of any option granted may not exceed ten years and the exercise price may not be less than the market price of the Company's common shares at the time of grant.

Current outstanding options have an expiry date of three years and vest over a period of 18 months.

During the nine months ended September 30, 2013, no options were granted.

A continuity summary of the stock options granted and outstanding under the Plan is presented below:

	Nine months ended September 30, 2013			Year ended December 31, 2012		
	Number of Common Shares		Weighted exercise price	Number of Common Shares		Weighted exercise price
Balance, beginning of period	233,700	$	4.33	133,625	$	6.02
Granted	-		-	171,000		4.01
Cancelled / Expired	-		-	(70,925)		6.73
Balance outstanding, end of period	233,700	$	4.33	233,700	$	4.33
Balance exercisable, end of period	190,950	$	4.40	148,200	$	4.52

(Expressed in Canadian Dollars, unless otherwise noted)

6. Stock options (continued)

The following table summarizes information concerning outstanding and exercisable options at September 30, 2013:

Expiry date		Exercise price	Options outstanding	Options exercisable	Remaining contractual life (years)
June 9, 2014	$	5.15	54,200	54,200	0.68
June 21, 2014	$	5.60	8,500	8,500	0.72
June 1, 2015	$	4.01	171,000	128,250	1.65
			233,700	190,950	

7. Equity-settled share-based payment reserve

The equity-settled share-based payment reserve comprises the fair value of employee options as measured at grant date and amortized over the period during which the employees become unconditionally entitled to the options.

During the nine months ended September 30, 2013, the Company recorded stock-based compensation expense of $51,319 (2012 – $151,200) relating to the vesting of options with a corresponding increase in the equity-settled share-based payment reserve.

8. Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the net investments in foreign operations.

During the nine months ended September 30, 2013, the Company recorded a currency translation adjustment relating to foreign exchange differences on foreign operations of $264 (2012 – nil).

9. Related party transactions

(a) Related party expenses

During the nine months ended September 30, 2013 and September 30, 2012, the Company incurred the following:

Payee	Nature	Note		September 30, 2013		September 30, 2012
Namdo	Management fees	i	$	234,000	$	234,000
Lucara	Support services	ii		23,833		-
NGEx	Support services	ii		1,500		-

i. Namdo Management Services Ltd. (“Namdo”), a company owned by an officer and director of the Company, provides services and office facilities to the Company pursuant to an Agreement.

ii. Lucara Diamond Corp. (“Lucara”) and NGEx Resources Inc. (“NGEx”), companies related by way of officers and directors in common, provides support services to the Company.

(Expressed in Canadian Dollars, unless otherwise noted)

9. Related party transactions (continued)

(b) Key management compensation

Key management includes executive officers of the Company. The compensation paid or payable to key management for employee services is shown below.

	September 30, 2013	September 30, 2012
Salaries and benefits	$ -	$ 24,523
Stock-based compensation	37,423	114,853
	$ 37,423	$ 139,376

10. Financial instruments

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. The fair value of these financial instruments other than cash approximates their carrying values due to the short-term nature of these instruments.

Cash is measured at fair value using Level 1 inputs.

INTRODUCTION

This Management's Discussion and Analysis ("MD&A") of Fortress Minerals Corp. ("Fortress") and its subsidiary companies (collectively, the "Company") for the three and nine months ended September 30, 2013 provides a detailed analysis of the Company's business, and compares its financial results with those of the same period from the previous year.

This MD&A is dated as of November 26, 2013 and should be read in conjunction with the Company's condensed consolidated interim financial statements and related notes thereto for the three and nine months ended September 30, 2013 and the Company's audited annual consolidated financial statements and related notes thereto and the MD&A for the fiscal year ended December 31, 2012. References to the "2013 period" and "2012 period" relate to the nine months ended September 30, 2013 and September 30, 2012, respectively.

Other continuous disclosure documents, including the Company's press releases and quarterly and annual reports, are available through its filings with the securities regulatory authorities in Canada at www.sedar.com.

OVERVIEW

Fortress was originally incorporated in British Columbia and continued under the Canada Business Corporations Act in 2002. The common shares of Fortress were listed for trading on the TSX Venture Exchange ("TSX-V") under the trading symbol "FST".

The Company had previously announced on April 26, 2012 that it had received notice from the TSX Venture Exchange that the Company had a Tier 2 Continued Listing Requirements Deficiency in relation to its assets and operations for a company classified as a Mining Issuer and was given a deadline of October 16, 2012 to provide a submission to the Exchange evidencing that it meets Tier 2 Continued Listing Requirements. The Company had not provided a submission by the deadline and therefore its listing was transferred to NEX and it now trades under the symbol FST.H effective October 17, 2012.

Pursuant to a special resolution passed by shareholders on November 16, 2010, the Company consolidated its capital on a 20 old for 1 new basis. As a result, all references to share, option, warrant and per share data have been adjusted to reflect the share consolidation that was completed during the year ended December 31, 2010.

During the 2010 fiscal year, the Company disposed of all Russian assets including Fortress' 100% interest in the Svetloye Gold Project as well as its interest in the Amur Properties. These transactions resulted in the disposition of all mineral property interests and related assets and signified Fortress' exit from Russia. Fortress received net cash consideration of US$9,750,000 on the disposition of the Russian assets.

In January 2011, the Company completed a private placement of 5,000,000 common shares at a price of $3.00 per share for gross proceeds of $15,000,000. Share issue costs of $38,250 were incurred resulting in net proceeds of $14,961,750 from the private placement.

As at September 30, 2013, the Company had cash on hand of $22.7 million and 14,831,758 common shares issued and outstanding.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2013, the Company had cash and a working capital surplus of $22.7 million as compared to cash of $22.8 million and a working capital surplus of $22.9 million at December 31, 2012.

As the Company currently has no ongoing exploration activities and its working capital requirements have been substantially reduced, it is believed that the current working capital will be sufficient to fully fund operations while evaluating strategic alternatives in the natural resource sector.

To finance its future acquisition, exploration, development and operating costs, Fortress may require financing from external sources, including issuance of new shares or issuance of debt. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to Fortress.

(Expressed in Canadian Dollars, Unless Otherwise Noted)

OUTSTANDING SHARE DATA

As at the date of this MD&A, there were 14,831,758 common shares issued and outstanding and stock options outstanding to purchase a total of 227,700 common shares for a total of 15,059,458 common shares outstanding on a fully-diluted basis.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

	2013 Q3	2013 Q2	2013 Q1	2012 Q4
Total exploration and operating expenses	$ 91,012	$ 34,214	$ 46,801	$ 96,734
Net loss for the period	91,012	34,214	46,801	96,734
Basic and diluted loss per share	$ 0.01	$ 0.00	$ 0.00	$ 0.01
Weighted-average number of common shares outstanding	14,831,758	14,831,758	14,831,758	14,831,758
Total assets	$ 22,761,958	$ 22,829,007	$ 22,848,988	$ 22,890,538
Working capital surplus	$ 22,737,169	$ 22,818,638	$ 22,834,083	$ 22,857,613

	2012 Q3	2012 Q2	2012 Q1	2011 Q4
Total exploration and operating expenses	$ 120,155	$ 119,056	$ 127,790	$ 113,702
Gain on disposition of subsidiaries	-	-	-	(21,365)
Net loss for the period	120,155	119,056	127,790	92,337
Basic and diluted loss per share	$ 0.01	$ 0.01	$ 0.01	$ 0.01
Weighted-average number of common shares outstanding	14,831,758	14,831,758	14,831,758	14,831,758
Total assets	$ 22,913,338	$ 22,996,345	$ 23,072,663	$ 23,154,139
Working capital surplus	$ 22,908,338	$ 22,972,589	$ 23,011,174	$ 23,124,139

The Company historically has only operated in the exploration phase and therefore, has never generated any production revenue. The only income generated by the Company is interest income on its cash deposits.

The current quarter's net loss is lower compared to the third quarter of 2012 as a result of a reduction in corporate activities. Current quarterly losses are comprised primarily of office and general expenses and professional fees. Included in the office and general expense is office rent paid to a related party in the amount of $78,000.

DESCRIPTION OF MINERAL PROPERTIES

During fiscal 2010, the Company entered into two sale agreements to sell certain subsidiaries that held the Company's net assets in the Svetloye Gold Project as well as its interest in the Amur Properties.

At September 30, 2013, the Company had no mineral property interests.

OUTLOOK

The Company continues to evaluate strategic alternatives in the natural resource sector.

TRANSACTIONS WITH RELATED PARTIES

During the 2013 period, the Company paid $234,000 (2012 - $234,000) to Namdo Management Services Ltd. ("Namdo"), a private corporation owned by the current President. The Company occupies office space in the Namdo offices for the Company's management, certain directors, investor relations personnel and support staff. Namdo charges a service fee and recovers out of pocket expenses related to the Company.

During the 2013 period, the Company also paid $23,833 (2012 - $Nil) to Lucara Diamond Corp. ("Lucara"), a company in which the current President is a director and the former CFO is an officer. In addition, the Company paid $1,500 (2012 – $Nil) to NGEx Resources Inc. ("NGEx"), a company in which the current President is a director and the current CFO is an officer. The charges relate to support services provided by the employees of Lucara and NGEx to the Company.

OFF-BALANCE SHEET ARRANGEMENTS

During the nine months ended September 30, 2013 and the year ended December 31, 2012 there were no off-balance sheet transactions. The Company has not entered into any specialized financial arrangements to minimize its currency risk.

ADOPTION OF NEW IFRS PRONOUNCEMENTS

As of January 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with the transitional provisions outlined in the respective standards as listed below.

a) Pronouncement affecting financial statement presentation or disclosures

i) IFRS 12, Disclosure of interests in other entities
The Company adopted IFRS 12 on January 1, 2013. IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities.

The requirements of IFRS 12 relate to disclosures only and are applicable for the first annual period after adoption. IFRS 12 does not require the disclosures to be included for any period that precedes the first annual period for which IFRS 12 is applied. Additional disclosures will be included in the Company's annual consolidated financial statements for the year ended December 31, 2013.

ii) IFRS 13, Fair value measurement
The Company adopted IFRS 13 with prospective application from January 1, 2013. IFRS 13 is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date.

The adoption of IFRS 13 did not have an effect on the Company's condensed consolidated interim financial statements for the current period. The disclosure requirements of IFRS 13 will be incorporated in the annual consolidated financial statements for the year ended December 31, 2013.

iii) Amendment to IAS 1, Presentation of Financial Statements
The Company adopted the amendments to IAS 1 on January 1, 2013, with restrospective application. The amendments to IAS 1 require items to be grouped within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified.

The adoption of the IAS 1 amendments did not have an effect on the Company's condensed consolidated interim financial statements for the current period or prior period.

iv) Amendment to IAS 34, Interim financial reporting
The Company adopted the amendments to IAS 34 effective January 1, 2013. IAS 34 was amended to establish criteria for disclosing total segmented assets and require certain fair value disclosures. The fair value disclosures have been incorporated into these condensed consolidated interim financial statements.

b) Pronouncements affecting accounting policies only

i) IFRS 10, Consolidated financial statements
The Company adopted IFRS 10 on January 1, 2013 with retrospective application. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supercedes IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation – Special Purpose Entities.

The Company has concluded that IFRS 10 did not have an effect on the consolidated financial statements for the current period or prior periods presented as the adoption did not result in the consolidation status of any of the subsidiaries.

ii) IFRS 11, Joint arrangements
The Company adopted IFRS 11 on January 1, 2013 with retrospective application. IFRS 11 requires a venturer to classify its interest in a joint agreement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

The Company has concluded that IFRS 11 did not have an effect on the condensed consolidated interim financial statements for the current period or prior periods presented as the Company does not have any joint arrangements.

CRITICAL ACCOUNTING ESTIMATES

The adoption of certain accounting policies requires the Company to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain. For a complete discussion of accounting estimates deemed most crucial by the Company, refer to the Company's annual 2012 Management's Discussion and Analysis.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. The fair value of these financial instruments other than cash approximates their carrying values due to the short-term nature of these instruments.

Cash is measured at fair value using priority Level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including currency, credit, interest rate, liquidity and commodity price risk.

i. Currency risk

The Company's parent is Canadian and its capital is raised in Canadian dollars, with no ongoing foreign operations. As such, the Company is not subject to any significant risk due to fluctuations in the exchange rates of foreign currencies. The Company does not enter into derivative financial instruments to mitigate its exposure and given that no significant foreign exchange positions were held at year end, management believes the risk is not material.

ii. Credit risk

Credit risk is the risk of a financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations.

The Company's cash is held in large Canadian financial institutions. The Company does not have any asset-backed commercial paper. The Company's receivables are made up of interest recoverable from large Canadian financial institutions and harmonized sales tax recoverable from the provincial government of British Columbia, Canada.

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

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company manages its liquidity risk by 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.

RISKS AND UNCERTAINTIES

Exploration, acquisition and development of mineral properties involves a high degree of financial risk, which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of an ore body may result in substantial rewards, few exploration properties are ultimately developed into producing mines. Major expenditures may be required to establish reserves by drilling, constructing mining and process facilities at a site, developing metallurgical processes and extracting base and precious metals from ore.

The risk factors which should be taken into account in assessing the Company's activities, include, but are not necessarily limited to, those set out in the Management's Discussion and Analysis for the year ended December 31, 2012.

FORWARD LOOKING STATEMENTS

Certain statements in this document are "forward-looking statements". Forward-looking statements are statements that are not historical fact and are generally identified by words such as "believes", "anticipates", "expects", "estimates", "pending", "intends", "plans" or similar words suggesting future outcomes. By their nature, forward-looking statements and information involve assumptions, inherent risks and uncertainties, many of which are difficult to predict, and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward-looking statements and information. Risks and uncertainties include, but are not limited to, risk with respect to general economic conditions, regulations and taxes, corporate restructuring and related costs, capital and operating expenses, pricing and availability of financing and currency exchange rate fluctuations. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

The Company does not undertake to update or re-issue the forward-looking statements and information that may be contained herein, whether as a result of new information, future events or otherwise.

Any statements regarding the following are forward-looking statements:

- future earnings;
- future asset acquisitions or dispositions;
- future debt levels;
- future sources of liquidity, cash flows and their uses;
- ultimate recoverability of assets;
- expected operating costs;
- future foreign currency exchange rates;
- future market interest rates; and
- changes in any of the foregoing.

The forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, among others:

- market prices for commodities;
- the results of exploration and development drilling and related activities;
- foreign-currency exchange rates;
- economic conditions in the countries and regions in which we carry on business; and
- governmental actions including changes to taxes or royalties, changes in environmental and other laws and regulations.

The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these factors are interdependent, and management's future course of action would depend on our assessment of all information at that time. Although we believe that the expectations conveyed by the forward-looking statements are reasonable based on information available to us on the date such forward-looking statements were made, no assurances can be given as to future results, levels of activity and achievements.

Undue reliance should not be placed on the statements contained herein, which are made as of the date hereof and, except as required by law, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.