

**PRECIPITATE GOLD CORP.**  
**Management Discussion and Analysis (“MD&A”)**  
**for the six months ended May 31, 2013**

The following discussion and analysis of the operations, results, and financial position of Precipitate Gold Corp. (“the Company”) for the six months ended May 31, 2013, should be read in conjunction with the Company’s unaudited financial statements and related notes for the six months ended May 31, 2013, and the audited financial statements for the year ended November 30, 2012. The effective date of this report is July 25, 2013. All figures are presented in Canadian dollars, unless otherwise indicated.

**COMPANY OVERVIEW**

The Company was incorporated pursuant to the provisions of the *Business Corporations Act* (British Columbia) on January 31, 2011. On May 24, 2012, the Company completed an initial public offering (“IPO”) on the TSX Venture Exchange (“TSX-V”) and commenced trading under the symbol PRG. The Company is in the business of exploration, development and exploitation of mineral resources in Canada, the Dominican Republic and Mexico. The Company’s primary objective is to explore mineral properties to a stage where they can be developed profitably or sold to a third party. The Company has (i) acquired a right to obtain up to a 100% interest in the Fireside Properties pursuant to the Fireside Option Agreement; (ii) acquired a right to obtain up to a 70% interest in the Jay East Property pursuant to the Bearing Option Agreement; and (iii) acquired via staking several other mineral properties, including the Bloom Claims. On April 23, 2013, the Company announced that it had amended the Fireside Option Agreement.

On November 9, 2012, the Company acquired 100% of the shares of 0945044 BC Ltd., a private BC registered company (“BC Corp.”). In order for the Company to maintain its rights to the title and interest in BC Corp., the Company must make staged payments, complete a certain level of property expenditures; and distribute common shares to the shareholders of BC Corp., over a period commencing when the government of Dominican Republic grants the rights to the concessions to BC Corp’s wholly owned subsidiary, Corporacion Minera San Juan, S.R.L. (“CMSJ”). On August 16, 2012, CMSJ applied to the government of Dominican Republic for the rights to two mineral concessions, Juan de Herrera and Higos Blancos. The rights to a third concession, Hato Nuevo, were transferred to CMSJ by the shareholders of BC Corp. at no additional cost to CMSJ or to the Company. During the six months ended May 31, 2013, the Company abandoned the Higos Blancos concession.

On February 19, 2013, the Company announced it acquired the right to earn 100% interest in the Cecilia gold-silver project located in northeast Sonora Mexico, from Gunpoint Exploration Ltd. (“Gunpoint”). Upon execution of the agreement, but prior to making the first payment, the Company has been granted a four month due diligence period, during which time it will have full access to the project and all available data. On June 27, 2013, the Company announced it an amendment to the agreement with Gunpoint whereby the due diligence period was extended an additional four months from the amendment date and the payment schedule was revised. Under the terms of the amended agreement, if at the end of the due diligence period, the Company elects to proceed, it can complete the acquisition by making staged payments to Gunpoint.

**MINERAL PROPERTY EXPLORATION**

The Company is investigating, evaluating and conducting exploration activities in the Dominican Republic, Sonora Mexico, British Columbia and Yukon Territory, Canada. The Company’s mineral property interests are as follows:

**a) Properties in the Dominican Republic**

On November 9, 2012, the Company acquired 100% ownership of the shares of 0945044 BC Ltd., a private BC registered company (“BC Corp.”) which owns a 100% interest in the application for the Juan de Herrera, Higos Blancos and Hato Neuvo gold exploration concessions

("Dominican Republic properties") in the Dominican Republic through Corporacion Minera San Juan, S.R.L. ("CMSJ"), its wholly-owned subsidiary. The Company paid \$60,000 to acquire the shares of BC Corp. from certain shareholders of the Company and substantially allocated the purchase consideration to mineral properties.

In order for the Company to maintain its right, title and interest in BC Corp., the Company must complete the following cash payments, exploration expenditures and share issuances:

- Cash payments totalling \$390,000 as follows:
  - \$90,000 within 5 days of the date that the Dominican Republic Ministry grants exploration concessions over the Juan de Herrera Property ("Grant Date");
  - \$150,000 on or before the first anniversary of the Grant Date; and
  - \$150,000 on or before the second anniversary of the Grant Date;
  
- Incur exploration expenditures totalling \$1,000,000 as follows:
  - \$250,000 on or before the first anniversary of the Grant Date;
  - \$300,000 on or before the second anniversary of the Grant Date; and
  - \$450,000 on or before the third anniversary of the Grant Date;
  
- Issue a total of 3,000,000 common shares of the Company as follows:
  - 1,000,000 common shares within 5 days of the Grant Date
  - 1,000,000 common shares on or before the first anniversary of the Grant Date; and
  - 1,000,000 common shares on or before the second anniversary of the Grant Date;

The properties are subject to a 3% NSR from any base and precious metal commercial production. The Company may acquire 50% of the NSR by paying \$2,000,000 to BC Corp.

During the current period, the Company abandoned the Higos Blancos concession. During the six months ended May 31, 2013, the Company has incurred \$251,024 (2012 - \$Nil) in exploration expenditures on the Dominican Republic properties.

#### **b) Properties in Mexico**

On February 19, 2013, the Company signed an option agreement with Gunpoint Exploration Ltd. ("Gunpoint") whereby the Company has the right to acquire a 100% interest in the Cecilia gold-silver project in northeastern Sonora State, Mexico.

Under the terms of the agreement, which was amended on June 24, 2013, the Company can elect to complete the acquisition by making the following cash payments and issuing the following common shares to Gunpoint:

- 58,000 common shares of Precipitate at the completion of due diligence on or before October 18, 2013;
- \$125,000 and 233,000 shares on or before the 1st anniversary of initial payment; and
- \$275,000 and 234,000 shares on or before the 2nd anniversary of initial payment.

The property is subject to a 1% NSR payable to the Mexican Government; for three small inlier concessions only.

During the six months ended May 31, 2013, the Company incurred \$54,471 (2012 - \$Nil) in exploration expenditures on the Mexican properties.

### c) Reef Property

The Company's principal property, also referred to as the "Reef Property" (the "Principal Property"), is a contiguous area totalling roughly 8,615 hectares located in the Yukon Territory. The Reef Property is comprised of the following mineral quartz claims: the Reef I-48 claims, which forms part of the Fireside Properties; all of the Jay East Property; and the Bloom I-262 claims.

During the six months ended May 31, 2013, the Company incurred \$1,123 (2012 - \$161,497) in exploration expenditures on the Principal Property, comprised of \$1,056 (2012 - \$53,698) of exploration expenditures on the Reef I-48 claims, \$67 (2012 - \$41,731) of exploration expenditures on the Jay East Property, and \$Nil (2012 - \$66,068) of exploration expenditures on the Bloom I-262 claims.

#### i. Fireside Properties

On April 14, 2011, the Company entered into an option agreement (the Fireside Option Agreement) with Strategic Metals Ltd. ("Strategic") and Archer, Cathro & Associates (1981) Limited, to acquire a 100% interest in 17 geographically separate blocks of mineral claims, called the "Fireside Properties". The Fireside Properties are located in the Watson Lake Mining District, Yukon Territory, and northern British Columbia, and include the Reef I-48 claims that are part of the Company's Principal Property.

Pursuant to the option agreement, the Company was required to complete the following option payments and exploration expenditures:

- Cash payments totalling \$300,000 as follows:
  - \$50,000 on April 14, 2011 (paid);
  - \$50,000 on or before June 1, 2011 (paid); and
  - \$200,000 on or before April 14, 2012 (paid).
  
- Incur exploration expenditures totalling \$2,000,000 as follows:
  - \$200,000 on or before December 31, 2011 (incurred);
  - \$500,000 on or before December 31, 2012 (incurred); and
  - \$1,300,000 on or before December 31, 2013 (no longer an obligation).

As required pursuant to the Fireside Option Agreement, the Company completed an Initial Public Offering ("IPO"), obtained a listing on the TSX-V, and issued 5,068,827 common shares to Strategic equal to 19.9% of the Company's issued and outstanding common shares immediately following the IPO. During the earn-in period, Strategic will have the right, but not the obligation, to participate in future equity financings so as to maintain its percentage equity interest in the Company. The Fireside Properties are subject to a 2% net smelter royalty ("NSR") from any precious metal commercial production and a 1% net smelter royalty ("NSR") from any non-precious metal commercial production.

On April 23, 2013, the Company announced that it had amended the Fireside Property Option Agreement and that the Company and Strategic have agreed that:

- 1) Precipitate is now deemed to have fully exercised its option and completed the acquisition of a 100% interest in the Reef, Papua, and Borneo properties in southeast Yukon, subject to a 2% NSR to Strategic;

- 2) Precipitate is deemed to have terminated the option on 14 remaining Fireside properties, with Strategic retaining its 100% interest in those claims; and
- 3) No further payments or expenditures are required by Precipitate.

During the six months ended May 31, 2013, the Company had incurred \$6,433 (2012 - \$113,408) of exploration expenditures on the Fireside Properties, of which \$1,056 (2012 - \$53,698) was incurred on the Reef I-48 claims and \$5,377 (2012 - \$59,710) on the remaining claims. Acquisition costs of \$71,960 relating to the 14 Fireside properties whose options were terminated were written off during the six months ended May 31, 2013.

#### ii. Jay East Property

On July 29, 2011, the Company entered into an option agreement (the Jay East Option Agreement) with Bearing Resources Ltd. ("Bearing") to acquire up to a 70% interest in 108 mineral claims, called the "Jay East Property", located in Yukon Territory. The Jay East Property is part of the Company's Principal Property.

Pursuant to the Jay East Option Agreement, the Company can earn an initial 51% interest by completing the following option payments and exploration expenditures:

- Cash payments totalling \$480,000 as follows:
  - \$5,000 within 5 days of July 29, 2011 and approval of the agreement by TSX-V (paid);
  - \$25,000 on or before July 29, 2012 (paid);
  - \$35,000 on or before July 29, 2013;
  - \$40,000 on or before July 29, 2014;
  - \$50,000 on or before July 29, 2015; and
  - \$325,000 on or before July 29, 2016.
- Incur exploration expenditures totalling \$2,000,000 as follows:
  - \$100,000 on or before December 31, 2012 (incurred);
  - Aggregate of \$1,000,000 on or before July 29, 2014; and
  - Aggregate of \$2,000,000 on or before July 29, 2016.

In order to keep the Jay East Option Agreement in good standing and earn an additional 19% interest in the Jay East Property, the Company must complete a feasibility study on or before July 29, 2019 and complete the following cash payments:

- Cash payments totalling \$300,000 as follows:
  - \$100,000 on or before July 29, 2017;
  - \$100,000 on or before July 29, 2018; and
  - \$100,000 on or before July 29, 2019.

During the six months ended May 31, 2013, the Company had incurred \$67 (2012 - \$41,731) in exploration expenditures on the Jay East Property.

#### iii. Bloom I-262 Claims

The Company acquired the Bloom I-262 claims, located in the Yukon Territory, consisting of 262 quartz claims, through staking. During the six months ended May 31, 2013, the Company has incurred \$Nil (2012 - \$66,068) in exploration expenditures on these claims.

#### **d) Other Properties in Yukon Territory**

The Company acquired the Bright and Lombok properties, located in Yukon Territory, consisting of 284 claims, through staking. During the six months ended May 31, 2013, the Company has incurred \$2,217 (2012 - \$Nil) in exploration expenditures on these properties.

#### **e) Other Properties in British Columbia**

The Company acquired the Ba, Gemini, and Horneline properties, located in the British Columbia, consisting of 69 claims, through staking. During six months ended May 31, 2013, the Company has incurred \$3,474 (2012 - \$70,248) in exploration expenditures on these properties.

### **OPERATIONS UPDATE**

#### **Private placement**

On May 16, 2013, the Company completed a non-brokered private placement of 3,333,332 units at a price of \$0.15 per unit for gross proceeds of \$500,000. Each unit consists of one common share and one share Purchase warrant ("warrant"). Each warrant entitles the holder to purchase one additional common share at a price of \$0.25 per share for a period of 24 months from May 16, 2013. The Company has the right to accelerate the expiry date of the warrants if the daily volume weighted average trading price of the common shares of the Company is equal to or exceeds \$0.50 for a period of 10 consecutive trading days, commencing four months after the date the warrants are issued.

#### **Juan de Herrera, Dominican Republic**

Since announcing the Dominican Republic properties acquisition in August 2012, the Company has completed multiple phases of early-stage exploration work. The initial two phases included comprehensive geological data compilation, geological mapping, prospecting and geochemical sampling, on both regional and local scales. The recently completed follow up exploration program focused on the newly identified gold zones at Ginger Ridge and Melchor; both located on the Juan de Herrera concession application. This work includes detailed geological mapping, rock chip sampling and ridge-spur-grid soil sampling. Work at the Ginger Ridge zone yielded the following highlight results:

- 13.0m of 1.48 g/t Au and 20.38 g/t Ag in continuous rock chip channel samples; mineralization remains open in all directions.
- Definition of a gold-enriched multi-element geochemical anomaly measuring about 1,000 metres long by up to 400 metres wide.
- Potential on-strike expansion of the Ginger Ridge soil anomaly to greater than 1,700 metres long.

Geological mapping indicates that the Ginger Ridge soil anomaly is underlain by variably altered intermediate volcanic Tiroo formation rocks (dacitic flows and tuffs) which appear to have been cut by north, northeast and eastward trending fault structures. Observed mineralization includes irregular quartz veins, veinlets and stockworks with varying pyrite ( $\pm$  hematite-limonite) contents up to 40% locally; alteration includes associated clay, barite, calcite and chlorite.

Follow up detailed rock and soil sampling at the Melchor zone, failed to identify a consistent area of gold or related pathfinder elements. Gold mineralization appears to be limited to narrow and sporadically spaced quartz veins.

#### **Cecilia, Sonora, Mexico**

On February 18, 2013, the Company announced it acquired the right to earn 100% interest in the Cecilia low sulphidation epithermal gold-silver project located in northeast Sonora, Mexico, from Gunpoint Exploration Ltd. On June 27, 2013 the Company announced it had reached agreement with Gunpoint to

amend the Option Agreement terms. The Company has been granted a four month due diligence period, from the date of the amended agreement, during which time it will have full access to the project and all available data. At the end of the due diligence period, if the Company elects to proceed, it can complete the acquisition by making staged payments to Gunpoint. During the due diligence period, the Company plans to complete comprehensive data compilation, and has initiated a program of sampling and mapping at Cecilia.

### **Reef Project, Southeast Yukon**

The Reef Property is located 200 km north of Watson Lake, YK. Highway #10 cuts the eastern side of the property allowing simple property access and suitable staging areas. Reef is positioned in the northern portion of the Upper Hyland Gold Trend, which is underlain by gold prospective sedimentary rocks of the NeoProterozoic to middle Cambrian aged Selwyn Basin. The Upper Hyland Gold Trend is a +50 kilometre long region of gold mineralization. It includes a number of other notable sediment-hosted gold occurrences, such as the Hy, 3 Ace, Sprogge and Justin. Located on the west side of the Reef property, the high priority Fer Zone hosts two large gold-arsenic soil anomalies, where gold is typically found within zones of quartz veining and extensive silica flooding, in association with variable but generally low amounts of pyrite, arsenopyrite and trace amounts of other base metals.

During the 2011-12 field seasons, Precipitate completed airborne magnetics and radiometric surveys, 3D inversion modeling of the magnetic data, and multiple phases of rock-silt-soil geochemical sampling and geological mapping and prospecting. This work has given technical staff a better understanding and appreciation of the structural and lithologic controls on the gold mineralization. In late 2012 exploration work focused on the priority Fer Zone, where detailed geological mapping and rock sampling, additional soil sampling and prospecting on extensions of the South and Northeast soil anomalies and also extended new coverage over the Camp Cirque area was completed. Final interpretation of the 2012 geochemical and geological results indicates that future work should focus on the Camp Cirque/Northeast Grid corridor as this a large area of pervasive alteration with numerous gold anomalous rock samples. Mineralization and alteration has a strong structural component, being controlled and localized primarily along late N-NE oriented structures and the hinges of large SE plunging folds. The most robust alteration and sulfide mineralization (i.e. pervasive silicification and disseminated to fracture controlled pyrite and arsenopyrite) is observed within the Camp Cirque and Northeast Grid areas and corresponds to the hinge of a tight, likely isoclinal, SE plunging anticline. Alteration and mineralization are preferentially localized within clastic units due to favorable permeability and is enhanced in areas of structural intersections (i.e. NE faults) and in areas capped with shale. In preparation for a possible future drill program, the Company has the necessary permits and studies in-place. These include a five-year Class 3 Mining Land Use Permit from the Yukon Environmental and Socio-economic Assessment Board (dated April 2012), a property-wide desktop Heritage Resources Overview Assessment (HROA) and a preliminary field archaeological reconnaissance report for preferred roadside camp locations. Contingent upon the Company in its normal course of operations satisfying certain terms and conditions, the Class 3 Permit will allow the Company to precede with the proposed exploration activities. No exploration work was conducted from December 2012 to February 2013.

### **South Seas Properties, Southeast Yukon**

The Company's South Seas Project Group is located in the southeast Yukon. An area which is underlain by gold prospective sedimentary rocks of the NeoProterozoic to middle Cambrian aged Selwyn Basin. The greenfields stage claim groups cover a wide range of multi-element soil and silt anomalies which include reconnaissance staged thallium-antimony-silver and arsenic anomalies. Interestingly, the region is located in the up ice flow direction from past placer operations across the nearby NWT border within the Nahanni Park. The South Sea's Project Group includes the Bright, Blind, Java, Kar, Papua, Borneo, Flores, Celebes, Lombok, Gusty, Banda and Bali Properties. As a result of the Fireside Replacement Agreement announced on April 23, 2013, the Company will retain the Papua and Borneo Properties as well as the Bright and Lombok properties, which are wholly owned properties acquired by staking.

During the 2011 field season, Precipitate completed detailed and preliminary soil-silt geochemical sampling and prospecting on the South Seas Group properties. In general, results for most of the properties identified various pathfinder element anomalies that warranted follow-up exploration. A four day follow-up soil-silt sample program was completed in late August 2012, on the Bright, Java, Kar, Lombok and Papua properties. Interpretations of the geochemical results of these brief recon surveys indicate that some of these properties warrant future follow up exploration work.

### **Gemini Project & NE British Columbia**

Precipitate's 100% owned Gemini gold property is located about 95 km southeast of Watson Lake (YT) and 50 km southwest of the Alaska Highway in north central British Columbia. Gemini is located about 20 to 30 km east of the Northern Rocky Mountain Trench Fault and lies within Kechika Trough, an elongated southerly extension of Selwyn Basin. The Kechika Trough and Selwyn Basin are rift-controlled sedimentary basins that formed along the North American continental margin during Upper Proterozoic to Paleozoic time.

During the 2011 field season, Precipitate completed limited prospecting, silt and soil sampling and airborne geophysical surveys over the central and southwest portions of the Gemini property. 3D magnetic inversion modelling of the 2011 airborne mag data has been particularly useful as much of the property is covered by glacial till or soil. A test biogeochemical survey was carried out in spring 2012 and a follow-up one week long recon program consisting of additional silt sampling, geological mapping and prospecting from the Kechika River (water access) or western side of the property was completed in August. Final compilation and interpretations of the geological, geophysical and geochemical results of the surveys indicates a number of gold and pathfinder anomalies which warrant follow up work.

### **Operations - Going Forward**

The Company's near term exploration work will focus on its Dominican Republic and Mexican gold properties. At Juan de Herrera (DR), management expects that passive exploration efforts, including mapping, rock, silt and soil sampling and possibly ground geophysical programs (specifically, induced polarization) will be conducted in the near future. In compliance with Dominican Republic mining legislation, advanced and/or invasive exploration programs (i.e., road construction, trenching, drilling, etc.) cannot occur until formal approval of the Company's concession applications have been granted and relevant work/environmental permits are in place. The Company believes that final grant of the Dominican Republic concessions will occur before the end of the third quarter of 2013, at which time a cash-share payment is due to the property vendors. Upon receipt of the concession grants and favourable exploration results, the Company plans to submit an application permit for diamond drill testing.

At Cecilia (Sonora, Mexico), the Company will complete a detailed review of property data, collect samples and inspect notable property showings. Upon completion of the review, the Company will decide whether to proceed with the option agreement with Gunpoint. For the balance of the 2013 exploration field season, the Company has no plans to conduct field work on its southeast Yukon or northeast British Columbia properties. Company technical staff continues to assess data obtained from the 2012 Yukon and BC programs and management maintains its intent of future resource allocation to its northwest Canada exploration projects.

## SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's quarterly results for the last eight quarters:

	May 31, 2013	Feb 28, 2013	Nov 30, 2012	Aug 31, 2012	May 31, 2012	Feb 29, 2012	Nov 30, 2011	Aug 31, 2011
Expenses	\$422,478	\$524,736	\$720,995	\$489,883	\$451,783	\$195,622	\$377,836	\$180,057
Loss for the period	\$492,059	\$520,964	\$715,609	\$483,121	\$451,783	\$171,571	\$356,747	\$179,668
Weighted average shares outstanding	26,014,971	25,471,493	19,920,660	25,471,493	15,706,816	13,018,146	8,123,978	5,474,283
Loss per share	\$0.02	\$0.02	\$0.03	\$0.02	\$0.03	\$0.01	\$0.04	\$0.03
Mineral property acquisition costs (write-off)	\$(71,960)	\$136	\$107,281	\$25,000	\$2,227,531	\$4,272	\$240,021	\$115,071
Mineral property exploration costs	\$119,669	\$198,017	\$102,381	\$176,962	\$192,078	\$99,378	\$331,826	\$166,531

The Company's operating losses are due to mineral exploration, share-based compensation and general and administrative costs, such as audit and accounting fees, marketing, conferences and shareholder relation costs, salaries and wages, and office and administrative expenses incurred during the process of managing the Company's operations and to ensure regulatory compliance and can vary from quarter to quarter based on planned exploration activities, resource constraints, and share-based compensation.

## SELECTED ANNUAL INFORMATION

The following is a summary of the financial data of the Company for the most recently completed fiscal year:

	As at and year ended November 30, 2012	As at and period ended November 30, 2011
	\$	\$
Revenue	Nil	Nil
Net loss for the year	1,822,084	633,358
Net loss per common share, basic and diluted	0.09	0.12
Weighted Average number of common shares outstanding	19,920,660	5,116,105
<b>Statement of Financial Position Data</b>		
Working capital	1,500,507	484,050
Total assets	4,279,197	955,322



## PRINCIPAL USE OF AVAILABLE FUNDS

Principal Purpose	Anticipated	Actual
Recommended Phase I work program on Reef Property	\$1,500,000	\$255,000
Option payment pursuant to Strategic Option Agreement	\$200,000	\$200,000
Option payments pursuant to Jay East Option Agreement	\$30,000	\$30,000
Ancillary work programs on the Company's other properties	\$400,000	\$508,000
Acquisition costs – Dominican Republic properties	-	\$107,000
General and administrative expenses*	\$622,404	\$848,000
Unallocated	\$712,208	\$1,516,612
<b>Total:</b>	<b>\$3,464,612</b>	<b>\$3,464,612</b>

**Available funds includes \$2,964,612 as disclosed in the Company's final prospectus upon the IPO and \$500,000 raised in the private placement announced on May 16, 2013.**

\*12 months for anticipated general and administrative expenses, and 17 months for the actual expenditures

The reasons for the variation in the use of the proceeds of the IPO are as follows:

1. The Company spent less than anticipated on the Reef Property due to a late snow melt and extreme spring-summer rain, making for a shortened field season, as well as to conserve its capital in the current period of economic downturn and market volatility;
2. Under the amended option agreement, The Company is no longer required to complete \$1,500,000 on the Reef property;
3. The Company had not contemplated the acquisition of the properties in the Dominican Republic and Mexico at the time of the IPO; and
4. Expenditures of office and administration; salaries and wages; marketing, conferences and shareholder relations were higher than anticipated.

## ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

As the Company has no significant revenue from operations in either of its last two financial years, the following is a breakdown of the material costs incurred:

	Six months ended May 31, 2013	Six months ended May 31, 2012
Capitalized mineral acquisition costs	\$2,647,352	\$2,586,895
Expensed exploration and evaluation costs	\$317,686	\$291,456
Share-based compensation	\$198,938	\$155,234
General and administrative expenses	\$430,590	\$200,715
Write-off of mineral property interests	\$71,960	\$Nil
Other (income) loss	\$(6,151)	\$(24,051)

## DISCLOSURE OF OUTSTANDING SHARE DATA

As of the date of this MD&A, the Company had 28,804,825 shares outstanding. The following table summarizes maximum number of common shares outstanding as at May 31, 2013 and as of the date of this MD&A if all outstanding options were converted to shares:

	May 31, 2013	As of the date of this MD&A
Common shares	28,804,825	28,804,825
Share purchase warrants	3,333,332	3,333,332
Options to purchase common shares	2,820,000	2,820,000
	34,958,157	34,958,157

## Escrow Shares

Pursuant to an escrow agreement dated February 1, 2012, 2,665,000 common shares were placed in escrow. 10% of the escrowed shares (266,500 shares) were released from escrow upon completion of the IPO, and 15% of the shares are released from escrow every 6 months thereafter. As of May 31, 2013 and the date of this MD&A, there were 1,599,000 common shares remaining in escrow.

Pursuant to an escrow agreement dated May 24, 2012, 3,846,367 Strategic Shares were placed in escrow ("Strategic Escrowed Shares"). 10% of the Strategic Escrowed Shares (384,637 shares) were released from escrow upon completion of the IPO, and 15% of the shares are released from escrow every 6 months thereafter. As of May 31, 2013 and the date of this MD&A, there were 2,307,820 Strategic Shares remaining in escrow.

## RESULTS OF OPERATIONS

### Three months ended May 31, 2013 ("Q2 2013") compared to three months ended May 31, 2012 ("Q2 2012")

The loss for the quarter ended May 31, 2013 was \$492,059 compared to \$451,783 for the quarter ended May 31, 2012. The decrease in the Q2 2013 net loss is mainly due to a decrease in exploration and evaluation costs and share based compensation, which was offset by an increase in investor relations and salaries and wages. Explanations for significant variances are as follows:

- Exploration and evaluation costs of \$119,669 were incurred on the Company's properties during Q2 2013 compared to \$192,078 in Q2 2012. Most of the costs incurred were salaries and consulting fees for geological and geophysical services associated with property evaluations and assessments, consulting fees paid to the Company's VP of Exploration, other related salaries and benefits, and travel, meals and accommodation, primarily for the Company's crew in the Dominican Republic. The decrease in costs from Q2 2012 to Q2 2013 was due to the fact that there was decreased exploration activities on the Company's Canadian properties;
- Investor relations costs of \$47,860 were incurred during Q2 2013 for efforts on raising awareness among retail and institutional investors, compared to \$4,878 in Q2 2012. The increase in investor relation costs was due to the fact the Company did not become publicly traded until May 24, 2012;
- Salaries and wages of \$57,489 were incurred during Q2 2013 which was paid to the Company's CEO and CFO compared to \$24,801 in Q2 2012. The increase of \$32,688 was due to additional employees hired on June 1, 2012;
- Share based compensation during Q2 2013 was \$88,572 compared with \$155,234 for Q2 2012. The Q2 2012 share based compensation consists of fair value of 1,930,000 options granted on May 29, 2012 to directors, key employees and consultants, whereas the Q2 2013 share based compensation consists of fair value of 2,630,000 options granted; and
- Write-off of mineral property interests during Q2 2013 was \$71,960 compared with \$Nil for Q2 2012. The write-off in Q2 2013 was for the 14 Fireside options whose option was terminated per the amended agreement dated April 23, 2013.

**Six months ended May 31, 2013 ("2013 period") compared to six months ended May 31, 2012 ("2012 period")**

The loss for the six ended May 31, 2013 was \$941,063 compared to \$623,354 for the six ended May 31, 2012. The increase in net loss is mainly due to an increase in investor relation costs, marketing conferences, and shareholder relations, salaries and wages, and share based compensation. Explanations for significant variances are as follows:

- Investor relations costs of \$98,888 were incurred during the 2013 period for efforts on raising awareness among retail and institutional investors, compared to \$4,878 in the 2012 period. The increase in investor relation costs was due to the fact the Company did not become publicly traded until May 24, 2012;
- Marketing, conferences and shareholder relations costs of \$64,865 were incurred during the 2013 period for management's attendance at mining conferences and for marketing consulting, compared to \$26,028 in the 2012 period. The increase in costs was due to increased activities in the Company's properties;
- Salaries and wages of \$96,847 were incurred during the 2013 period which was paid to the Company's CEO and CFO compared to \$68,495 in the 2012 period. The increase of \$28,352 was due to additional employees hired subsequent to the Company's IPO;
- Share based compensation during the 2013 period was \$198,938 compared with \$155,234 for the 2012 period. The 2012 share based compensation consists of fair value of 1,930,000 options granted on May 29, 2012 to directors, key employees and consultants, whereas the Q2 2013 share based compensation consists of fair value of 2,630,000 options granted; and

- Write-off of mineral property interests during the 2013 period was \$71,960 compared with \$Nil for the 2012 period. The write-off in six months ended May 31, 2013 was for the 14 Fireside options whose option was terminated per the amended agreement dated April 23, 2013.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's ability to meet its obligations and its ability to finance exploration and development activities depends on its ability to generate cash flow through the issuance of common shares pursuant to private placements, the exercise of warrants and stock options. Capital markets may not always be receptive to offerings of new equity from treasury or debt, whether by way of private placements or public offerings. This may be further complicated by the limited liquidity for the Company's shares, restricting access to some institutional investors. The Company's growth and success is dependent on additional external sources of financing which may not be available on acceptable terms.

### Working Capital

As of May 31, 2013, the Company's working capital was \$1,258,246, compared with a \$1,500,507 working capital as of November 30, 2012. The \$242,261 decrease in working capital is mainly due to a decrease in cash and increase in accounts payable and accrued liabilities relating to the Company's operating expenses.

### Cash and Cash Equivalents

On May 31, 2013, the Company had \$1,170,574 of cash and cash equivalents, compared with \$1,349,460 of cash and cash equivalents on November 30, 2012. The \$178,886 decrease in the cash position is mainly due to spending \$678,750 on operating activities and \$136 on mineral properties acquisition, offset by an increase of \$500,000 on proceeds raised from a non-brokered private placement.

### Cash Used in Operating Activities

Cash used in the operating activities during the six months ended May 31, 2013 was \$678,750. This cash was mostly spent on exploration and evaluation, investor relations, office and administration fees, marketing, conferences and shareholder relations, rent and salaries and wages, as well as on paying off accounts payable. Cash used in the operating activities during the six months ended May 31, 2012 was \$64,617. This cash was mostly spent on audit, accounting, exploration and evaluation, office and administration fees, marketing, conferences and shareholder relations, rent and salaries and wages,.

### Cash Used in Investing Activities

During the six months ended May 31, 2013, the Company spent \$136 on mineral acquisition costs. During the six months ended May 31, 2012, the Company spent \$204,272 on mineral property acquisition costs.

### Cash Generated by Financing Activities

During the six months ended May 31, 2013, the Company received proceeds of \$500,000 from a private placement whereby 3,333,332 units at \$0.15 per unit was issued. During the six months ended May 31, 2012, the Company received \$2,200,000 from shares issued in the IPO, \$855,200 from shares issued in private placements, and \$7,500 from the exercise of warrants, offset by spending \$312,000 on IPO related costs.

### Requirement of Additional Equity Financing

The Company relies primarily on equity financings for all funds raised to date for its operations. The Company needs additional funds to finance its exploration and development programs and ongoing operating costs. Until the Company starts generating profitable operations from extraction of minerals and

precious metals, the Company intends to continue relying upon the issuance of securities to finance its operations and acquisitions.

## **SUBSEQUENT EVENT**

On June 27, 2013, the Company announced it reached an agreement with Gunpoint Exploration Ltd. ("Gunpoint") whereby the companies have agreed to amend the option payment terms of the February 18, 2013 Cecilia Property Option Agreement.

Precipitate maintains its option to earn a 100% interest in the Cecilia property for a total consideration of \$400,000 and 525,000 shares of Precipitate payable over 28 months, however under the terms of the Amending Agreement the parties have agreed to extend the due diligence period for an additional four months from the date of the amendment, and alter the option payment schedule as follows:

- Deliver to Gunpoint 58,000 common shares of the Company on or before the expiry of the due diligence period ("the Effective Date");
- Pay to Gunpoint \$125,000 and deliver to Gunpoint 233,000 common shares of the Company on or before 12 months following the Effective Date; and
- Pay to Gunpoint an additional \$275,000 and 234,000 common shares of PRG on or before 24 months following the Effective Date.

## **GOING CONCERN**

The recoverability of amounts shown as mineral property interests is dependent upon the conversion of mineral resources to economically recoverable reserves, the Company's ability to obtain financing to develop the properties, and the ultimate realization of profits through future production or sale of the properties.

The Company's condensed consolidated interim financial statements filed with this MD&A have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and settle its obligations in the normal course of business. Several conditions discussed below cast substantial doubt regarding this assumption. As at May 31, 2013 the Company had not achieved profitable operations, had an accumulated deficit of \$3,468,465 since inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Although the Company has been successful in the past in obtaining financing, there can be no assurances that the Company will continue to obtain the additional financial resources necessary and/or achieve profitability or positive cash flows from its future operations. If the Company is unable to obtain adequate additional financing, the Company would be required to curtail its planned operations, exploration and development activities.

## **TRANSACTIONS WITH RELATED PARTIES**

Related party transactions and balances not disclosed elsewhere in these financial statements are as follows:

- i. During the six months ended May 31, 2013, the Company paid for \$57,587 (2012 - \$Nil) of salaries and wages to the President and CEO of the Company.
- ii. During the six months ended May 31, 2013, the Company paid/accrued for \$67,500 (2012 - \$61,875) of geological consulting fees and GST/HST of \$6,525 (2012 - \$14,092) to the Vice President of Exploration of the Company, of which \$12,348 was included in accounts payable and accrued liabilities as at May 31, 2013 (November 30, 2012 - \$Nil).

- iii. During the six months ended May 31, 2013, the Company paid/accrued \$15,000 (2012 - \$13,500) in accounting fees, \$15,000 (2012 - \$13,053) in office and administration expense and \$2,900 (2012 - \$3,186) of GST/HST to a company partially controlled by a director of the Company.
- iv. During the six months ended May 31, 2013, the Company paid \$12,000 (2012 - \$8,000) of salaries and wages to the Company's CFO.
- v. During the six months ended May 31, 2013, the Company paid salaries and wages of \$Nil (2012 - \$77,499) to the Company's former President and CEO.
- vi. During the six months ended May 31, 2013, the Company paid/accrued a total of \$24,000 (2012- \$Nil) plus GST/HST of \$1,160 (2012 - \$Nil) to the four directors of the Company, of which \$Nil (November 30, 2012- \$6,720) was included in accounts payable and accrued liabilities.
- vii. Total fair value of the share-based payments to directors and officers, being key management personnel, is \$46,714 (2012 - \$87,481) for the six months ended May 31, 2013.

## **PLAN OF OPERATIONS AND FUNDING**

The Company's plan of operations for the next twelve months is as follows:

- continue to assess the results obtained from the exploration programs completed on the Company's Yukon and British Columbia properties;
- the Company intends on proceeding with passive exploration efforts on the concessions in the Dominican Republic while it waits for the concessions to be granted. Upon granting of the concessions, the Company will proceed with a more aggressive exploration program which may include surface sampling, hand trenching, ground geophysical surveys and if results support, diamond drilling;
- the Company will continue with a due diligence review of the Cecilia gold-silver project in Sonora, Mexico. The assessment will include a concession legal title review, collection of surface rock, silt and soil samples and also detailed geological mapping of the main historical zones;
- continue the evaluation and assessment of other prospective mineral exploration projects in geological and geopolitical attractive jurisdiction, as opportunities are presented to the Company; and
- monitor and evaluate capital markets for possible equity financing opportunities attainable under favourable terms to finance the Company's ongoing operations and exploration activities.

## **FINANCIAL INSTRUMENTS**

The Company accounts for its financial instruments as follows:

Cash and cash equivalents, amounts receivable and tax credit receivable	Loans and receivables
Accounts payable and accrued liabilities	Financial liabilities measured at amortized cost

### *Financial Assets*

Financial assets are classified into one of the following categories based on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition. All transactions related to financial instruments are recorded on a trade date basis. The Company's accounting policy for each category is as follows:

### *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities of greater than 12 months after the end of the reporting period, which are classified as non-current assets. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue and subsequently carried at amortized cost, using the effective interest rate method, less any impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Company's loans and receivables consist of cash and cash equivalents, amounts receivable and tax credit receivable on the statement of financial position.

### *Financial Assets at Fair Value Through Profit or Loss*

An instrument is classified at fair value through profit or loss if it is held for trading. Financial instruments are designated at fair value through profit or loss if the Company manages such investments and makes purchases and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company has not designated any accounts as fair value through profit or loss.

### *Available-for-sale Financial Assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in other comprehensive income and presented within equity in the fair value reserve. When an instrument is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. The Company has not designated any financial assets as available-for-sale.

### *Financial Liabilities*

Financial liabilities other than derivative liabilities are recognized initially at fair value and are subsequently stated at amortized cost. Transaction costs on financial assets and liabilities other than those classified as fair value through profit and loss are treated as part of the carrying value of the asset or liability. Transaction costs for assets and liabilities at fair value through profit and loss are expensed as incurred. The Company's financial liabilities consists of accounts payable and accrued liabilities on the statement of financial position.

### *Impairment of Financial Assets*

The Company assesses at the end of each reporting date whether there are indicators of impairment present for financial assets other than financial assets valued through profit and loss. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

An impairment loss in respect of a financial asset carried at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted using

the instrument's original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. In the case of equity instruments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset that was previously recognized in profit or loss, is removed from equity and recognized in profit or loss.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

The classification of the financial instruments as well as their carrying values as at November 30, 2012 is shown in the table below:

Financial assets:	
Loans and receivables, measured at amortized cost:	
Cash and cash equivalents, amounts receivable and tax credit receivable	\$ 1,252,121
Financial liabilities, measured at amortized cost:	
Accounts payable and accrued liabilities	\$ 46,724

The fair value of cash and cash equivalents, amounts receivable, tax credit receivable and accounts payables and accrued liabilities approximates their carrying value due to their short-term maturity.

The Company is exposed to potential loss from various risks including credit risk, liquidity risk, interest rate risk, political risk and foreign currency fluctuation risk. These risks are described in more detail in the Risk and Uncertainties section of this MD&A.

## RISK AND UNCERTAINTIES

The Company is exposed to various types of market risks including credit risk, liquidity risk, interest rate risk and commodity price risk. This is not an exhaustive list of all risks, nor will the mitigation strategies eliminate all risks listed.

- i. **Credit Risk** – Credit risk is the risk that one party to a financial instrument will fail to fulfill an obligation and cause the other party to incur a financial loss. The Company's credit risk consists primarily of cash and accounts receivable. The credit risk is minimized by placing cash with major Canadian financial institutions. The Company does not invest in asset-backed commercial papers.
- ii. **Liquidity Risk** – Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. To mitigate this risk, the Company has a planning and budgeting process in place to determine the funds required to support its ongoing operations and capital expenditures. The Company ensures that sufficient funds are raised from private placements to meet its operating requirements, after taking into account existing cash and expected exercise of share purchase warrants. The Company's cash is held in business accounts which are available on demand for the Company's programs and are not invested in any asset backed deposits or investments.
- iii. **Interest Rate Risk** - Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. If interest rates decrease, the Company will generate smaller interest revenue. Presently the Company is not at risk



of realizing a loss as a result of a decline in the fair value of its financial instruments because of the short-term nature of the investments.

**iv. Commodity Price Risk** - The Company's future success is linked to the price of minerals, because the value of mineral resources is tied to prices of minerals. Worldwide production levels also affect the prices. The prices of minerals are occasionally subject to rapid short-term changes due to speculative activities.

**v. Political Risk** - The Company recently acquired a company that is applying for the rights to properties in the Dominican Republic, and entered into an option agreement to acquire interest in properties in Mexico. These operations are potentially subject to a number of political, economic and other risks that may affect the Company's future operations and financial position.

**vi. Foreign Exchange Risk** - The Company has vendors in Canada, Dominican Republic, and Mexico, so the Company's operations are affected by the currency fluctuations in these jurisdictions.

## **CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to bring its resource properties to commercial production.

The Company depends on external financing to fund its activities. The capital structure of the Company currently consists of common shares and share purchase warrants. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets, being resource properties. In order to maintain or adjust the capital structure, the Company may issue new shares through private placements, or sell assets to fund operations. Management reviews its capital management approach on regular basis. The Company is not subject to externally imposed capital requirements.

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly-rated financial instruments, such as cash and other short-term guaranteed deposits, all held with major financial institutions.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

The Company has reviewed new and revised accounting pronouncements that have been issued. The Company has not yet early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its financial statements.

### *Accounting Standards Issued and Effective December 1, 2013*

IFRS 10, *Consolidated Financial Statements*, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

IFRS 11, *Joint Arrangements*, establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

IFRS 12, *Disclosure of Involvement with Other Entities*, requires the disclosure of information that enables users of consolidated financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IFRS 13, *Fair Value Measurement*, defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements

(and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for the following:

- Share-based payment transactions within the scope of IFRS 2, *Share-based Payment*;
- Leasing transactions within the scope of IAS 17, *Leases*;
- Measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2, *Inventories*, or value in use in IAS 36, *Impairment Assets*.

IFRIC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*, summarizes the method of accounting for waste removal costs incurred as a result of surface mining activity during the production phase of a mine.

#### Accounting Standards Issued and Effective December 1, 2015

IFRS 9, *Financial Instruments*, replaces the current standard IAS 39, *Financial Instruments: Recognition and Measurement*, replacing the current classification and measurement criteria for financial assets and liabilities with only two classification categories: amortized cost and fair value.

### **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental regulatory and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company to meet certain work commitments, and work plans to be conducted by the Company.

With respect to forward-looking statements listed above and contained in this MD&A, the Company has made assumptions regarding, among other things: the legislative and regulatory environment, the impact of increasing competition, unpredictable changes to the market prices for minerals, that costs related to development of mineral properties will remain consistent with historical experiences, anticipated results of exploration activities, and the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth in this MD&A: volatility in the market prices of minerals, uncertainties associated with estimating resources, geological problems, technical problems, exploration problems, processing problems, liabilities and risks including environmental liabilities and risks inherent in the exploration and mining, fluctuations in currency and interest rates, incorrect assessments of the value of acquisitions, unanticipated results of exploration activities, competition for capital, competition for acquisitions of reserves, competition for undeveloped lands, competition for skilled personnel, political risks and unpredictable weather conditions.

## **ADDITIONAL INFORMATION**

For further detail, see the Company's interim financial statements for the six months ended May 31, 2013 and the audited financial statements for the year ended November 30, 2012. Additional information about the Company can also be found on [www.sedar.com](http://www.sedar.com).

## **CORPORATE DIRECTORY**

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### **Officers and Directors**

Jeffrey Wilson (Chief Executive Officer and President)  
Michael Moore (Vice President, Exploration)  
Hallein Darby (Chief Financial Officer)  
Adrian Fleming (Chairman of the Board)  
Darryl Cardey (Director)  
Gary Freeman (Director)  
Quinton Hennigh (Director)

### **Members of the Audit Committee**

Gary Freeman (Chair)  
Adrian Fleming  
Darryl Cardey

### **Members of the Compensation Committee**

Darryl Cardey (Chair)  
Adrian Fleming  
Gary Freeman

### **Legal Counsel**

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