

# MAMMOTH RESOURCES CORP.

## Form 51-102F1: Management's Discussion and Analysis

For the Year Ended January 31, 2014

(Expressed in Canadian Dollars)

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This management discussion and analysis ("MD&A") has been prepared based on information available to Mammoth Resources Corp. ("Mammoth" or the "Company") as at June 2, 2014. The MD&A of the operating results and financial condition of the Company for the year ended January 31, 2014, should be read in conjunction with the Company's audited financial statements (the "Financial Statements") and the related notes for the year ended January 31, 2014, prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements. Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.mammothresources.ca](http://www.mammothresources.ca).

### Business Overview and Overall Performance

#### Business overview

The Company was incorporated under the provisions of the *Business Corporations Act* (British Columbia) on January 7, 2011. The head office of the Company is located at 150 York Street, Toronto, Ontario, Canada, M5H3S5. The registered and records office of the Company is located at Suite 2600, Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, Canada V6E 3X1. The Company's common shares trade on the TSX Venture Exchange under the symbol MTH.

The Company is a mineral exploration company focused on acquiring and defining precious metal resources in Mexico and other attractive mining friendly jurisdictions in the Americas. The Company has an option to acquire 100% of the Tenoriba Property located in the Sierra Madre Precious Metal Belt in southwestern Chihuahua State, Mexico. The Company continues to seek other option agreements in the Americas on other properties it deems to host above average potential for economic concentrations of precious metals mineralization.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than in the normal course of business and at amounts that may differ from those shown in these financial statements.

For the year ended January 31, 2014, the Company incurred a net loss of \$1,224,645 (2013 - \$483,504), had used cash in operations of \$446,954 (2013 - \$405,028), and as at January 31, 2014, had an accumulated deficit of \$2,219,880 (January 31, 2013 - \$995,235) and a working capital deficit of \$156,559 (January 31, 2013 - surplus of \$191,750). Currently, the Company does not have sufficient cash to fund its operations, the costs of which are being funded entirely by the directors, officers, shareholders and/or creditors. Therefore, the ability to continue as a going concern in the near-term relies solely on the willingness of the directors, officers, shareholders and/or creditors to meet funding requirements, pending the completion of a financing or a strategic transaction.

In addition, the business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves and the achievement of profitable operations; or the ability of the Company to raise ["alternative" deleted] financing; or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

These circumstances comprise a material uncertainty which may lend significant doubt as to the ability of the Company to continue as a going concern. Changes in future conditions could require material write-

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downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

#### **Highlights for the year ended January 31, 2014**

- For the year ended January 31, 2014, the Company recorded a loss and comprehensive loss of \$1,224,645 or \$0.06 loss per share.
- As at January 31, 2014, the Company had total assets of \$793,847 (January 31, 2013 - \$1,152,522) consisting primarily of cash and exploration and evaluation assets associated with the Tenoriba Project. The Company had a working capital deficit of \$156,559 (January 31, 2013 – a surplus of \$191,750).
- The Company continued to advance its exploration program at the Tenoriba Project and recorded deferred exploration and evaluation costs of \$456,577 during the year ended January 31, 2014.
- On May 15, 2014, the Company amended the pricing of an aggregate of 1,410,000 stock options having an original exercise price of \$0.25 per common share to an exercise price of \$0.10 per common share.
- On May 24, 2013, the Company decided to terminate the Urique option agreement and returned the property to Yale Resources Inc. ("Yale"), as a result all of the acquisition costs and deferred exploration costs in the amount of \$627,056 were written off.
- In July 2013, the Company closed the first tranche of a private placement of units for total proceeds of \$107,120.
- In August and September 2013, the Company closed a second and third tranche of a private placement of units for additional proceeds of \$163,500 and \$293,500 respectively. The total amount of the private placement closed is \$564,120.
- On May 22, 2013 Mammoth announced results for its fourth exploration campaign at Tenoriba. Surface rock samples taken during this campaign, mapping and sampling at Tenoriba, returned encouraging highly anomalous channel samples and the occasional grab sample.
- On September 26, 2013 the Company announced results from cyanide leach bottle roll tests on its Tenoriba Project.
- In October 2013 Mammoth announced grab sample assay results of up to 15.2 grams per tonne gold equivalent and commenced a ground Induced Polarization (IP) and Magnetometer (Mag) geophysical survey over select areas of the Company's Tenoriba Project.
- In January 2014 the Company announced results from a ground geophysics survey indicating numerous targets at depth coincident with surface mineralization.
- In February 2014 the Company announced grab samples up to 73.4 grams per tonne gold from its outcrop grid sampling program.

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#### **Tenoriba Project, Mexico**

On July 3, 2012 the Company signed a definitive agreement to option the Tenoriba gold and silver project located in southwestern Chihuahua State, Mexico (the "Agreement"). Tenoriba is comprised of three concessions, Mapy 1, Mapy 2 and Fernanda, covering a land package of approximately 8,100 hectares.

The terms of the Agreement permit the Company to acquire 100 percent of the Tenoriba property by issuing a total of 900,000 common shares and making total cash payments of US\$160,000 to the vendors over the four year option period and spending US\$1,000,000 in exploration expenditures on or before June 30, 2016. In addition, the Company has paid US\$40,000 in property back-taxes owing to the Mexican government. The Agreement also allows for a 2 percent Net Smelter Return royalty payable to the vendors upon commercial production. The royalty can be purchased by the Company at any time within a three year period from commencement of commercial production for US\$1,500,000.

#### **'Fernadad' Concession Option Details**

Pursuant to the Option Agreement the Company will issue 425,000 common shares and make cash payments of \$97,500 USD as follows:

1. 50,000 common shares and USD\$5,000 on or before December 30, 2012 (issued and paid);
2. 50,000 common shares and USD\$5,000 on or before June 30, 2013 (issued and paid);
3. 50,000 common shares and USD\$12,500 on or before December 30, 2013 (issued and one half paid, with the balance due July 1, 2014 with interest);
4. 50,000 common shares and USD\$12,500 on or before June 30, 2014;
5. 50,000 common shares and USD\$12,500 on or before December 30, 2014;
6. 50,000 common shares and USD\$12,500 on or before June 30, 2015;
7. 62,500 common shares and USD\$18,750 on or before December 30, 2015 and;
8. 62,500 common shares and USD\$18,750 on or before June 30, 2016

#### **'Mapy' Concession Option Details**

Pursuant to the Option Agreement the Company will issue 475,000 common shares and make cash payments of \$62,500 USD as follows:

1. 75,000 common shares on or before December 30, 2013 (issued);
2. 75,000 common shares on or before June 30, 2014;
3. 75,000 common shares and USD\$12,500 on or before December 30, 2014;
4. 75,000 common shares and USD\$12,500 on or before June 30, 2015;
5. 87,500 common shares and USD\$18,750 on or before December 30, 2015 and;
6. 87,500 common shares and USD\$18,750 on or before June 30, 2016

On May 22, 2013 Mammoth announced results for its fourth exploration campaign at Tenoriba since entering into the option agreement to earn its interest in the property last year. Surface rock continue to return encouraging, highly anomalous channel samples and the occasional grab sample which in many instances assay in excess of 10 grams per tonne (gpt) gold and 50 gpt silver, including the following highlight sample results as previously reported.

#### **Carneritos Area:**

- 26.10 gpt gold and 121.0 gpt silver in a grab sample;
- 6.41 gpt gold and 34.0 gpt silver over a 1.0 metre channel sample; and
- 5.48 gpt gold and 34.3 gpt silver over a 1.0 metre channel sample.

#### **El Moreno Area:**

- 13.00 gpt gold and 17.1 gpt silver over a 1.0 metre channel sample;
- 12.95 gpt gold and 7.1 gpt silver over a 1.0 metre channel sample;

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- 9.79 gpt gold and 6.8 gpt silver over a 1.0 metre channel sample; and
- 9.19 gpt gold and 8.9 gpt silver over a 1.5 metre channel sample.

Recent sampling extended the Carneritos Area toward the south-southwest for an additional 350 metres and now covers an area measuring 1.5 by 0.6 kilometres and is open in all directions. Of a total of 146 samples assayed to date from Carneritos, 74%, or 115 samples have assayed greater than 0.3 gpt gold equivalent and have a weighted average grade of 1.56 gpt gold equivalent (weighted for length of sample). The average silver to gold ratio of these samples is approximately 13:1.

At El Moreno, 44 channel samples collected within the main historic artisanal mine workings returned various anomalous assay results. Of a total of 148 samples assayed to date from El Moreno, 41%, or 56 samples have assayed greater than 0.3 gpt gold equivalent and have a weighted average grade of 2.55 gpt gold equivalent. The average silver to gold ratio of these samples is approximately 15:1.

On August 8, 2013 the Company announced further results from its exploration on the Company's Tenoriba Property. Surface rock samples collected during the period continued to return highly anomalous assay results, some in excess of 10 grams per tonne (gpt) gold equivalent (taking into account a silver : gold ratio of 50:1), including the following highlight sample results as previously reported.

#### Cerro Colorado Area:

- 10.85 gpt gold equivalent with 4.03 gpt gold and 341.0 gpt silver over a 1.5 metre chip sample;
- 10.38 gpt gold equivalent with 0.06 gpt gold and 516.0 gpt silver over a 1.0 metre chip sample;
- 6.60 gpt gold equivalent with 5.17 gpt gold and 71.3 gpt silver over a 1.2 metre chip sample;

#### Mina La Quemada:

- 13.56 gpt gold equivalent with 4.24 gpt gold and 466.0 gpt silver in a grab sample;
- 12.27 gpt gold equivalent with 6.39 gpt gold and 294.0 gpt silver over a 1.0 metre chip sample;

#### Carneritos Area:

- 6.38 gpt gold equivalent with 5.42 gpt gold and 48.1 gpt silver over a 1.0 metre chip sample;

Of 112 samples collected and assayed in this recent campaign from Los Carneritos to the east and almost 5 kilometres west at Cerro Colorado, 54 samples assayed above 0.3 grams per tonne gold equivalent with a number of intersections above 10 grams per tonne gold equivalent.

On September 26<sup>th</sup> the Company also announced results from bottle roll tests on 23 drill hole samples from the 2008 Masupari Gold drill program and 5 surface samples from the Los Carneritos target area on the Company's Tenoriba project. The results of these tests were reviewed by Dr. Efrén Pérez Segura at the University of Sonora, Hermosillo, Mexico, who noted: "with a few exceptions gold shows an excellent recovery in the oxide zone up to a depth of sixty vertical metres. Thus, the gold & silver in the oxide zone is most likely to be recoverable by cyanide heap leach." Dr. Pérez also noted that: "The recovery in the oxide zone is generally greater than ninety percent. The most interesting is the speed of the recovery. The gold recovery is greater than fifty percent in twelve hours. In general there is a clear relationship between recovery and depth of the samples. The greater the depth generally the lower the recovery. This relationship appears to be a function of the depth of the oxide and primary sulphide zones in the areas where the samples were taken."

The Company is encouraged by these results and believes this gives further evidence that precious metal mineralization at Tenoriba has the potential to be extracted via heap leach processing.

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The Company has incurred the following acquisition and deferred exploration costs on the Tenoriba Project:

<b>For the year ended January 31, 2014</b>	<b>Tenoriba Project \$</b>
<b>Acquisition costs, January 31, 2013</b>	-
Additions	18,398
<b>Acquisition costs, January 31, 2014</b>	18,398
<b>Deferred exploration costs, January 31, 2013</b>	197,075
Additions for year ended January 31, 2014	
Depreciation	8,285
Geophysics	74,915
Geology	206,629
Supplies	24,478
Taxes and permitting	64,485
Travel & accommodation	77,785
	456,577
<b>Deferred exploration costs, January 31, 2014</b>	653,652
<b>Total exploration and evaluation assets, January 31, 2014</b>	672,050

***Urique Project, Mexico***

On September 8, 2011, the Company entered into an option agreement with Yale, subsequently amended by an amending agreement dated October 7, 2011 (the "Amending Agreement"), pursuant to which the Company can earn up to a 100% interest in 11 mining concessions in Mexico, known as the Urique Project, owned by Yale and Yale's Mexican subsidiary, Minera AV (the "Option Agreement").

On May 24, 2013, the Company decided to terminate the option agreement with Yale and returned the property to Yale, as a result all of the exploration and evaluation expenditures amounting to \$623,714 were written off during the quarter.

The Company has incurred the following acquisition and deferred exploration costs on the Urique Project:

	<b>Urique Project \$</b>
Acquisition cost, January 31, 2013	75,000
Deferred exploration costs, January 31, 2013	548,714
	623,714
Additions to deferred exploration costs	3,342
Write off of deferred exploration and evaluation costs,	(627,056)
<b>Total exploration and evaluation assets, January 31, 2014</b>	-

Richard Simpson, P. Geo., Vice-President Exploration for Mammoth Resources Corp. is Mammoth's Qualified Person, according to National Instrument 43-101 and supervised the preparation of the technical information contained in this MD&A in compliance with NI 43-101.

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**Results of Operations**

The following discussion and analysis of the Company's financial results of its operations should be read in conjunction with the Company's Financial Statements and related notes.

*Year ended January 31, 2014*

For the year ended January 31, 2014 the Company reported a loss and comprehensive loss of \$1,224,645 (2013 - \$483,504). Included in the loss is a write-off of exploration and evaluation assets in the amount of \$627,056.

Professional fees of \$90,009 during the year (2013 - \$121,240) include legal fees in normal course activities, accounting fees, and an audit fee accrual for the current year end audit. Consulting fees of \$199,421 during the year (2013 - \$134,986) include the cost of the CEO of \$159,579 (including a bonus of \$48,750 which was reinvested into the Company) and other consulting fees of \$50,575.

Share-based payments were \$95,843 for the year (2013 - \$95,447). The amount expensed in the period relates to stock options that vested during the period. The fair value of the stock options granted was determined using the Black-Scholes pricing model.

On May 24, 2013, the Company decided to terminate the Urique option agreement and return the property to Yale. As a result, all of the acquisition costs and deferred exploration costs were written off resulting in an expense of \$627,056 (2013 – nil).

**Selected annual information**

Year ended January 31	2014	2013	2012
	\$	\$	\$
Net loss for the year	1,224,645	483,504	501,702
Cash out flow used in operating activities	446,954	405,028	143,057
Total assets <sup>(1)</sup>	793,847	1,152,522	1,498,275
Loss per share (basic and diluted)	0.06	0.03	0.04

(1) As at January 31

**Summary of Quarterly Results**

The following information is derived from the Company's unaudited quarterly financial statements for the preceding eight quarters.

	January 31	October 31	July 31	April 30
	2014	2013	2013	2013
	\$	\$	\$	\$
Total assets	793,847	838,194	568,084	441,791
Shareholders' equity	496,019	633,960	345,118	301,705
Total revenues	Nil	Nil	Nil	Nil
Loss and comprehensive loss	241,139	164,371	78,443	740,692
Loss and comprehensive loss per share - basic	0.00	0.01	0.00	0.04

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	January 31 2013	October 31 2012	July 31 2012	April 30 2012
	\$	\$	\$	\$
Total assets	1,152,522	1,113,975	1,230,607	1,380,330
Shareholders' equity	1,032,551	1,094,526	1,166,231	1,320,604
Total revenues	nil	nil	nil	nil
Loss and comprehensive loss	106,190	94,221	187,309	97,491
Loss and comprehensive loss per share - basic	0.02	0.00	0.01	0.00

*Note 1: Loss and comprehensive loss for the period ended April 30, 2013 includes a write off of exploration and evaluation assets in the amount of \$623,714.*

***Three months ended January 31, 2014***

Professional fees were \$45,482 for the period (2013 - \$36,976). The amount expensed during the period reflects the accounting, audit and legal costs incurred in the period.

Consulting fees were \$114,249 (including a bonus reinvested) for the period (2013 - \$14,770) and reflect the routine costs of management compensation, bonuses paid and other consulting fees.

Share based payments was \$21,448 for the period (2013 - \$15,429). The amount expensed relates to stock options that vest during the period.

**Liquidity**

The Company currently has no operating revenues and relies primarily on equity financing.

For the year ended January 31, 2014, the Company incurred a net loss of \$1,224,645 (2013 - \$483,504), had used cash in operations of \$446,954 (2013 - \$405,028), and as at January 31, 2014, had an accumulated deficit of \$2,219,880 (January 31, 2013 - \$995,235) and a working capital deficit of \$156,559 (January 31, 2013 - a surplus of \$191,750). The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves and the achievement of profitable operations, which may rely upon the ability of the Company to raise alternative financing and/or the Company's ability to dispose of its interests on an advantageous basis. These circumstances comprise a material uncertainty which may lend significant doubt as to the ability of the Company to continue as a going concern. Changes in future conditions could require material write-downs of the carrying values.

**Capital Resources**

The Company's only source of funding has been the issuance of equity securities for cash, exercise of stock options and a loan from officer. Management believes it is using best efforts to raise equity capital as required in the long term, but recognize there will be risks involved that may be beyond its control. The Company has no outstanding debt facility upon which to draw.

**Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

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**Subsequent Events**

On April 9, 2014 and April 16, 2014 a total of 303,333 directors options were exercised at a price of \$0.05 and on April 9, 2014 and April 16, 2014, 363,000 and 119,333 stock options were granted at an exercise price of \$0.05, vesting immediately and with an expiry date of 5 years from the date of grant.

**Transactions with Related Parties**

The Company defines its key management as the Chairman of the Board, directors, Chief Executive Officer and Chief Financial Officer. For the year ended January 31, 2014, key management compensation was \$244,775 (2013 - \$166,916).

The following table summarizes information on related party transactions:

	Year ended January 31	
	2014	2013
	\$	\$
Professional fees	30,500	33,589
Consulting fees	158,746	111,330
Rent	13,380	-
Share – based payments	42,149	21,997

During the year ended January 31, 2014, the Company entered into a loan agreement with an officer of the Company in the amount of \$20,000 (2013- \$nil). The loan bears interest at Canadian prime rate (3%) plus 2% and is due on demand.

At January 31, 2104 share subscriptions receivable included \$10,740 (January 31, 2103 – \$nil) due from a director and officer of the Company. This amount was received subsequent to year end.

At January 31, 2014 related party accounts payable was \$19,012 (January 31, 2013 - \$9,984).

**Commitment – Consulting Agreement**

The Company has entered into a consulting service agreement with an officer of the Company at a current cost of \$99,996 per annum for an indefinite period. If the agreement is terminated without cause or without twelve months written notice, the Company is required to pay an amount equal to twelve months of consulting fees. Furthermore, should the Company be subject to a change in control the Company may be required to pay eighteen months of consulting fees in respect to the most recently completed financial year.

**Proposed Transactions**

There are currently no proposed transactions.

**Critical Accounting Estimates**

The preparation of the financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statement and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and

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future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

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

1. the recoverability of receivables;
2. whether or not an impairment has occurred in its exploration and evaluation assets;
3. the inputs used in the accounting for share-based payments;
4. the inputs used in the accounting for options, compensation options and warrants in share capital and equity reserves; and
5. the estimated useful lives of the equipment and whether or not an impairment has occurred.

*Critical Accounting Judgments*

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

**Accounting Policies and Recent Accounting Pronouncements**

The Company's significant accounting policies are presented in Note 4 of the annual audited financial statements for the year ended January 31, 2013.

**Outstanding Share Data**

The following describes the outstanding share data of the Company as at June 2, 2014.

	<u>Number Outstanding</u>
Common shares	29,129,733
Options to purchase common shares	3,165,000
Warrants to purchase common shares	11,887,440

**Financial instrument risk management**

**a) Fair value of financial instruments**

The carrying value of cash and trade and other payables approximates fair value due to the short-term nature of these financial instruments.

**b) Risk management**

*Credit risk*

The Company's credit risk is primarily attributable to its cash and government taxes recoverable. The risk exposure is limited to their carrying values at the statement of financial position date. Cash is held as cash deposits with counterparties that carry investment grade ratings as assessed by

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external rating agencies. The Company does not invest in asset-backed deposits or investments. Government taxes recoverable consists of input tax credits reimbursable to the Company.

#### Interest rate risk

The Company is not exposed to interest rate risk since it has no interest-bearing debt and its cash balances are not invested in interest-bearing instruments.

#### Liquidity risk

The Company's objective is to ensure that there is sufficient capital in order to meet annual business requirements, after taking into account administrative, property holding and exploration budgets, against cash. As at January 31, 2014, the Company has \$2,760 in cash to settle current liabilities of \$247,828, consisting of accounts payable and accrued liabilities of \$208,816 and related party accounts payable of \$19,012 and a loan from a director of \$20,000. As the Company does not have operating cash flow, the Company has and will continue to rely primarily on equity financing to meet its capital requirements.

#### Price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

#### Currency risk

The Company operates in Canada and Mexico, and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently have an impact upon the reporting results of the Company and may also affect the value of the Company's assets and liabilities.

The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by interest rate risk, currency risk and credit risk.

### **Risk Factors**

The operations of the Company are speculative due to the high risk nature of its business which includes the acquisition, financing, exploration, development and operation of mining properties. These risk factors could materially affect the Company's future operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

#### Going Concern

At January 31, 2014, the Company had a working capital deficit of \$156,559, has not yet achieved profitable operations and has an accumulated deficit of \$2,219,880 since its inception. The Company expects to incur further losses in the development of its business, all of which cast substantial doubt on the Company's ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on its exploration and evaluation assets, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the

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future.

#### Exploration and Development Risk

The Company's mineral property interest is in early exploration stages and is without a known body of commercial ore. Exploration for mineral resources involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The risks and uncertainties inherent in exploration activities include but are not limited to: legal and political risk arising from operating in certain developing countries, general economic, market and business conditions, the regulatory process and actions, failure to obtain necessary permits, access and approvals, technical issues, new legislation, competitive and general economic factors and conditions, the uncertainties resulting from potential delays or changes in plans, the occurrence of unexpected events and management's capacity to execute and implement its future plans. Discovery of mineral deposits is dependent upon a number of factors, not the least of which are the technical skills of the exploration personnel involved and the capital required for the programs. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. There is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that even if commercial quantities of ore are discovered that a new ore body would be developed and brought into commercial production. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which are the particular attributes of the deposit (such as size, grade, metallurgy and proximity to infrastructure and labour), the interpretation of geological data obtained from drilling and sampling, feasibility studies, the cost of water and power; anticipated climatic conditions; cyclical metal prices; fluctuations in inflation and currency exchange rates; higher input commodity and labour costs, commodity prices, government regulations, including regulations relating to prices, taxes, royalties, land tenure and use, allowable production, importing and exporting of minerals, and environmental protection. Most of the above factors are beyond the control of the Company. Development projects will also be subject to the successful completion of final feasibility studies, issuance of necessary permits and other governmental approvals and receipt of adequate financing. The exact effect of these factors cannot be accurately predicted, but the combination of any of these factors may adversely affect the Company's business. The Company currently has only one mineral property interest and has not mitigated exploration risk by maintaining a diversified portfolio that includes several metal commodity targets in a number of geologic and political environments.

Market events and conditions have caused significant volatility to commodity prices. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. The Company is dependent on the equity markets as its main source of operating working capital and the Company's capital resources are largely determined by the strength of the resource markets and by the status of the Company's exploration and evaluation asset in relation to these markets, and its ability to compete for the investor support of its projects. Consequently, there can be no assurance that equity financing will be available to the Company in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company.

#### Estimation of Mineralization, Resources and Reserves

There is a degree of uncertainty attributable to the calculation of mineralization, resources and reserves and corresponding grades being mined or dedicated to future production. Until reserves or mineralization are actually mined and processed, the quantity of mineralization and reserve grades must be considered estimates only. In addition, the quantity of reserves and mineralization may vary depending on commodity prices. Any material change in quantity of reserves, mineralization, grade or stripping ratio may affect the economic viability of a project. In addition, there can be no assurance that recoveries from laboratory tests will be duplicated in tests under on-site conditions or during production.

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#### Infrastructure

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

#### Title Matters

The Company has investigated its right to explore and exploit its mineral property interest and, to the best of its knowledge, those rights are in good standing. The results of the Company's investigations should not be construed as a guarantee of title or compliance with the regulatory and legal framework respecting ownership and maintenance of mineral properties. Other parties may dispute the title to a property or the property may be subject to prior unregistered agreements or liens and transfers or land claims by aboriginal, native, or indigenous peoples. The title may be affected by undetected encumbrances or defects or governmental actions. The Company has not conducted surveys of all of its properties, and the precise area and location of claims or the properties may be challenged and no assurances can be given that there are no title defects affecting such properties. Any defects in the title to the Company's properties could have a material and adverse effect on the Company.

The Company is earning an interest in its mineral property interest through an option agreement and acquisition of title to the property is completed only when the option conditions have been met. These conditions include, but are not limited to, making property payments, incurring exploration expenditures on the property and complying with the regulatory and legal framework respecting ownership and maintenance of mineral properties. If the Company does not satisfactorily complete the option conditions in the time frame laid out in the option agreement, the Company's title to the related property will not vest and the Company will have to write down its previously capitalized costs related to the property.

#### Competition

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential, as well as the necessary labour and supplies required to develop such properties. The Company competes with other exploration and mining companies, many of which have greater financial resources, operational experience and technical capabilities than the Company, for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. The Company may not be able to maintain or acquire attractive mining properties on terms it considers acceptable, or at all. Consequently, its financial condition could be materially adversely affected.

#### Funding Requirements

The exploration and development of mineral properties requires a substantial amount of capital and may depend on the Company's ability to obtain financing through joint ventures, debt financing, equity financing or other means. General market conditions, volatile metals prices, a claim against the Company, a significant disruption to the Company's business, or other factors may make it difficult to secure the necessary financing. There is no assurance that the Company will be successful in obtaining required financing as and when needed on acceptable terms. Failure to obtain any necessary additional financing may result in delaying or indefinite postponement of exploration or development or even a loss of the Company's option on exploration and evaluation asset or underlying mining property concessions. If the Company needs to raise additional funds, such financing may substantially dilute the interests of shareholders of and reduce the value of their investment.

#### Uninsured Risks

The mining business is subject to a number of risks and hazards including environmental hazards, industrial accidents, labour disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, encountering unanticipated ground or water conditions, cave-ins, pit wall

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failures, flooding, rock bursts, periodic interruptions due to inclement or hazardous weather conditions and other acts of God. Such risks could result in damage to, or destruction of, mineral properties or facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability.

The Company maintains insurance against certain risks associated with its business in amounts that it believes to be reasonable. Such insurance, however, contains exclusions and limitations on coverage. There can be no assurance that such insurance will continue to be available, will be available at economically acceptable premiums or will be adequate to cover any resulting claim.

#### History of Profitability

The Company has no history of profitability and a shareholder deficit of \$2,219,880 as at January 31, 2014. There can be no assurance that the Company's ongoing working capital requirements, corporate and administrative expenses, debt service, capital expenditure requirements and other contractual obligations can be met. There can be no assurance that the operations of the Company will be profitable in the future. The Company has limited financial resources and may require additional financing to further explore, develop, operate, acquire and retain its property interests and if financing is not available for any reason, the Company may become unable to acquire and retain its mineral concessions and carry out its business.

#### Dependence on Key Personnel

The Company's success will largely depend on the efforts and abilities of certain senior officers and key contractors. Certain of these individuals have significant experience in operating public companies and/or the mining industry, in particular the mining industry in Mexico. While the Company does not foresee any reason why such officers and key contractors will not remain with the Company, if for any other reason they do not, the Company could be adversely affected.

#### Foreign Operations

The Company conducts exploration activities in Mexico which exposes the Company to risks that may not otherwise be experienced if all operations were located in Canada. The risks vary from country to country and can include, but are not limited to, civil unrest or war, terrorism, illegal mining, changing political conditions, fluctuations in currency exchange rates, expropriation or nationalization without adequate compensation, changes to royalty and tax regimes, high rates of inflation, labour unrest and difficulty in understanding and complying with the regulatory and legal framework respecting ownership and maintenance of mineral properties. Changes in mining or investment policies or shifts in political attitudes may also adversely affect the Company's existing mineral property interest and operations. Real and perceived political risk may also affect the Company's ability to finance exploration programs and attract joint venture or option partners, and future mine development opportunities.

Numerous countries have introduced changes to mining regimes that reflect increased government control or participation in the mining sector, including, but not limited to, changes of law affecting foreign ownership, mandatory government participation, taxation and royalties, exploration licensing, export duties, and repatriation of income or return of capital. The risk exists that further government limitations, restrictions or requirements, not presently foreseen, will be implemented. Changes in policy that alter laws regulating the mining industry could have a material adverse effect on the Company. There can be no assurance that the Company's mineral property interest in Mexico will not be subject to nationalization, requisition or confiscation, whether legitimate or not, by an authority or body.

#### Corruption and Bribery

The Company is required to comply with anti-corruption and anti-bribery laws, including the Canadian Corruption of Foreign Public Officials Act and the U.S. Foreign Corrupt Practices Act, as well as similar laws in the countries in which the Company conducts its business. If the Company finds itself subject to

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an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines and/or sanctions imposed on the Company resulting in a material adverse effect on the Company.

#### Internal Controls

Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

#### Conflicts of Interest

Some of the directors of the Company are also directors of other companies that are similarly engaged in the business of acquiring, exploring and developing natural resource properties. Such associations may give rise to conflicts of interest from time to time. In particular, one of the consequences will be that corporate opportunities presented to a director of the Company may be offered to another corporation or companies with which the director is associated, and may not be presented or made available to the Company. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company, to disclose any interest which they may have in any project or opportunity of the Company, and to abstain from voting on such matter. Conflicts of interest that arise will be subject to and governed by the procedures prescribed by the Company's Code of Business Conduct and Ethics and the CBCA.

#### Environmental and Other Regulatory Requirements

The current or future operations of the Company, including development activities and, if warranted, commencement of production on properties in which it has an interest, require permits from various governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health and safety, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. The Company believes it is in substantial compliance with all material laws and regulations that currently apply to its activities. However, there can be no assurance that all permits which the Company may require for the conduct of mineral exploration and development can be obtained or maintained on reasonable terms or that such laws and regulations would not have an adverse effect on any such mineral exploration or development which the Company might undertake. Amendments to current laws, regulations and permits governing operations and activities of mineral exploration companies, or more stringent interpretation, implementation or enforcement thereof, could have a material adverse impact on the Company.

#### Mining and Investment Policies

Changes in mining or investment policies or shifts in political attitude may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, maintenance of claims, environmental legislation, land use, land claims of local people, water use and safety regulations. The effect of these factors cannot be accurately predicted.

#### Hedging and Foreign Exchange

While hedging of commodity prices and foreign exchange and interest rates is possible, there is no guarantee that appropriate hedging will be available at an acceptable cost should the Company choose or need to enter into these types of transactions.

The Company operates in Canada and Mexico, and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency. The operating results and the financial position of

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the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently, have an impact upon the reporting results of the Company and may also affect the value of the Company's assets and liabilities. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

#### **Cautionary Note Regarding Forward-looking Information**

This document contains or refers to forward-looking information. Such forward-looking information includes, among other things, statements regarding targets, estimates and/or assumptions in respect of future production, mine development costs, unit costs, capital costs, timing of commencement of operations and future economic, market and other conditions, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to: the grade and recovery of ore which is mined varying from estimates; capital and operating costs varying significantly from estimates; inflation; changes in exchange rates; fluctuations in commodity prices; delays in the development of the any project caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; termination or revision of any debt financing; failure to raise additional funds required to finance the completion of a project; and other factors. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no responsibility to update them or revise them to reflect new events or circumstances, except as required by law.

#### **Internal Controls and Disclosure Controls over Financial Reporting**

On November 23, 2007, the British Columbia Securities Commission in which the Company is registered exempted Venture Issuers from certifying disclosure controls and procedures, as well as, Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. Since the Company is a Venture Issuer, it is required to file basic certificates, which it has done for the interim period ended January 31, 2014. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at January 31, 2014.