



## **SENATOR MINERALS INC**

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SNR: TSX-V

### **MANAGEMENT DISCUSSION and ANALYSIS For the Three and Six Month Periods Ended June 30, 2013 Date Prepared: August 28, 2013**

#### **GENERAL**

The following management discussion and analysis (“MD&A”) for Senator Minerals Inc. (“Senator” or the “Company”) for the three and six month periods ended June 30, 2013 should be read in conjunction with the Company’s Consolidated Financial Statements and accompanying notes for the year ended December 31, 2012 and the Company’s unaudited Consolidated Interim Financial Statements for the six month period ended June 30, 2013. The unaudited Consolidated Interim Financial Statements together with the following MD&A are intended to provide readers with a reasonable basis for assessing the financial performance of the Company.

All dollar figures presented are expressed in Canadian dollars unless otherwise noted. Financial statements and summary information derived therefrom are prepared in accordance with International Financial Reporting Standards (“IFRS”).

#### **FORWARD LOOKING INFORMATION**

Information set forth in this MD&A may involve forward looking information under applicable securities laws. Forward looking information is information that relates to future, not past, events. In this context, forward looking information often addresses expected future business and financial performance, and often contains words such as “anticipate”, “plan”, “estimate”, “expect”, and “intend”, statements that an action or event “may”, “could”, “should”, or “will” be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the future expenditures and capital needs of the Company and the future exploration on, and the development of, the Company’s projects are forward looking information. By its nature, forward looking information involves known and unknown risks, uncertainties and other factors which may cause Senator’s actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward looking information. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the potential for conflicts of interest among certain officers, directors or promoters with certain other projects; the absence of dividends; competition; dilution; the volatility of the Company’s common share price and volume and the additional risks identified in the “Risk

Factors" section of this MD&A, and other reports and filings with applicable Canadian securities regulations.

Forward looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of commodities; that the Company can access financing, appropriate equipment and sufficient labor and that the political environment will continue to support the development and operation of mining projects. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward looking information. Accordingly, readers are advised not to place undue reliance on forward looking statements. Forward looking information is made based on management's beliefs, estimates and opinions on the date that information is given and the Company does not intend to update forward looking statements or information, except as may be required by applicable law.

## **DESCRIPTION OF BUSINESS AND OVERVIEW**

The Company was incorporated in the Province of Ontario, is listed on the TSX Venture Exchange (symbol: "SNR"), and has its principal, registered and records office at 1600 - 609 Granville Street, Vancouver, B.C. V7Y 1C3.

The Company is in the business of acquiring, exploring and evaluating mineral resource properties, and either joint venturing or exploring and evaluating these properties further or disposing of them when the evaluation is completed.

### **Material Events/Transactions Since December 31, 2012**

During the second quarter of 2013 Senator appointed new management with the aim of reorganizing and rejuvenating the Company (see news Releases dated: April 10, 19 and 29, 2013, and May 28, 2013).

On June 14, 2013 the Company completed a consolidation of its issued and outstanding common shares on the basis of one new share for every forty old shares. As a result the Company presently has 1,152,179 shares outstanding. Throughout this MD&A all share and per share information is on a post-consolidation basis.

Additional information relating to the Company is available at [www.sedar.com](http://www.sedar.com).

### **Exploration and Evaluation Assets**

The Company's oldest exploration interest is its 100% interest in the Taurus property, a porphyry copper-molybdenum-gold deposit in the Tintina Gold Belt in southeastern Alaska, being part of the White Gold mineral trend centered in the Yukon. The Taurus property was the most significant property in Senator's portfolio in the mid-1990s, with substantial previous work by majors before Senator (known then as Cross Canada Resources). The property was lost but re-acquired on a 100% basis in 2004. Because of the perceived size and projected costs of exploration of Taurus the Company is weighing alternatives available to it, ranging from financing further work to enhance the value of the project to finding a major company to earn an interest in the property.

During exploration for gold on Ivanhoe Creek, one of Senator's optioned Nevada properties, a bentonite deposit of undetermined size was discovered. Consequently, seven placer claims were staked in order to acquire the right to exploit this deposit in the event it proves economic. In April 2012, Senator sold its 50% interest in the claims for a nominal \$100 and retained a 3% Production Royalty.

In late 2010 and early 2011, the Company identified two opportunities in the Yukon, comparatively close to its 100%-owned Taurus property in southeastern Alaska. One property, King Dome, was optioned (option details are included in the December 31, 2012 consolidated financial statements, Note 8f) but not worked on. In December 2011, this option was dropped. Through staking, the Company acquired a 50% interest in a second property, the Mustang. In December 2012, the Company sold its 50% interest to an arms-length private company for \$50,000 cash.

In an acquisition finalized and announced 31 May 2011, the Company acquired a 100% interest in the Rosebud property, Mohave County, Arizona. Details are included in the consolidated financial statements dated June 30, 2013 Note 7. A 100% interest in the property, net of a 2% Net Smelter Returns ("NSR"), has been optioned to an arms-length private company.

## FINANCIAL INFORMATION

A summary of selected financial information for the current period and last three fiscal years is as follows:

	2013 (six months only)	2012	2011	2010
Revenues	\$ 64,536	\$ 100,100	\$ 392,446	\$ --
Loss (profit)	\$ 95,814	\$ 87,022	\$ (66,610)	\$ 447,550
Loss (profit) per share, basic and diluted	\$ 0.080	\$ 0.000	\$ ( 0.002)	\$ 0.011
Total assets	\$ 65,262	\$ 28,671	\$ 4,490	\$ 131,639
Total long-term liabilities	\$ nil	\$ nil	\$ nil	\$ nil

## Summary of Quarterly Results and Financial Position

Quarter ended	Jun-30 2013 \$	Mar-31 2013 \$	Dec-31 2012 \$	Sep-30 2012 \$	Jun-30 2012 \$	Mar-31 2012 \$	Dec-31 2011 \$	Sep-30 2011 \$
General and administrative expenses	106,142	31,683	24,673	39,288	56,134	56,503	43,823	59,906
Net loss (income) for the quarter	66,931	3,883	(16,852)	42,143	34,655	27,274	(310,809)	72,154
Loss (income) per Share, basic and diluted	0.06	0.00	(0.01)	0.04	0.03	0.02	(0.27)	0.06
Total assets	65,262	55,777	28,671	29,337	37,964	7,404	4,490	4,669
Total liabilities	493,944	392,528	361,539	379,119	345,694	280,525	250,336	603,917

- The Company incurred communication costs of \$1,122 in the second quarter of 2013 compared to \$1,429 in the 2012 period. The six month numbers were also comparable: \$2,300 in 2013 versus \$2,863 in the 2012 period;
- Filing and listing fees were higher in the three and six months of 2013 at \$6,120 and \$11,320 primarily because of the share consolidation completed in the second quarter of 2013. In the 2012 periods the costs were \$NIL and \$5,200;
- Interest costs have risen as a result of increased borrowings: interest expense was \$7,089 in the second three months of 2013 and \$4,215 in the second three months of 2012. The cost for the six month period was 2013 - \$12,684 and 2012 - \$7,609;
- Management fees have fallen dramatically in the 2013 period as a result of termination of management agreements, changes in management and cost-cutting: \$5,875 and \$17,500 in the three and six month periods of 2013 compared to \$31,125 and \$62,250 in the same periods of 2012;
- Occupancy costs were reduced in the 2013 periods (three months - \$1,164, six months - \$2,964) compared to the 2012 periods (\$5,982 and \$11,902, respectively) as result of reorganization efforts started in Q2 2013;
- Professional fees were higher in the 2013 periods: \$15,937 in the second quarter of 2013 versus \$4,595 in the 2012 quarter and \$20,399 in the first six months of 2013 versus \$9,158 in the 2012 period as a result of legal costs incurred for the consolidation and audit costs; and
- In the second quarter of 2013 the Company terminated two services agreements whereby former management and their companies had provided the Company office space, support and management. The cost of terminating these agreements, incurred in the second quarter of 2013 was \$87,800.

- Throughout the periods covered by this MD&A the Company has optioned properties or sold royalty or property interests that have resulted in periodic revenue; all in an effort to maintain key properties and continue operations. In the second quarter of 2013 this other revenue totaled \$39,536 versus \$25,100 in the second quarter of 2012. For the first six months of 2013 revenue was \$64,536 compared to \$53,365 in the first half of 2012.

As a result of the above, Senator lost \$91,931 (\$0.08 per share) in the three months ended June 30, 2013 versus \$34,655 (\$0.03 per share) in the same period of 2012. For the first six months of 2013 the loss was \$95,814 (\$0.08 per share). This compared to a loss of \$61,883 (\$0.05 per share) in the first six months of 2012.

## LIQUIDITY AND CAPITAL RESOURCES

### Liquidity

The consolidated interim financial statements have been prepared using International Financial Reporting Standards ("IFRS") on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. While management is attempting to raise additional cash through private placements of common shares, alliances with other mineral exploration and mining entities, and/or other business and financial transactions, no definite proposals have been received to date. Management is closely monitoring the commodity prices of precious and base metals, individual equity movements and the stock markets to determine the appropriate course of action to be taken by the Company.

The consolidated interim financial statements do not include any adjustments relating to the recoverability and reclassification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

The Company is in the process of exploring and evaluating its exploration and evaluation assets and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for exploration and evaluation assets is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the development of those mineral reserves and upon future production or proceeds from the disposition thereof.

	<u>June 30, 2013</u>	<u>December 31, 2012</u>
Working Capital (deficiency)	\$ (488,682)	\$ (357,868)
Deficit	(7,582,002)	(7,486,188)

## **Cash flows**

As of June 30, 2013, the Company had cash of \$2,850 (December 31, 2012 - \$1,601). Cash used in operating activities during the six months ended June 30, 2013 was \$109,351 compared with \$71,124 in the first six months of 2012. No funds were raised or used in investing activities in the first six months of both 2013 and 2012. Senator received loans totalling \$110,600 from financing activities which included loans of \$77,000 from potential investors interested in reorganizing the Company. In the first six months of 2012 \$70,000 in loans were received under the long-standing loan arrangement with previous management (see note 8 of the June 30, 2013 consolidated interim financial statements).

In future capital must be obtained from debt or equity financing. See "Risk Factors".

## **LOANS PAYABLE**

In July of 2003, the Company entered into a revolving arms-length arrangement with a private lender for an unsecured line of credit of up to \$100,000 (amended in June 2010 to \$500,000) repayable on demand or out of the equity financings undertaken by the Company. Interest was payable at 1% per month on any outstanding month-end balance. In December 2011, the balance and the line of credit were assigned to an director (as of June 30, 2013 a former director) of the Company and the interest rate was reduced to 0.75% per month and the line of credit was reduced to \$250,000 (see note 8 of the June 30, 2013 consolidated interim financial statements). That arrangement remains in place as of June 30, 2013, with a balance outstanding of \$266,600 (31 Dec 2012: \$233,000).

Loans payable in the amount of \$77,000 (December 31, 2012 - \$Nil) are unsecured, bear interest at 10% per annum and are to be repaid once the Company has sufficient resources. The lenders have the option to be repaid in cash or shares of the Company. These loans represent funds advanced by a group of investors who are assisting in restructuring the Company. It is not presently known what business, organizational or management changes may be necessary to complete this restructuring.

Receipt of the loans in the amount of \$77,000 provided the working capital for the Company to obtain audited consolidated financial statements for the year ended December 31, 2012, to prepare unaudited consolidated interim financial statements for the period ended June 30, 2013 and for corporate registrations. As a result, the Company gained further time in which to complete its intended restructuring.

## **SHARE CAPITAL**

Authorized:

Unlimited number of common shares without par value

Unlimited number of special shares issuable in series without par value

Common shares issued:

On June 14, 2013, the Company's shares were consolidated on the basis of one new share for forty old shares as authorized by its shareholders at the Company's annual general and special meeting held on May 24, 2013. As a result of the share consolidation the number of common

shares issued and outstanding is 1,152,179, taking into account rounding of fractional shares. All references to share and per share amounts have been retroactively restated to reflect the share consolidation.

Senator had no warrants or stock options outstanding at June 30, 2013.

**RELATED PARTY TRANSACTIONS AND BALANCES**

*Related Party Transactions*

During the three and six months ended June 30, 2013, the aggregate amount of expenditures made to parties not at arm's length to the Company consists of the following:

- (a) The Company paid rent, communications, office, and bookkeeping services in the amount of \$940 and \$3,760, respectively, (2012: \$2,820 and \$5,640) to a company controlled by a former director of the Company;
- (b) The Company incurred interest expense on a loan payable to a former director in the amount of \$6,000 and \$11,595 (2012: \$1,697 and \$3,394) (see note 8 of the June 30, 2013 consolidated interim financial statements).

*Key Management Compensation*

Key management compensation for the three and six month periods ended June 30, 2013 consisted of management fees in the amount of \$3,875 and \$15,500, respectively, (2012: \$31,125 and \$30,000, respectively) paid to a company controlled by a former director of the Company.

During the three and six month periods ended June 30, 2013, the Company incurred management fees in the amount of \$2,000 and \$2,000, respectively, (2012: \$Nil and \$Nil) to a director of the Company.

*Related Party Balances*

	June 30 2013	December 31 2012
Included in trade and other payables:		
Director and officer	\$ 1,098	\$ -
Company controlled by a former director	63,389	578
Former director - loan interest	67,906	56,312
Included in loans payable (note 8)		
Former director	266,600	233,000
	<b>\$ 398,993</b>	<b>\$ 289,890</b>

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in the financial statements. The Company constantly evaluates these estimates and assumptions.

The Company bases its estimates and assumptions on past experience and other factors that are deemed reasonable under the circumstances. This involves varying degrees of judgment and uncertainty, thus the amounts currently reported in the consolidated interim financial statements could prove to be inaccurate in the future.

## **OUTLOOK**

In the next 6 - 12 months, depending on sufficient financing, the Company intends to concentrate on the acquisition of new assets to expand its project portfolio. The focus of these acquisition activities will be on properties with near-term resource potential. The ability of the Company to do so is contingent upon its ongoing ability to raise the capital necessary to acquire new assets. Management is concerned about the state of the economy and the lack of liquidity in the market for junior mineral exploration company shares. As mentioned elsewhere in this MD&A the Company is striving to find financing opportunities and alternatives. Despite the best efforts of management there is no assurance that the Company will be successful in raising additional funds.

## **ACCOUNTING POLICIES**

For a complete summary of the Company's accounting policies, and future accounting policies, see Note 2 of the audited consolidated financial statements of the Company for the year ended December 31, 2012.

## **RISK FACTORS**

The exploration of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not overcome. Certain of the more immediate risk factors are discussed below:

### **Exploration, evaluation and development**

Mineral exploration, evaluation and development involve a high degree of risk and few properties that are explored are ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and evaluation activities will result in any discoveries of new bodies of commercial ore. There is also no assurance that presently identified mineralization can be mined at a profit. Discovery of mineral deposits is dependent upon a number of factors and significantly influenced by the technical skill of the exploration personnel involved.

The commercial viability of a mineral deposit is also dependent upon a number of factors, some of which are beyond the Company's control such as commodity prices, exchange rates, government policies and regulations and environmental protection.



## **Financing**

The Company does not currently have any operations generating cash to fund projected levels of exploration and evaluation activity and associated overhead costs. The Company is therefore dependent upon debt and equity financing to carry out its exploration and evaluation plans. There can be no assurance that such financing will be available to the Company. In the future, the Company will require additional funding to maintain its mineral properties in good standing. The lack of additional financing could result in delay or indefinite postponement of further exploration and possible, partial or total loss of the Company's interest in its exploration and evaluation assets.

## **Commodity price volatility**

The market prices for commodities are volatile. The Company does not have any control over such prices or volatility. There is no assurance that if commercial quantities of mineralization are discovered, a profitable market will exist for a production decision to be made or for the ultimate sale of production at a profit. As the Company is currently not in production, no sensitivity analysis for price changes has been provided.

## **OFF-STATEMENT OF FINANCIAL POSITION ARRANGEMENTS**

The Company has no such arrangements as at the date hereof.

## **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, amounts receivable and other investment, trade and other payables, and loans payable. The fair value of the Company's amounts receivable and other investment, trade and other payables, and loans payable approximate their carrying value, due to their short-term maturities or ability of prompt liquidation.

For a complete summary of the Company's financial instrument risks see note 5 of the June 30, 2013 consolidated interim financial statements.

## **EVENTS AFTER THE REPORTING PERIOD**

No such events have occurred prior to the date of this MD&A - August 28, 2013.