

VICTORY RESOURCES CORPORATION
FORM 51-102F1
MANAGEMENT DISCUSSION AND ANALYSIS
For the Period Ended November 30, 2014

The following management discussion and analysis, prepared as of January 29, 2015 should be read together with the unaudited condensed consolidated interim financial statements for the period ended November 30, 2014 and related notes attached thereto (the “financial statements”), which are prepared in accordance with International Financial Reporting Standards (“IFRS”) and in accordance with International Accounting Standard 34 (“IAS 34”) – Interim Financial Reporting. All amounts are stated in Canadian dollars unless otherwise indicated. Readers may also want to refer to the February 28, 2014 audited financial statements.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to Victory Resources Corporation (the “Company”) is available for view on SEDAR at www.sedar.com.

DESCRIPTION OF THE BUSINESS

Victory Resources Corporation (“the Company”) is a publicly traded junior mineral exploration company whose shares are traded on the TSX Venture Exchange (“TSX-V”). The Company is engaged in the exploration of its mineral properties located in Canada. The Company is in the exploration stage in respect of its exploration activities, and has no significant revenues.

Victory Resources Corporation and its wholly owned subsidiaries, Victory Resources Corporation U.S.A and VicRes Mining Mexico S.A. de C.V., are referred to herein collectively as “the Company”, “our”, or “we”.

The Company was incorporated in British Columbia on February 8, 1984. On May 31, 2005, the Company changed its name to Victory Resources Corporation.

The Company has two wholly-owned subsidiaries, Victory Resources Corporation U.S.A., incorporated under the laws of Arizona, U.S.A. in August 2010; and VicRes Mining Mexico S.A. de C.V., incorporated under the laws of Sonora, Mexico in April 2010.

The Company is in the process of exploring and developing its mineral properties in Canada and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties interests is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to fund property commitments and to complete the development of those reserves, and upon achieving future profitable production.

MINERAL EXPLORATION PROPERTIES

Toni Property, Nicola Division, British Columbia

As part of the Company’s reactivation process to advance from the NEX board to the TSX-V in 2005, the Company entered into a Property Option and Joint Operation Agreement to earn an initial 50% interest in the Toni property located in the Nicola Mining Division, British Columbia with an option to acquire up to a 70% interest (amended to 100% during the year ended May 31, 2007).

During the year ended February 28, 2007, the Company exercised the option and earned a 100% interest in the mineral property free and clear of all charges, encumbrances and claims. As consideration the Company paid \$30,000, issued

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300,000 common shares and incurred \$250,000+ in cumulative exploration expenditures during the years ended May 31, 2006 and 2007. The agreement is subject to a 2% net smelter return royalty.

During the year ended February 29, 2008, the Company acquired a 100% owned mineral property contiguous to the Toni project (formerly Au/Wen) totalling 3,870Ha for cash consideration of \$6,038.

During the year ended February 28, 2009 the Company acquired an additional 665 Ha of mineral claims in the Nicola Mining Division adjacent to our existing holdings for total consideration of \$20,000; the Company also acquired, through staking, an additional 28,481Ha at a cost of \$11,564.

During the year February 28, 2010 the Company amalgamated fifteen Toni Property mineral claims and abandoned twenty-three claims. The Company currently holds in good standing 44,191 Hectares (Ha) over 111 claims which make up the Toni Property.

The Spring/Summer 2010 exploration program on the Wen prospect of the Toni property included diamond drilling to determine the extent of the Adit Mineral Zone which was discovered in a 2008 Victory Resources Corporation diamond drill program. The Adit Mineral Zone is a gold-copper bearing quartz vein which is up to seven metres wide and was delineated by four short diamond drill holes for 20 metres along strike and 50 metres to depth. The mineral zone is open on strike and to depth. In addition, the FY-2011 drill program goal was to confirm and expand the results of a 1996 diamond drill program completed by George Resource Company in which drill hole W96-1 intersected a 6.55 metre gold-copper bearing quartz vein mineralized zone located 50 metres southeast and paralleling the Adit Mineral Zone. The mineralized intersection reportedly assayed 16.578 gm/t Au, 12.901 gm/t Ag and 0.75% Cu, with a higher grade section averaging 28.426 gm/t Au, 18.185 gm/t Ag and 0.98% Cu over 3.81 metres.

The Company completed the diamond drilling of six holes totaling 713 metres on the Wen prospect of the Toni property and has received the assay results from the sampled sections of the holes completed as detailed below.

The 2010 diamond drill program was to test the extension of the W96-1 mineralized quartz vein and to determine the extent of the Adit Zone. Drill holes 10-1, 10-2, 10-3, and 10-5 were spotted to test the localized extension of the Adit Zone within a close proximity to the 2008 mineralized intersections. Drill hole 10-4 was spotted to test the W96-1 mineralized quartz vein higher in the section and the Adit Zone 30 metres east of Adit#1. Drill hole 10-6 was spotted to test the Adit Zone 80 metres east of Adit#1. The more significant intersections and assays are as follows.

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Drill Hole	Azimuth	Dip	Intercept	From	To	Au	Cu
Number			m	m	m	ppb	%
10-2	035	-70	0.80	83.40	84.10	19.30	0.04
10-3	062	-55	0.91	99.21	100.13	48.50	0.31
10-4	020	-45	3.66	70.10	73.76	108.23	0.94
		Including	1.22	70.10	71.32	240.50	1.88
10-5		-90	9.10	18.60	27.70	158.99	2.14
		Including	3.10	18.60	21.60	62.00	3.17
		Including	0.60	22.90	23.50	313.70	5.98
10-6	0	-55	1.80	22.90	24.70	412.20	0.51

Drill hole 10-1 and 10-4 did not provide any indication of the W96-1 mineralized zone which probably does form a shoot with an unknown rake within the vein as Verley (1997) concluded.

Based on the results of the summer 2010 drill program, the localized Adit#1 zone is indicated to extend for a strike length of 110 metres with variable widths and copper values. The most significant widths and values are to the west as indicated in drill hole 10-5 with an intercept of a 9.1 metre (29.85 foot) mineralized zone (estimated true width of 8.2 feet) containing mineral values averaging over 2% Cu, and 160 ppb Au, with decreasing widths and values to the east as indicated in drill hole 10-6. However, the easterly trend of the Adit#1 zone is to a northerly trending 150 metre wide Mobile Metal Ion (MMI) soil anomaly which may indicate a major mineral controlling structure that could have provided the mineralization to the localized structure of the Adit#1 mineral zone.

The geological structure and results show promise on the Wen Prospect however further development work and drilling would be required. The company continues to seek a Joint Venture partner to further develop the Wen Property.

Mr. Laurence Sookochoff, P. Eng., a Qualified Person (QP) as defined by National Instrument Policy 43-101, is responsible for the technical information included herein.

On November 25, 2014, the Company completed an induced potential geophysical survey (IP Survey) over the designated Queen Zone between the Wen and the Au-Wen zones of the Toni property located 30 kilometres south east of Merritt, and eight kilometres east of the historic Aspen Grove mining camp in south central British Columbia.

The purpose of the survey was to verify the best results of an IP Survey completed in 1968 by Barringer Research within an anomalous IP zone of approximately one kilometre wide (east-west), one kilometre long (north-south) as reported by Roger Caven, Geophysicist and indicated as L56S on a map. The chargeability readings of the one kilometer wide anomalous zone are up to 24.0 ms. The anomalous zone extends to L68S or 1,200 feet (365 metres) and open to the south.

A core assay from a 1968 drill-hole completed on a 7.0 ms IP chargeability of the same IP Survey two kilometres north of L56S returned 33 metres of 0.344% copper. The higher anomalies of the IP Survey were reportedly not drilled due to lack of funding.

The 2014 Victory zone survey consisted of one three kilometre east-west line correlating with the 1968 IP Survey. The results were extremely positive in that an anomalous zone of up to one kilometre wide with anomalous chargeability readings of up to 39 ms which exceeded the anomalous results of the Barringer results.

The follow-up exploration program proposed on the Queen Zone is a 400 metre diamond drill hole to test the central portion of the IP anomaly and to continue with the IP Survey in order to delineate the Queen anomalous zone to the south.

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The Reforma Mine Project

The Company owns the Reforma property (“Reforma”), located at the common boundary of Sinaloa and Chihuahua States, in west central Mexico. A technical report, dated September 14, 2010 (the “September Reforma Report”), was prepared for the Company’s by its Qualified Person (“QP”) in accordance with the requirements of NI 43-101.

After the date of the September Reforma Report, the Company continued to explore Reforma; however, a cohesive update to the September Reforma Report was not prepared. The totality of subsequent exploration programs conducted by the Company at Reforma is material to the property, and NI 43-101 requires the subsequent work to be included in a current technical report. In addition, a current technical report is necessary to verify and correct the Company’s reporting of subsequent exploration work and the results obtained. An updated Reforma report, dated June 16, 2014 (the “Updated Reforma Report”), has now been prepared and filed on www.SEDAR.com.

Retraction of disclosure about reserves at the Reforma Mine property

The Reforma, formally operated by “Compania Minera La Campana S.A. (the “Former Operator”), is a 6,987 hectare land package, located within the eastern portion of Sinaloa State, Mexico, in the Choix Mining District. This land package includes the formerly producing Reforma Mine as well as prospective mineralized zones hosted by the Reforma.

In a press release of March 4, 2010 the Company referenced reserve estimates for the Reforma property by the Former Operator. It was also stated that past exploration conducted by the Former Operator resulted in the delineation of the “El Chapote” mineral zone which contained a reported mineral reserve. The Company’s press release of April 8, 2010 again made reference to a mineral reserve at Reforma; this was repeated in the Company’s press release of June 15, 2010. A mineral resource was also as identified as existing in the ‘Reforma South’ mineral zone, and historical reserves identified at ‘El Chapote’ were also re-classified as mineral resources. The September Reforma Report did not verify any of the historically reported resource/reserve estimates under the guidelines established by NI 43-101. As the previously disclosed estimates were not supported by the September Reforma Report, the Company retracted those estimates in a press release of September 21, 2010 (the “Retraction Press Release”).

The September Reforma Report did not disclose or adopt pre-existing historical resource or reserve estimates, in any category, existing or remaining from the previous operation of Reforma as a mine. The September Reforma Report did not disclose an estimate of a potential exploration target or an initial current mineral resource.

Subsequent Disclosures and Corrections

The September Reforma Report was posted on the Company’s web-site with the Consent of the Qualified Person, along with an incorrect version of the Retraction Press Release which did not contain a retraction of the historical estimates. The web-site has been corrected and interested parties are encouraged to go to www.SEDAR.com in order to view the correct version of the Retraction Press Release.

After the issuance of the September Report and the Retraction Press Release, the Company disclosed the retracted disclosures of these estimates (see Company press releases dated May 31, 2011, August 29, 2011, September 7, 2011, September 14, 2011, November 11, 2011, November 14, 2011, November 30, 2011, December 9, 2011, December 14, 2011, January 4, 2012, February 16, 2012, March 1, 2012, March 19, 2012, March 28, 2012, April 9, 2012, April 16, 2012, May 17, 2012, May 29, 2012, June 11, 2012, June 19, 2012, June 28, 2012, July 3, 2012, July 12, 2012, August 3, 2012, August 9, 2012, August 30, 2012, October 25, 2012, October 31, 2012, December 19, 2012, January 9, 2013, January 28, 2013, February 13, 2013, February 20, 2013, March 14, 2013, March 20, 2013, November 26, 2013 and February 11, 2014).

Further, in press releases dated, April 9, 2012, May 29, 2012 and Jul 3, 2012, referring to the tailings ponds related to previous Reforma mine operations, the Company referred to the exploration and drilling of the tailings pond as an ‘important milestone in determining the near term economic potential...of an immediately viable resource in the tailings pond’.

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Without any current resource estimate in the mine or the tailings ponds, the Company is not in a position to initiate a preliminary economic assessment or mining study. All statements and inferences to the contrary issued by the Company are retracted.

Further, cautionary language used in the context of improperly disclosed historical estimates is in itself misleading, since there are in fact no reportable historical estimates.

The Company's web site previously contained reference and a link to a November 2011 article in Resource World Magazine (contained in Volume 9, Issue 11) (the "Resource World Article"). The Resource World Article disclosed a tonnage quantity of mineral reserves remaining in the mine and the tonnage and copper grade of reserves estimated by the former operator in the El Chapote area of Reforma. As noted above, the Company retracted the same reserve estimates in its September 21, 2010 clarification news release since the September Reforma Report did not support any going forward disclosure of historical or current resource or reserve estimates. The company has no new data or information that supports re-disclosure of historical estimates and has not conducted any current resource estimates. Consequently, the company the disclosure of all reserve estimates.

Web site disclosure corrections

The Company's web site adopted the Resource World Article by reference and additionally adopted historical references to operations and results at Reforma. Additional references were made to nearby properties without NI 43-101 qualification. All non-compliant disclosure will be corrected before the web-site is again available to the public.

MD&A Corrections

Many of the items contained in other public disclosures were repeated in management's discussion and analysis ("MD&A") for the fiscal years ended February 28, 2010, February 28, 2011, February 29, 2012 and February 28, 2013.

Reforma Operations

The Company's past MD&A disclosures have made reference to a 2011 review which resulted in recommendations for production operations and also included disclosure of negotiations to purchase certain processing equipment such as a processing mill of up to 1,000 tonnes per day. Based upon a recommendation received from a local Mexican geologist with familiarity with Reforma and with whom the Company had been consulting, the Company had decided to go directly into limited scale production at Reforma. This intention later changed based upon a combination of factors such as the significant risks of making a production decision without conducting sufficient scientific studies demonstrating a reasonable likelihood of success, potentially adverse permitting issues, present capital raising difficulties for such projects, potentially adverse reclamation and environmental issues, and the prevailing present environment of extreme political and civil instability in the area. Due to these factors, a decision has been made to suspend operations at Reforma and seek either a joint venture partner or a purchaser for the property. Consideration is being given to moving all operations out of Mexico.

An updated Reforma report, dated June 16, 2014 (the "Updated Reforma Report"), has now been prepared and filed on www.SEDAR.com. The Updated Reforma Report should be reviewed in conjunction with this MD&A.

In a press release of July 12, 2011, the Company disclosed certain drill core results, some of which were not confirmed in the Updated Reforma Report. The table contained in that press release is retracted and is replaced with the following:

Hold ID	From (m)	To (m)	Interval (m)	Au ppm	Ag ppm	% Cu	% Pb	% Zn
RDH-001	0.65	1.10	0.45	0.056	565	0.14	17.85	0.04
	1.10	4.14	3.04	0.371	42	1.70	0.71	0.07
	4.14	5.70	1.56	0.082	18	1.90	0.04	0.04
RDH-002	3.85	6.30	2.45	0.287	40	2.22	0.04	0.03
RDH-003	No Significant Assays			-	-	-	-	-
RDH-004	1.37	1.70	0.33	0.035	133	0.71	4.69	14.55
	2.50	3.23	0.73	0.009	11	0.03	1.50	3.32
RDH-005	Hole aborted due to bad ground			-	-	-	-	-
RDH-006	200.85	203.85	3.00	0.089	118	0.88	1.44	12.45

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Hole ID	From (m)	To (m)	Interval (m)	Au ppm	Ag ppm	% Cu	% Pb	% Zn
RDH-007	No Significant Assays			-	-	-	-	-
RDH-008	34.24	36.72	2.48	0.037	75	0.87	3.46	6.96
	36.72	39.26	2.54	0.013	13	0.09	0.62	1.40
	40.11	43.09	2.98	0.021	35	0.14	0.27	1.32
	43.09	46.07	2.98	0.008	14	0.08	0.62	1.50
	146.23	149.00	2.77	0.122	47	2.05	0.03	0.19
	149.00	151.79	2.79	0.090	26	1.54	0.009	0.05
RDH-009	No Significant Assays			-	-	-	-	-
RDH-010	No Mineralization Intersected			-	-	-	-	-
RDH-011	198.34	201.16	2.82	0.104	144	1.93	1.34	5.68
RDH-012	Hole aborted due to bad ground			-	-	-	-	-
RDH-013	No Significant Assays							
RDH-014	No Significant Assays							
RDH-015	11.91	14.92	3.01	0.018	4.2	0.21	0.007	1.20
	42.43	45.46	3.03	0.024	62.2	0.27	1.33	4.03

In press releases of August 9, 2012, October 13, 2012, January 9, 2013 and February 13, 2013, the Company reported the results of underground sampling at Reforma. The press releases disclosed a zone of 80 m length with weighted average grades of 231 g/t silver, 0.84% copper, 6% lead and 14% zinc, without reporting the thickness of the zone. The Undated Reforma Report clarified that out of 29 samples collected, 24 are contiguous over a stretch of 55m. The samples were taken every 3m across true widths ranging from 0.85m to 3.9m. Assay results of the 24 samples returned weighted averages of 152.17g/t silver, 0.53% copper, 8.63% lead and 0.91% zinc over an average width of 2.08m.

Initial bulk sampling of tailings (each sample weighing 10kg) from the ‘Matanza’ and ‘Altamira’ tailings ponds extracted from 13 backhoe trenches were tested by assay and those results were reported in the Updated Reforma Report. The values reported in the Company’s press releases of March 1, 2012 and October 31, 2012 (most notably a typographical error whereby 2.33% zinc was incorrectly reported as 12.33%) were restated as follows:

Matanza	Au	Ag	Cu	Fe	Zn	Pb
Sample	ppm	ppm	ppm	%	%	%
638747	0.076	12.4	0.08	11.25	0.86	0.2
638748	0.059	17.6	0.09	8.56	0.73	0.36
638749	0.052	10.7	0.06	7.74	0.58	0.19
638750	0.152	26.6	0.35	12.55	2.43	0.44
638751	0.149	60.8	0.36	12.6	2.86	1.28
638752	0.057	17.9	0.14	8.08	1.33	0.34
638753	0.081	44.1	0.16	10.8	1.91	0.78
Altamira						
638754	0.108	19	0.17	11.85	2.33	0.32
638755	0.104	12.6	0.15	7.88	0.95	0.25
638756	0.067	12.5	0.15	8.48	1.43	0.33
638757	0.035	10.8	0.09	8.41	0.42	0.27
638758	0.031	4.2	0.03	7.49	0.3	0.14
638759	0.098	10.2	0.08	11.05	1.26	0.29

Each trench measured 0.70 m wide by 5.0 m long and 3.5 m deep. Seven trenches were dug at the Matanza and six at the Altamira. Bulk samples of 70 kg each of the Matanza and Altamira tailings were subsequently run through a processing plant in Chihuahua, Mexico for preliminary testing. No relevant results were obtained.

A total of 218 auger samples were also taken from both tailings ponds using a 4-inch diameter sand auger. The samples were collected at 1.5 metre intervals from each hole. The Company did not assay the samples from any auger drill testing conducted and the samples are presently stored at ALS Chemex, awaiting further instructions from the Company.

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Mr. Laurence Sookchoff, P. Eng., a Qualified Person (QP) as defined by National Instrument 43-101, is responsible for the technical information contained in this MD&A.

During the year ended February 28, 2014 the Company determined the Reforma Project to be impaired and wrote down the carrying value of the Reforma Project to \$1. The Company has earned 70% interest in the Reforma property and is currently in discussions to joint venture or sell the property outright.

Please see “President’s Message” at the end of this MD&A

FINANCING

Subsequent to the period ended November 30, 2014, the Company completed a non-brokered private placement of 2,651,668 units for gross proceeds of \$159,100. Each unit consists of one common share issued at \$0.06 per share, and one share purchase warrant. Each common share purchase warrant may be exercised by the holder to purchase one common share at a price of \$0.15 for 24 months from closing. \$130,475 of the proceeds were received prior to November 30, 2014 and were recorded as share subscriptions received in advance.

Financing shortfall/surplus

At November 30, 2014, the Company had working capital deficiency of \$1,262,415 (February 28, 2014-\$1,731,198).

INDUSTRY AND ECONOMIC FACTORS AFFECTING COMPANY PERFORMANCE

Victory operates in the Canadian junior resource industry. Within that industry, Victory competes with thousands of companies, many of them significantly larger, for corporate resources such as properties, geological, exploration and drilling services; and equity capital. Of particular impact to Victory is that it has to compete in this industry with other firms that have greater resources and more advanced properties.

The availability of equity financing for early-stage exploration programs such as ours is a major factor that will significantly determine company performance in FY-2015 and beyond.

The Company's access to financing is not certain and there can be no assurance of continued access to adequate equity funding on acceptable terms. Management believes that we will be able to obtain the capital necessary to continue as a going concern.

Victory’s business model – early-stage exploration – is plainly a high risk business model. Victory is exposed to considerable geological risk – the risk that our properties do not host economic mineral reserves – as well as operational risk, and financing risk. This business model requires commensurately high-risk equity capital. Victory is reliant on its ability to raise finances, a continued decrease in the supply of available capital due to systematic factors such as macro-economic slow-down or capital market disruption would materially impair our business model.

In addition to the general financing risks common to all exploration enterprises, the early, unproven stage of our property assets add particular uncertainty as to the likelihood of obtaining future financing on acceptable terms.

LIQUIDITY, CAPITAL RESOURCES AND COMMITMENTS

Continuance of Operations and Going Concern

The Company has financed its operations primarily through the issuance of common shares, loans proceeds and advances from related parties. The Company continues to seek capital through various means including the issuance of equity and/or debt. While the Company has been successful in securing financing in the past, there is no assurance that it will be able to do so in the future or on terms that are favorable to the Company. Accordingly these condensed consolidated interim financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a

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going concern. If the going concern assumption was not used then the adjustments required to report the Company's assets and liabilities on a liquidation basis could be material to these condensed consolidated financial statements.

Liquidity

Junior resource companies often tend towards liquidity shortfalls, as their major assets are, by definition, exploration properties which are long-term and illiquid by nature and are not revenue generating.

During the period ended November 30, 2014, the Company continues to seek capital through various means including the issuance of equity and/or debt.

Capital Resources

As our exploration-stage properties are not revenue generating, the Company's sole source of long-term funding has traditionally been the issuance of common shares for cash, primarily through private placements to sophisticated investors.

The Company has traditionally supplemented equity financing from time to time by obtaining loans from related parties. These are used to provide interim, short-term financing to meet day-to-day cash flow needs, on occasion, and are not intended to be a long-term source of capital.

Commitments

The Company has the following significant commitments as at November 30, 2014 period end:

Management Contracts

On January 1, 2011 the Company entered into a 12 month management contract with the President of the Company for \$5,000 per month for management fees and \$5,000 per month for project management fees. This contract automatically renewed for an additional one year term on January 1, 2014 as per the signed agreement. Effective August 11, 2014 the contract was terminated as the President resigned.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

There are no proposed transactions that have not been disclosed herein.

RELATED PARTY TRANSACTIONS

During the period ended November 30, 2014, the Company entered into transactions with related parties as follows:

The consolidated financial statements include the financial statements of Victory Resources Corporation and its subsidiaries listed in the following table:

Name of Subsidiary	Country of Incorporation	Proportion of Ownership Interest	Principal Activity
Victory Resources Corporation, U.S.A.	Arizona, U.S.A.	100%	Mineral exploration
VicRes Mining Mexico S.A. de C.V.	Sonora, Mexico	100%	Mineral exploration

The remuneration of directors and other members of key management personnel during the periods ended November 30, 2014 and 2013 are as follows:

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	November 30, 2014	November 30, 2013
Consulting fees	\$ 15,000	\$ -
Salaries and directors fees	28,560	78,000
Management fees	60,000	45,000
Project management fees (i)	20,000	45,000
Exploration expenses (i)	<u>61,000</u>	<u>42,000</u>
	<u>\$ 184,560</u>	<u>\$ 210,000</u>

(i) Capitalized in exploration and evaluation assets.

The transactions with related parties were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the parties.

The amounts due to the related parties are as follows:

	November 30, 2014	February 28, 2014
Due to directors and officers	\$ 278,966	\$ 446,732
Due to KIM-KC Management Corp (i)	120,000	100,000
Due to Sierra Iron Ore (formerly Naina Capital) (ii)	<u>20,751</u>	<u>204,981</u>
	<u>\$ 419,717</u>	<u>\$ 751,713</u>

(i) Company controlled by a common director

(ii) Company with common directors

Results of Operations

Nine Months

Below are the significant changes in expenses when comparing the nine months period ended November 30, 2014 to the nine months period ended November 30, 2013:

- Management and director fees increased to \$73,560 (2013 - \$54,000) as a result in the transition of president duties during the period.
- Professional fees increased to \$181,018 (2013 - \$132,660) primarily as a result of interest charged by the accountant prior to the shares for debt.
- Wages and benefits decreased to \$19,172 (2013 - \$250,256) as a result of the Company terminating employees in an effort to conserve cash.
- Other variations in expenses in the year presented reflect the variation inherent in normal course operations. We expect other items to remain at relatively constant levels, as these primarily reflect recurring operational expenses that do not vary significantly within a certain range of corporate and exploration activity.

Three Months

Below are the significant changes in expenses when comparing the three months period ended November 30, 2014 to the three months period ended November 30, 2013:

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- Management and director fees increased to \$26,060 (2013 - \$18,000) as a result in the transition of president duties during the period.
- Property investigation costs decreased to \$Nil (2013 - \$13,888) primarily as a result no activity done during the period.
- Transfer agent and filing fees increased to \$6,399 (2013 - \$1,822) primarily as a result of incurring more expenses due to the share for debt transaction during the period.
- Travel decreased to \$7,039 (2013 - \$15,478) primarily as a result of less traveling during the period.
- Wages and benefits decreased to \$17,037 (2013 - \$31,697) as a result of the Company terminating employees in an effort to conserve cash.
- Other variations in expenses in the year presented reflect the variation inherent in normal course operations. We expect other items to remain at relatively constant levels, as these primarily reflect recurring operational expenses that do not vary significantly within a certain range of corporate and exploration activity.

SUMMARY OF QUARTERLY RESULTS

	Three Months Ended November 30, 2014	Three Months Ended August 31, 2014	Three Months Ended May 31, 2014	Three Months Ended February 28, 2014
Total assets	\$ 1,681,620	\$ 1,651,181	\$ 1,609,791	\$ 1,644,452
Working capital (deficiency)	(1,262,415)	(2,031,124)	(1,797,846)	(1,731,198)
Shareholders' equity (deficit)	380,554	(407,133)	(211,442)	(142,521)
Net loss	143,911	240,548	64,852	10,016,704
Loss per share	0.00	0.00	0.00	0.13

	Three Months Ended November 30, 2013	Three Months Ended August 31, 2013	Three Months Ended May 31, 2013	Three Months Ended February 28, 2013
Total assets	\$ 11,567,746	\$ 11,184,190	\$ 11,052,695	\$ 10,783,006
Working capital (deficiency)	(1,638,570)	(1,288,074)	(619,550)	(258,227)
Shareholders' equity	9,886,680	9,818,794	10,332,081	10,183,197
Net loss	163,700	233,698	291,658	230,322
Loss per share	0.00	0.01	0.00	0.00

For the three months ended August 31, 2014, the Company incurred a loss of \$240,548. Significant expenses include \$93,553 of professional fees, \$19,500 in management and director fees and \$36,727 in office and administration.

For the three months ended August 31, 2013, the Company incurred a loss of \$233,698. Significant expenses include \$50,786 in professional fees, and \$103,688 of wages and salaries.

For the three months ended February 28, 2014, the Company incurred a loss of \$10,016,704. Significant expenses include \$151,001 in professional fees, and \$9,965,558 of mineral property impairment.

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FINANCIAL AND OTHER INSTRUMENTS

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liabilities either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company's primary financial instruments are classified as follows:

<u>Financial instruments</u>	<u>Classifications</u>
Cash	Fair value through profit or loss
Receivables	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Due to related parties	Other financial liabilities

The fair value of these assets and liabilities approximates their respective carrying amounts due to their short term nature except as otherwise noted. The fair value of the Company's cash and reclamation deposit constitutes a Level 1 fair value measurement. The Company does not currently hold any financial instruments that would be included in the classification of AFS.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. As at November 30, 2014, the Company's receivables consisted of \$7,453 in GST receivable from government authorities in Canada. Substantially all cash balances are held at chartered banks in Canada, the United States of America and Mexico.

Liquidity risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The Company manages liquidity risk through the management of its capital structure, as outlined below. As at November 30, 2014, the Company had a cash balance of \$9,985 and receivables of \$7,453 to settle current liabilities of \$2,058,314. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company will require financing from lenders, shareholders and other investors to generate sufficient capital to meet its short term business requirements. The Company is planning additional financings in the near term to raise working capital to finance its ongoing operations.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

a) Interest rate risk

As of November 30, 2014, the Company did not hold any investments and has no significant interest rate risk.

b) Foreign currency risk

The Company is exposed to changes in foreign exchange rates as expenses in international subsidiaries, oil and gas expenditures, or financial instruments may fluctuate due to changes in rates. The Company's exposure to foreign currency exchange risk is mitigated by the fact that the Company restricts the amount of Mexican Pesos ("Pesos") kept on hand and

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sources the majority of its capital projects and expenditures in Pesos. The Company has not entered into any derivative instruments in an effort to mitigate exposure to fluctuations in foreign exchange rates.

At November 30, 2014, the Company had US \$984 and an immaterial balance of Mexican Pesos in cash and \$7,803,635 Mexican Pesos in accounts payable.

A 10% fluctuation in the USD/CAD exchange would result in an immaterial affect to these consolidated financial statements.

A 10% fluctuation in the MXP/CAD exchange would have resulted in a \$65,254 change to the net loss for the year.

c) Price risk

The recoverability of the Company's exploration and evaluation assets is indirectly related to the market price of commodities. The Company's ability to continue with its exploration program is also indirectly subject to commodity prices. The Company is not currently directly exposed to fluctuations in commodity prices as the Company is currently in the exploration phase and has no production.

Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the period ended November 30, 2014.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

CURRENT SHARE DATA

As at January 29, 2015 the Company has 90,945,165 common shares issued and outstanding.

As at January 29, 2015, the following options to acquire common shares of the Company were outstanding:

Number of Options	Exercise Price	Expiry Date
578,000	\$0.25	May 17, 2015
552,629	\$0.45	February 29, 2016
<u>51,560</u>	\$0.45	February 28, 2017
<u>1,182,189</u>		

At January 29, 2015, 2,651,668 share purchase warrants were outstanding. The warrants were exercisable at \$0.15 for 24 months.

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LIST OF DIRECTORS AND OFFICERS AT JANUARY 29, 2015

Roger Frost, President, CEO, Director
Laurence Sookochoff, CFO, Director
Wally Boguski, Director
Alphonse J. Ruggiero, Director
David Cross, Director

ADVISORY COMMITTEE

The Company has established a Geological Advisory Board and that it has appointed Tim Hawthorne, P. Eng. as the first member. Tim Hawthorne has over 40 years' experience in several of the world's largest mining operations including senior level positions with major projects that include Cananea Copper, Homestake Mining, Kennecott Copper, Magma Copper, and Olympic Dam. Tim Hawthorne established Hawthorne Engineering, Inc. in 1998 which became a leader in new mining and reclamation project consulting. Prior to this, Tim held senior management positions at Bateman Engineering which included work in the same region as the Reforma mine.

New Accounting Pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after March 1, 2014. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IAS 32 Financial Instruments: Presentation ("IAS 32") was amended by the IASB in December 2011 to clarify certain aspects of the requirements on offsetting. The amendments focus on the criterion that an entity currently has a legally enforceable right to set off the recognized amounts and the criterion that an entity intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014 with earlier adoption permitted.
- IFRS 9 Financial Instruments ("IFRS 9") was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. This standard is tentatively to be applied for accounting periods beginning on or after January 1, 2018, with early adoption permitted.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the annual audited consolidated financial statements and this accompanying annual MD&A (together the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Annual Filings on SEDAR at www.sedar.com.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements herein that are not historical facts are forward-looking statements that are subject to risks and uncertainties. Words such as "expects", "intends", "may", "could", "should", "anticipates", "likely", "believes" and words of similar import also identify forward-looking statements.

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Forward-looking statements are based on current facts and analyses and other information that are based on forecasts of future results, estimates of amounts not yet determined and assumptions of management, including, but not limited to, assumptions regarding the Company's ability to raise additional debt and/or equity financing to fund operations and working capital requirements and assumptions regarding the Company's mineral properties.

Actual results may differ materially from those currently anticipated due to a number of factors including, but not limited to, general economic conditions, the geology of mineral properties, exploration results, commodity market conditions, the Company's ability to generate sufficient cash flows from operations and financing to support general operating activities and capital expansion plans, and laws and regulations and changes thereto that may affect operations, and other factors beyond the reasonable control of the Company.

Additional information on factors that may affect the business and financial results of the Company can be found in filings of the Company with the British Columbia Securities Commissions on www.sedar.com

PRESIDENT'S MESSAGE

The Management team would like to thank the shareholders for their support for the Company's quest to pursue opportunities in order to protect and enhance shareholder value.

During the period ended November 30, 2014, the Company faced difficult operating challenges. In general, world economic conditions, specifically the demand for commodities and precious metals saw only tepid recoveries from recent lows. Our industry, mineral property exploration and development, has only shown very recent signs of recovery; this hopefully signals a continuing upward trend.

Financing remains difficult. Traditionally property exploration and development decisions have been driven by factors such as the geological merit of a property, commodities markets and industry trends; this has, in turn affected the availability of financing for given projects. Now, another set of factors has been added that has particularly targeted companies operating in politically unstable areas.

At the time of the commencement of our operations in Sinaloa, Mexico, the area was comparatively calm and the overall mining environment seemed to be improving with successive governments. Anti-corruption improvements were being made at all levels. The situation has changed dramatically and lawlessness has now taken over in the area, with government officials seemingly powerless or unwilling to intervene and reverse this dangerous trend.

We have found the local operating conditions unacceptable to the safety of our employees and contractors. In addition to the daily danger faced locally in the area of our Reforma Property, morally we cannot continue to condone the government by remaining in the area. In addition, it is virtually impossible to obtain financing while Reforma remains our priority. For that reason, we have determined that we will no longer operate in Mexico. We have written down the carrying cost of our Mexican assets accordingly.

In the near term, the Company will proceed with a financing for general working capital with the intention of increasing the scope of our operations in Canada. The company is also in discussions for a possible joint venture on its British Columbia properties and also has interested parties to the outright purchase of the Reforma property in Mexico.

The company is also in active discussions to obtain properties of merit in the Ontario region of Canada.