

**CURLEW LAKE RESOURCES INC.  
MANAGEMENT DISCUSSION AND ANALYSIS  
YEAR ENDED JANUARY 31, 2014**

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**OVERVIEW**

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This management discussion and analysis ("MDA"), prepared on May 20, 2014, covers the operations of Curlew Lake Resources Inc. ("Curlew" or the "Company") for the year ended January 31, 2014. All monetary amounts referred to herein are in Canadian dollars unless otherwise stated. The MDA should be read in conjunction with the Company's audited financial statements for the year ended January 31, 2014.

Additional information related to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) or the Company website at [www.curlew-lake.com](http://www.curlew-lake.com).

**FORWARD LOOKING STATEMENTS**

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

In particular, this MDA may contain forward-looking statements pertaining to the following:

- capital expenditure programs;
- treatment under governmental regulatory and taxation regimes; and
- expectations regarding the Corporation's ability to raise capital and to continually add to reserves through acquisitions and development.

With respect to forward-looking statements contained in this MDA, the Corporation has made assumptions regarding, among other things:

- the Corporation's ability to obtain additional financing on satisfactory terms.

The Corporation's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this management discussion and analysis:

- geological, technical, drilling and processing problems;
- liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations;
- incorrect assessments of the value of acquisitions;
- competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; and
- the other factors referred to under "Risk Factors".

**The forward-looking statements or information contained in this Management's Discussion and Analysis are made as of January 31, 2014 and May 20, 2014.**

Success in the junior oil and gas and mineral exploration sectors is measured by a corporation's ability to raise funds and the ability to secure properties of merit. Not all of these factors are within management's control. The ability to raise funds is in part dependent on the state of the junior resource stock market, which in turn is dependent on the economic climate, oil and gas and minerals prices and perceptions as to which way the market is headed. The ability to secure properties of merit is in large part dependent on management's contacts and the vitality of the sector.

## **Description of Business**

The Company is an oil & natural gas, and precious metals, exploration, development and production company with operations in Canada. The Company was incorporated on January 15, 1987, in British Columbia. The Company is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange under the symbol CWQ as well as the US Pink Sheets under the symbol CWLXF.

## **2014 Highlights**

### **Selected Annual Information**

	Year ended January 31,		
	2014	2013	2012
	-\$-	-\$-	-\$-
Loss from continuing operations before other items	(266,288)	(172,362)	(149,067)
Loss before discontinued operations on a basic & diluted per share basis	(0.00)	(0.00)	(0.01)
Net loss	(407,492)	(1,121,189)	(104,852)
Net loss per share (basic & diluted basis)	(0.02)	(0.10)	(0.01)
Total Assets	67,880	319,177	1,012,990
Total long-term financial liabilities	-	-	-
Cash dividends declared per-share	-	-	-

### **Year ended January 31, 2014**

During year ended January 31, 2014, the Company incurred a net loss of \$407,492 as compared to a net loss of \$1,121,189 during 2013 due primarily to impairment charges made to the Company's oil and gas exploration and evaluation assets in fiscal 2013.

General and administrative expenses affecting cash during the year ended January 31, 2014 totaled \$266,288 as compared to \$172,362 during 2013 as the Company incurred additional legal expenses in various litigation matters and additional office and administrative expenses during the year.

### **Year ended January 31, 2013**

The Company sold its interest in the Fosterton wells for \$30,000 during fiscal 2013.

General and administrative expenses affecting cash during the year ended January 31, 2013 totaled \$172,362 as compared to \$149,067 during 2012.

During the year, the Company determined that it would not be continuing exploration in the near term on its Chin Coulee and Leduc properties, and wrote off their book values. It was further determined that the value of its Fairydeil project was impaired, and recorded a \$798,040 write down, bringing the value down to \$Nil. In the year, these impairment charges reduced the Company's oil and gas exploration and evaluation assets by \$985,566.

During the year disputes arose with joint venture participants who claimed the Company was in breach of agreements to explore certain properties in Alberta. The Company disputes these claims and believes them to be without merit. The Company impaired the property by \$5,257 writing down the value to \$Nil.

During the year, the Company completed a private placement for gross proceeds of \$430,000. The Company issued a total of 8,600,000 units at \$0.05 per unit, each unit consisting of one common share and one share purchase warrant, with

each warrant entitling the holder to purchase one additional common share at \$0.10 per share on or before November 22, 2014.

Professional fees went down by \$15,889 and there was an accrual for year-end audit fees of \$13,500.

## **Operations**

### **Fairydell – Alberta**

The Company had acquired a 75% interest in nine and three-quarter sections (6,240 acres) freehold and Alberta Crown Petroleum and Natural Gas rights in the Fairydell-Bon Accord area of central Alberta, subject to a 2.5%GORR. The Company had initially impaired the property by \$409,173, but as the lease expired during the prior fiscal year, the Company further impaired the property by another \$388,867 in the financial statement to a total of \$798,040 bringing the value down to \$Nil. The Company incurred cost to plug the two wells on the property.

### **Exploration Program**

In prior years, the Company identified a number of drilling locations based on seismic and geological interpretation, and developed a model for reef development in the Fairydell area. Exploration and development drilling have defined the Fairydell area to be a multi-formation project. The first well drilled encountered reef structure and porosity more or less at the anticipated depth at Fairydell 2-16-57-24 W4M. The Company determined that since there were no oil shows in the Leduc and Nisku formations, and because of drilling difficulties and a washout in a lower Leduc section, the well was abandoned the well in favour of evaluating other potential targets. A total of two wells were drilled on the lands; the first well was drilled and impaired in the prior year, and the second well was determined uneconomic in the prior period and the property was fully impaired. During the prior year, the Company recorded an impairment charge of \$798,040, reducing its value to \$Nil.

### **Leduc Oil Project – Alberta**

In the prior year, the Company determined that it would not be continuing exploration on this property and accordingly recorded an impairment charge of \$69,781, writing the value down to \$Nil.

### **Chin Coulee Oil Project – Alberta**

In the prior year, the Company determined that it would not be continuing exploration on this property and accordingly recorded an impairment charge of \$112,488, writing the value down to \$Nil.

### **Clear Creek Mineral Project, Yukon**

The Company controls a 100% interest in the Typhoon mineral claims located in the Clear Creek District of the Yukon. There are a total of 117 claims covering over 5,000 acres. The property acquired is in an area where geochemical surveys and placer mining had shown interesting values in gold and silver. The property is readily accessible via a good road connecting to the Klondike Highway some 85 kilometers southeast of Dawson City.

The 100% working interest on 98 claims is subject to a 4% Net Smelter Royalty, of which 1% may be purchased by the Company at any time in the future for the price of \$600,000, in cash or shares and an additional 2% which may be purchased at any time for \$1,000,000 in cash.

The 100% working interest on the remaining 19 claims is subject to a 2% NSR Royalty, which may be purchased at any time by Curlew Lake for \$1 million for each 1% to the Vendor, Xennex Development Corporation.

During the current year, the Company impaired the property by \$8,012 writing down the value to \$2,068, as it focuses its efforts on a specific region of the claims. The Company plans to review the project and identify areas for possible follow up exploration, subject to availability of financing.

### **Peace River Claims, Clear Hills District, Alberta**

Curlew held a 50% interest in Metallic & Industrial Minerals rights on 37 Townships, an area of approximately 850,000 acres (351,675 hectares), of land in the Peace River area in north western Alberta. The lands were intended to be

operated as a joint venture, with Curlew and 2 private partners, and with Curlew the initial operator of the exploration project. The lands lie north and west of the Clear Hills area and cover a structure known as Halverson Ridge and surrounding areas. During the prior year, a dispute arose with joint venture participants and the Company impaired the property by \$5,257 writing down the value to \$Nil.

### Summary of Quarterly Results

	<i>Jan 31, 2014</i>	<i>Oct 31, 2013</i>	<i>Jul 31, 2013</i>	<i>Apr 30, 2013</i>
	<i>\$</i>	<i>\$</i>	<i>Amended and Restated \$</i>	<i>Amended and Restated \$</i>
Total assets	67,880	102,293	145,130	218,392
Working capital (deficiency)	(267,591)	(114,860)	(29,101)	78,309
Shareholders' equity (deficiency)	(208,044)	(85,614)	38,169	141,329
Revenue	-	-	-	-
Net income (loss)	(160,589)	(85,624)	(102,984)	(58,295)
Net income (loss) per share	(0.01)	(0.00)	(0.01)	(0.00)
	<i>Jan 31, 2013</i>	<i>Oct 31, 2012</i>	<i>Jul. 31, 2012</i>	<i>Oct 31, 2013</i>
	<i>Amended and Restated \$</i>	<i>Amended and Restated \$</i>	<i>Amended and Restated \$</i>	<i>\$</i>
Total assets	319,177	117,834	42,665	988,770
Working capital (deficiency)	136,513	(63,946)	(86,880)	(39,525)
Shareholders' equity (deficiency)	199,234	(4,409)	(53,635)	929,132
Revenue	-	676	17,277	3,369
Net income (loss)	(118,577)	(43,741)	(982,056)	23,185
Net income (loss) per share	(0.01)	(0.00)	(0.10)	0.00

### Liquidity and Solvency

At January 31, 2014, the Company had working capital deficiency of \$267,591. The Company is currently relying on private placement funding to progress future programs. There is no guarantee the Company will be able to raise further funds on terms acceptable to the Company or on any other terms.

### Results of operation

In the year ended January 31, 2014, the Company office facilities and administrative expense increased to \$143,630 (2013 - \$96,321) and professional fees and consulting increased to \$84,216 (2013 - \$ 38,573). The increases in office facilities and administrative expense are due to the relocation of office. The increase in professional fees is due to an increase in audit fee accruals, for legal fees relating to the Annual General Meeting, and for legal fees for disputes with previous joint venture participants.

In the three months ended January 31, 2014, the Company management fee increased to \$6,500 (2013 - \$2,500) due to change in management personnel.

### Related Party Transactions

Included in accounts payable:

	<b>January 31, 2014</b>	<b>January 31, 2013</b>
Company controlled by the current CEO of the Company	\$ 238	\$ 346
Company controlled by the current CFO of the Company	3,500	-
Company controlled by a former CEO of the Company	3,328	3,328
Company controlled by a former CFO of the Company	2,850	2,850
	<b>\$ 9,916</b>	<b>\$ 6,524</b>

These transactions 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 related parties.

During the current year, the Company paid or accrued \$Nil (\$2013- \$5,000) to the CEO and \$8,500 (2013- \$Nil) to the current and past CFO.

## Investor Relations

The Company has no current investor relations agreements.

## ADDITIONAL INFORMATION

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### Legal proceedings:

From time to time, the Company may be involved in various litigation matters arising in the ordinary course of its business. Management is of the opinion that disposition of any current matter should not have a material adverse impact on the Company's financial position, results of operations or the ability to carry on any of its business activities.

During the prior year disputes arose with joint venture participants who claimed the Company was in breach of agreements to explore certain properties in Alberta. The Company disputes these claims and believes them to be without merit. At the report date, it is indeterminable what the outcome of these disputes will be. Future costs and liability arising from these matters, if any, will be recorded in the period in which such amounts can be reliably determined.

### Outstanding Share Data:

The Company has 18,546,952 common shares outstanding, 8.6 million warrants outstanding with an exercise price of \$0.10 expiring November 22, 2014 and no stock options outstanding.

### Off-Balance Sheet Arrangements:

As of the date of this report, the Company has not entered into any off-balance sheet arrangements.

## CAPITAL DISCLOSURE

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The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support its exploration activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to acquire and sustain exploration projects. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended January 31, 2014. The Company is not subject to externally imposed capital requirements.

## SHARE CAPITAL AND CONTRIBUTED SURPLUS

	Number Of Shares	Capital Stock	Contributed Surplus
Authorized Common shares without par value	Unlimited		
As at January 31, 2012	9,946,952	\$15,435,393	\$666,865
Share issuance	8,600,000	430,000	-
Share issue cost	-	(15,524)	-
As at January 31, 2013	18,546,952	\$15,849,869	\$666,865
Share issue cost	-	214	-
As at January 31, 2014	18,546,952	\$15,850,083	\$666,865

The Company obtained shareholder approval at its AGM held on June 22, 2012 to authorize a consolidation of the Company's share capital on a ten old shares for one new share basis. The Company had 99,469,526 shares outstanding, which were reduced to 9,946,952 post-consolidated common shares. There was no name change with this consolidation. The consolidation received regulatory approval on July 6, 2012, and became effective on July 9, 2012.

On November 23, 2012, the Company closed a private placement for gross proceeds of \$430,000. The Company issued a total of 8,600,000 units at \$0.05 per unit, each unit consisting of one common share and one share purchase warrant, with each warrant entitling the holder to purchase one additional common share at \$0.10 per share on or before November 22, 2014.

The Company also paid a total of \$15,524 as share issuance costs in connection with the financing, with a refund/adjustment of \$214 received back in the current year.

## Warrants

Warrant transactions for the respective years and the number of warrants outstanding are summarized as follows:

The following warrants to acquire common shares were outstanding at January 31, 2014:

	Number of Warrants	Weighted Average Exercise Price
Balance, January 31, 2011	3,716,000	\$ 1.00
Warrants expired	(946,000)	(0.50)
Balance, January 31, 2012	2,770,000	\$ 1.00
Warrants expired	(2,770,000)	(1.00)
Warrants issued	8,600,000	0.10
Balance, January 31, 2013 and January 31, 2014	8,600,000	\$ 0.10

Number of Shares	Exercise Price	Expiry Date
8,600,000	\$ 0.10	November 22, 2014

## Stock options

The Company follows the policies of the TSX Venture Exchange ("TSX-V") under which it is authorized to grant options to executive officers and directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of 10 years.

Stock option transactions for the respective years and the number of share options outstanding are summarized as follows:

	Number Of Options	Weighted Average Exercise Price
Balance, January 31, 2012	300,000	\$ 1.00
Options cancelled	(300,000)	(1.00)
Balance, January 31, 2013 and January 31, 2014	-	\$ -

The Company uses the fair value method for determining stock-based compensation expense for all options granted during the fiscal year. The fair value of options granted and vested was \$Nil (2012 - \$Nil).

At January 31, 2014, there were no options outstanding.

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

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The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The accompanying audited financial statements are prepared by management in accordance with International Financial Reporting Standards ("IFRS") and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

## ACCOUNTING POLICIES

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### New accounting standards adopted

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the IFRIC that are mandatory for accounting periods beginning after January 31, 2013 or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

### New accounting standards effective February 1, 2013

**IFRS 11 *Joint Arrangements*** - IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

**IFRS 12 *Disclosure of Interests in Other Entities*** - IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

**IFRS 13 *Fair Value Measurement*** - IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under existing IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures.

**Amendments to other standards** - In addition, there have been other amendments to existing standards, including IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

**Amendments to IAS 1 *Presentation of Financial Statements*** - The IASB has amended IAS 1 to require entities to separate items presented in other comprehensive income ("OCI") into two groups, based on whether or not items may be reclassified into profit or loss in the future. Entities that choose to present OCI items before tax will be required to show the amount of tax related to the two groups separately.

**IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*** - IFRIC 20 addresses the accounting for overburden waste removal (stripping) costs in the production phase of a surface mine. Stripping activity may result in two types of benefits: i) inventory produced and ii) improved access to ore that will be mined in the future. Stripping costs

associated with inventory production should be accounted for as a current production cost in accordance with IAS 2 Inventories, and those associated with improved access to ore should be accounted for as an addition to, or enhancement of, an existing asset.

Each of the new standards, IFRS 10 to 13, IFRIC 20 and the amendments to other standards, is effective for the Company beginning on February 1, 2013. The Company does not expect that the new and amended standards will have significant impact on its financial statements.

#### **New accounting standards effective January 1, 2015**

**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 the fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, others gains and losses (including impairments) associated with such instruments remain in accumulated other comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

IFRS 9 has a tentative effective date of January 1, 2015. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its consolidated financial statements or whether to early adopt any of the new requirements.

#### **RISKS**

##### ***No History of Operation***

The Company is in its exploration stage, has very limited operating history, and is subject to all the risks inherent in a new business enterprise. For example, to date we have had no significant revenues and have relied upon equity financing to fund our operations. The likelihood of success of the Company must be considered in light of the problems, expenses, difficulties, complication, and delays frequently encountered in connection with a new business, and the competitive and regulatory environment in which the Company will operate, such as under-capitalization, personnel limitations, and limited revenue sources.

##### ***Due to Our History of Operating Losses, We are Uncertain That We Will Be Able to Maintain Sufficient Cash to Accomplish Our Business Objectives***

The Company had an accumulated deficit of \$16,724,992 at January 31, 2014. There is no assurance that we can generate net income, generate revenues or successfully explore and exploit our properties.

Significant amounts of capital will be required to continue to explore and then develop our exploration projects. The Company is not engaged in any material revenue producing activities and does not expect to do so in the near future. Currently the Company's sources of funding consist of the sale of additional equity securities, borrowing funds, or selling a portion of our interests in our assets. There is no assurance that any additional capital that the Company will require will be obtainable on terms acceptable to us, if at all. Failure to obtain such additional financing could result in delays or indefinite postponement of further exploration and development of our projects. Additionally financing, if available, will likely result in substantial dilution to existing stockholders.

##### ***Capital Requirements and Liquidity; Need for Subsequent Funding***

Company management and our board of directors monitor our overall costs and expenses and, if necessary, adjust Company programs and planned expenditures in an attempt to ensure we have sufficient operating capital. We continue to evaluate our costs and planned expenditures for our on-going exploration projects. The continued exploration and development of its projects will require significant amounts of additional capital. As a result, the Company will need to explore raising additional capital during fiscal 2014 so that it can continue to fully fund its planned operations. The weak US and global economies combined with instability in global financial and capital markets have impacted the availability of funding. If the disruptions in the global financial and capital markets continue, debt or equity financing may not be



available to us on acceptable terms, if at all. Equity financing, if available, may result in substantial dilution to existing stockholders. If we are unable to fund future operations by way of financing, including public or private offerings of equity or debt securities, our business, financial condition and results of operations will be adversely impacted.

### ***Disruptions in the Global Financial and Capital Markets May Impact Our Ability to Obtain Financing.***

The global financial and capital markets have experienced on-going volatility and disruption. Although we expect to meet our near term liquidity needs with our working capital on hand, we will continue to need further funding to achieve our business objectives. In the past, the issuance of equity securities has been the major source of capital and liquidity for us. The extraordinary conditions in the global financial and capital markets have currently limited the availability of this funding. If the disruptions in the global financial and capital markets continue, debt or equity financing may not be available to us on acceptable terms, if at all. If we are unable to fund future operations by way of financing, including public or private offerings of equity or debt securities, our business, financial condition and results of operations will be adversely impacted.

### ***Our Exploration Activities Require Significant Amounts of Capital that May Not Be Recovered.***

Mineral exploration activities are subject to many risks, including the risk that no commercially productive or extractable resources will be encountered. There can be no assurance that our activities will ultimately lead to an economically feasible project or that we will recover all or any portion of our investment. Mineral exploration often involves unprofitable efforts, including drilling operations that ultimately do not further our exploration efforts, as well as operating and other costs. The cost of minerals exploration is often uncertain and cost overruns are common. Our drilling and exploration operations may be curtailed, delayed or canceled as a result of numerous factors, many of which are beyond our control, including title problems, weather conditions, compliance with governmental requirements and shortages or delays in the delivery of equipment and services.

### ***Risks Inherent in the Mining Industry***

The Company is subject to all of the risks inherent in the minerals exploration and mining industry and including, without limitation, the following: competition from a large number of companies, many of which are significantly larger than the Company, in the acquisition, exploration, and development of mining properties; the Company might not be able raise enough money to pay the fees, taxes and perform labor necessary to maintain its concessions in good force; exploration for minerals is highly speculative and involves substantial risks, even when conducted on properties known to contain significant quantities of mineralization, our exploration projects may not result in the discovery of commercially mineable deposits of ore; the probability of an individual prospect ever having reserves that meet regulatory requirements is extremely remote, or the properties may not contain any reserves, and any funds spent on exploration may be lost; our operations are subject to a variety of existing laws and regulations relating to exploration and development, permitting procedures, safety precautions, property reclamation, employee health and safety, air quality standards, pollution and other environmental protection controls and the Company may not be able to comply with these regulations and controls; and a large number of factors beyond the control of the Company, including fluctuations in metal prices, inflation, and other economic conditions, will affect the economic feasibility of mining.

### ***Environmental Controls***

Compliance with statutory environmental quality requirements may necessitate significant capital outlays, may materially affect the earning power of the Company, or may cause material changes in the Company's intended activities. Our exploration operations require compliance with local and federal regulations. No assurance can be given that environmental standards imposed by either federal or provincial governments will not be changed or become more stringent, thereby possibly materially adversely affecting the proposed activities of the Company. In addition, if we are unable to fund fully the cost of remediation of any environmental condition, we may be required to suspend operations or enter into interim compliance measures pending completion of the required remediation.

### ***Operational Hazards; Uninsured Risks***

The Company is subject to risks and hazards, including environmental hazards, industrial accidents, the encountering of unusual or unexpected geological formations, cave-ins, flooding, earthquakes and periodic interruptions due to inclement or hazardous weather conditions. These occurrences could result in damage to, or destruction of, properties or facilities, personal injury or death, environmental damage, reduced productivity and delays in exploration, asset write-downs, monetary losses and possible legal liability. The Company may not be insured against all losses or liabilities, which may arise from operations, either because such insurance is unavailable or because the Company has elected not to purchase such insurance due to high premium costs or other reasons. The realization of any significant liabilities in connection with

our exploration activities as described above could negatively affect our results of operations and the price of our common stock.

### ***Need for Additional Key Personnel; Reliance on Officers and Directors***

The Company relies in large part on the personal efforts of its officers and directors. The success of the Company's proposed business will depend, in part, upon the ability to attract and retain qualified employees. The Company believes that it will be able to attract competent employees, but no assurance can be given that the Company will be successful in this regard. If the Company is unable to engage and retain the necessary personnel, its business would be materially and adversely affected.

## **RISKS RELATING TO OUR COMMON STOCK:**

### ***Our Stock Price Can Be Extremely Volatile***

The trading price of our common stock has been and could continue to be subject to wide fluctuations in response to announcements of our business developments and drill results, progress reports, the resource markets in general, and other events or factors. In addition, stock markets have experienced extreme price volatility in recent years. This volatility has had a substantial effect on the market prices of companies, at times for reasons unrelated to their operating performance. Such broad market fluctuations may adversely affect the price of our common stock.

## **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements in this document or incorporated herein by reference may constitute "forward-looking statements". These forward-looking statements can generally be identified as such because of the context of the statements including words such as the Company "believes", "anticipates", "expects", "plans", "estimates" or words of a similar nature. The forward-looking statements are based on current expectations and are subject to known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others: the general economic and business conditions which will, among other things, impact demand for and market prices of the Company's products; the foreign currency exchange rates; the economic conditions in the countries and regions in which the Company conducts business; the ability of the Company to implement its business strategy, including exploration and development activities; the ability of the Company to complete its capital programs; the ability of the Company to transport its products to market; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; the availability and cost of financing; the success of exploration and development activities; the production levels; the uncertainty of reserve estimates; the actions by governmental authorities; the government regulations and the expenditures required to comply with them (especially safety and environmental laws and regulations); the site restoration costs; and other circumstances affecting revenues and expenses. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and management's course of action would depend upon its assessment of the future considering all information then available. Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future. Readers are cautioned that the foregoing list of important factors is not exhaustive. Although the Company believes that the expectations conveyed by the forward-looking statements are reasonable based on information available to it on the date such forward-looking statements are made, no assurances can be given as to future results, levels of activity and achievements. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. The Company assumes no obligation to update forward-looking statements should circumstances or management's estimates or opinions change.