

STOCKPORT EXPLORATION INC.
Management Discussion and Analysis
Q1 Report – January 31, 2015

This Management Discussion and Analysis (“MD&A”) of Stockport Exploration Inc. (the “Company” or “Stockport”) provides analysis of the Company’s financial results for the three-month period ended January 31, 2015. The following information should be read in conjunction with the unaudited condensed interim consolidated financial statements and the notes to the unaudited condensed interim consolidated financial statements for the three-month period ended January 31, 2015, which are prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts are expressed in Canadian dollars unless otherwise noted.

This discussion includes certain statements that may be deemed “forward-looking statements”. All statements in this discussion, other than statements of historical facts, that address anticipated operating costs, possible future resource property expenditures, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects are considered forward-looking because we have used what we know and expect today to make a statement about the future. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance, and actual results or developments may differ materially from those in the forward-looking statements. Forward-looking statements usually include words such as may, expect, plan, anticipate, budget, believe or other similar words. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. The Company does not update or revise forward-looking information even if new information becomes available unless legislation requires us to do so. Investors should not place undue reliance on forward-looking statements. Additional details of the specific risks associated with the operations of the Company and such forward-looking statements are set out below under “Risks and Uncertainties” and in the Company’s January 16, 2015 Annual Information Form under “Risk Factors”. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

1.1 Date of Report

This report is prepared as of March 11, 2015.

1.2 Nature of Business and Overall Performance

Stockport is a junior exploration company listed on the Toronto Stock Exchange. Since 2011, Stockport has been focused on its Kenyan Concessions following the completion of an agreement with East African Pure Gold Limited (“EAPG”) and B&M Mining Company Limited (“B&M”) to earn an interest in three mineral exploration licenses in Kenya. During this time, Stockport has expanded its Kenyan property portfolio to cover an area of approximately 2,000 square kilometres (“km²”), under license or application, located within the Lake Victoria greenstone belt of southwestern Kenya (the “Nyanza Project”). Stockport has focused its exploration activities on the SPL 214 and SPL 258 concessions, and the Company expects Kenya to be the Company’s focus going forward.

As of the date of this report and in addition to the Kenyan concessions, the Company also owns or controls an interest in three other properties, including the KM61 and Seymour Lake properties in Canada and the La Morena property in Mexico, and has not yet determined whether these properties contain ore reserves that are economically recoverable. The KM61 molybdenum-copper-silver project is the most advanced project and is considered to be an important long-term asset to the Company. KM61 is host to an indicated molybdenum resource of 66.6 million tonnes at 0.053% Mo, 0.09% Cu, and 2.6 g/t Ag (0.063% molybdenum equivalent) and an inferred resource of 38.9 million tonnes at 0.054% Mo, 0.09% Cu, and 2.7 g/t Ag (0.065% molybdenum equivalent) (National Instrument 43-101 (“NI 43-101”) compliant).

During the three-month period ended January 31, 2015, the Company incurred a net loss before income taxes of \$0.1 million, an increase of approximately \$20,000 over the net loss for the period ended January 31, 2014. The increase in the loss was primarily the result of a \$49,916 foreign exchange gain in the prior year, which was a result of the Company’s balance of restricted cash held in Kenya during that quarter, offset by a \$14,500 change in fair value of the convertible

debenture liability in the prior year period. Operating expenses for the three-month period ended January 31, 2015 were similar to the prior year at \$0.1 million.

Subsequent to the end of the period on February 25, 2015, the Company completed a \$295,000 bridge loan financing from various directors and other private investors of the Company by the issuance of 12% unsecured convertible promissory notes (the "Notes"). The principal amount of the Notes will bear interest at 12% per annum, payable quarterly commencing August 25, 2015, and will be repayable by the Company on or before the maturity date of February 25, 2018. The principal amount of the Notes is convertible into common shares of the Company at the election of the holder at the rate of \$0.05 of principal converted per share (the "Conversion Price"). If the Notes are not repaid within three days of the maturity date of February 25, 2018, they will be automatically converted into common shares of the Company. In this event, the principal amount of the Notes will be converted into shares at the Conversion Price. If interest is not paid each quarter, any accrued interest can be converted, at the option of the holder, into shares at the five-day Volume Weighted-Average Price ("VWAP") preceding the date of conversion.

On October 31, 2013, the Company completed a non-brokered private placement convertible debenture financing of 1,196 units at a price of \$1,001 per unit, for aggregate gross proceeds of \$1,197,196. Issuance costs to complete the financing were \$125,069, consisting of professional fees and a finders' fee in the amount of up to 7% of the gross proceeds, valued at \$83,804, 4% of which was payable in shares based on a value of \$0.10 per share. During the three-month period ended January 31, 2015, 359,158 common shares of the Company were issued, valued at \$35,916, as the final payment of the finders' fee. During the year ended October 31, 2014, the Company received \$0.9 million previously held in trust with a Kenyan law firm.

The convertible debenture financing proceeds are being used to fund a two-phased pilot test recovery program. The intent of the program is to test mineralization of surface mineralization and contribute to the exploration knowledge of its SPL 214 Kenyan concession. The Company has completed Phase II, which consisted of collection, testing and potential recovery of mineralization of surface material from within the concession. No revenue projections exist for the proposed program, which is expected to commence operations in 2015. The Company remains dependent on future equity and/or project financing to fund future operations.

1.3 Selected Annual Information

The presentation and functional currency of the Company is the Canadian dollar. The information below is expressed in thousands of Canadian dollars, except per share amounts, and prepared in accordance with IFRS:

Fiscal Year	2014 \$	2013 \$	2012 \$
Net loss	2,022	584	4,844
Basic & diluted net loss per share	0.025	0.007	0.072
Total assets	8,986	10,180	9,022
Total liabilities	2,626	1,889	882

The Company expects to record losses until such time as an economic resource is identified, developed and exploited on one or more of the Company's properties. The Company's net losses in the future will be significantly impacted by any impairment write-downs or abandonments of any resource properties. During the year ended October 31, 2014, the Company concluded that indicators of impairment existed on its Mexico resource properties, including no recent exploration work and no significant exploration work planned in Mexico for the future. As a result, a write-down of \$0.9 million to the Mexico resource properties was recorded for the year ended October 31, 2014. The Company has not paid dividends in the past three years of operation.

During the year ended October 31, 2012, the Company identified various indicators of impairment on the KM61 property, including declines in the prices of molybdenum, copper and silver, a lack of recent exploration work with no significant exploration work planned in the foreseeable future, as well as a strategic shift in the Company's exploration focus towards its Kenyan operations. The Company also experienced a significant decline in market capitalization. Given the stage of exploration of the property, an estimated fair value of \$4.0 million was determined based on a review of comparable sale transactions of resource properties. The resulting impairment charge of \$4.4 million was recognized as an impairment write-down. This write-down was approximately 50% of the carrying value of the KM61 property prior to the recorded

impairment. As at October 31, 2012, if it were determined that the estimated fair value should have been 10% higher or lower, this would result in an increase or decrease of the impairment charge by approximately \$400,000. The manner and amount of the ultimate realization of the KM61 property remains subject to significant uncertainty.

The Company continues to hold a 100% interest in the KM61 property, located in northwestern Ontario, contiguous with the Seymour Lake project. The majority of the KM61 property, including the mineralized zone, is subject to a 0.5% net smelter royalty. Of the remaining claims on the KM61 property, certain portions are subject to a 3% net smelter royalty, and the balance of claims are not subject to any royalties. The Company can repurchase 50% of the 0.5% net smelter royalty for \$250,000 and/or 50% of the 3% net smelter royalty for \$1 million.

As at January 31, 2015, the Company reviewed its portfolio of resource properties and concluded that no further write-down of the carrying costs of its resource properties was required.

1.4 Results of Operations

During the three-month period ended January 31, 2015, the Company incurred a net loss of \$0.1 million. The Company's operating expenses during the period were \$127,579, similar to the operating expenses of \$122,773 during the three-month period ended January 31, 2014. The majority of the operating expenditures did not change significantly from the prior year, however during the current period, the Company expensed rent of \$6,000 and management service fees of \$25,500, incurred on a cost recovery basis to include utilities, accounting services, and investor relations services, which were paid to a private company owned by an officer of Stockport. The Company did not have a similar cost for the prior year period. The increase in management service fees during the current period is due to the increased level of services required as the Company expands its operations as part of the small-scale pilot test gold recovery program in Kenya. The increase in the management service fees was offset by a decline in general and administrative expense and professional fees as a result of a VAT recovery in the Mexico subsidiary that was received in the current period on amounts previously written-off.

The Company incurred \$22,159 in non-cash share-based compensation expense, similar to the prior year. Share-based compensation expense of \$85 was capitalized to resource properties during the period for amounts relating to exploration personnel. The Company recorded non-cash amortization expense of \$420 and capitalized \$1,031 of amortization expense relating to capital assets used in exploration activities during the current period.

Interest income of \$2,064 was recorded during the period, which resulted from interest earned on VAT recovery in the Company's Mexican subsidiary. The Company also incurred a currency exchange gain of \$13,045 relating to its foreign currency transactions, compared to a currency exchange gain of \$49,916 in the prior year. The year-to-date foreign currency exchange gain is primarily due to fluctuations of the Kenyan shilling, the United States dollar and the Mexican peso relative to the Canadian dollar. The prior year's foreign exchange gain was primarily related to the restricted cash held by the Company in Kenya.

1.5 Summary of Quarterly Results

Expressed in thousands of Canadian dollars, except per share amounts:

	Fiscal 2015		Fiscal 2014			Fiscal 2013		
	Q1 Jan-15	Q4 Oct-14	Q3 Jul-14	Q2 Apr-14	Q1 Jan-14	Q4 Oct-13	Q3 Jul-13	Q2 Apr-13
Net loss	\$ (112)	\$ (1,049)	\$ (880)	\$ (6)	\$ (87)	\$ (77)	\$ (184)	\$ (162)
Basic & diluted net loss per share	\$ 0.001	\$ 0.013	\$ 0.011	\$ 0.000	\$ 0.001	\$ 0.001	\$ 0.002	\$ 0.002
Total assets	\$ 8,892	\$ 8,986	\$ 9,918	\$ 10,108	\$ 10,168	\$ 10,180	\$ 8,999	\$ 9,145
Total liabilities	\$ 2,588	\$ 2,626	\$ 2,535	\$ 1,863	\$ 1,944	\$ 1,889	\$ 719	\$ 725

1.6 Liquidity, Capital Resources and Going Concern

As of January 31, 2015, the Company had negative working capital of \$0.8 million, compared to negative working capital of \$0.7 million at October 31, 2014. During the three-month period ended January 31, 2015, the Company used cash of approximately \$61,000 to fund operating activities and cash of approximately \$112,000 on its resource property expenditures, primarily on the Company's Kenyan concessions (see section 1.16).

The Company's objective is to maintain legal title to its key mineral properties and to advance exploration activities and/or acquire new mineral projects of strategic significance. Failure to continue to operate as a going concern could result in the loss of its interest in its resource properties and/or the indefinite suspension of its exploration activities. The Company's financial statements and management's discussion and analysis do not reflect the adjustments to the carrying values of assets that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

The Company believes that the Kenyan concessions are an asset of strategic significance and is conducting ongoing mineralization testing and exploration activities on the Nyanza Project and anticipates increasing exploration activities on this large land package in the future. The Company is completing a small-scale pilot test surface gold recovery program and is continuing its exploration programs but acknowledges that a land package of this significance will require additional funding to explore. Management is evaluating alternatives to secure additional financing so that the Company can continue to operate as a going concern. Nevertheless, there is no assurance that these initiatives will be successful or sufficient.

In light of the Company's continued financial constraints, management maintains a number of cost management strategies to minimize the Company's day-to-day cash operating costs. The Company's priority is to advance exploration activities and/or acquire new mineral projects while maintaining legal title to its key mineral properties. The Company continues to seek opportunities to raise additional project or equity financing and to identify and evaluate other strategic opportunities. Despite these efforts, there is no guarantee that the Company will be able to raise capital in the future and continue as a going concern.

1.7 Proposed Changes to Mining Legislation in Kenya

The Kenyan Government is currently reviewing new draft mining legislation. Proposed changes include the following:

- discussions to determine a new royalty structure;
- an increase in the annual license fee, ground rents and fees for mining licenses; and
- discussions to change the current size and rights of license categories.

Based on the Company's ongoing review of the proposed changes to the mining legislation, Stockport has not been affected and does not anticipate that the proposed legislation will have a significant impact on its exploration activities, with the exception of the increase in various royalties and fees. The Company's primary concessions (SPL 214 and SPL 258) have been renewed for a two-year period as of August 20, 2014.

1.8 Off-Balance Sheet Arrangements

At January 31, 2015, the Company had no off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

1.9 Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Disclosure Controls and Procedures

Disclosure controls and procedures have been designed by the Company to ensure that financial information disclosed by the Company in the MD&A and in the audited consolidated financial statements of the Company is properly recorded, processed, summarized and reported to its Officers and the Board of Directors. The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") believe such controls and procedures as at January 31, 2015 are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner.

Internal Control over Financial Reporting

The Company's management, with the participation of its CEO and CFO, has designed, established and is maintaining a system of internal control over financial reporting. Under the supervision of the CFO as at January 31, 2015, the Company's internal control over financial reporting is a process designed to provide reasonable assurance that the financial information prepared by the Company for external purposes is reliable and has been recorded, processed and reported in an accurate and timely manner and in accordance with IFRS. The Company's controls include policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

There were no changes in the Company's internal control over financial reporting during the period ended January 31, 2015 that materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

The Company's management, including the CEO and CFO, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any systems of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

1.10 Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and notes. Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of recoverable value of its mineral properties and related deferred expenditures, the value of share-based compensation and the valuation of deferred income tax assets and liabilities. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The Company's recoverability of the recorded value of its mineral properties and associated deferred expenses is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is dependent on a number of factors, including environmental, legal and political risks, the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development and future profitable production or the proceeds of disposition thereof.

At the end of each reporting period, the Company assesses each of its mineral resource properties to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. The impairment analysis requires the use of estimates and assumptions, such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value of mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If the Company does not have sufficient information about a particular mineral resource property to meaningfully estimate future cash flows, the fair value is estimated by management through the use of, where available, comparison to similar market assets and, where available, industry benchmarks. Actual results may differ materially from these estimates.

The factors affecting share-based compensation include estimates of when stock options might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend upon a variety of

factors, including the market value of the Company's shares and the financial objectives of the share-based instrument holders.

Deferred income tax assets and liabilities are computed based on differences between the carrying amounts of assets and liabilities on the balance sheet and their corresponding tax values. Deferred income tax assets also result from unused loss carry-forwards and other deductions. The valuation of deferred income tax assets is adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

1.11 Transactions with Related Parties

There were no transactions with related parties outside the normal course of business operations during the three-month period ended January 31, 2015. The Company incurred rent of \$6,000 and management service fees of \$25,500 during the current period to a private company owned by an officer of Stockport, incurred on a cost recovery basis to include general and administration charges such as utilities, accounting services, and the investor relations services of the Company. Amounts payable to officers, directors and companies owned thereby were \$158,261 as at January 31, 2015 (October 31, 2014 - \$109,040).

During the year ended October 31, 2014, the Company paid rent of \$6,000 and management service fees of \$59,000 to a company owned by an officer of Stockport, incurred on a cost recovery basis to include general and administration charges such as utilities, accounting services, and the investor relations services of the Company. There were no other transactions with related parties outside the normal course of business operations during the year.

Subsequent to the end of the period, the Company completed a \$295,000 bridge loan financing by the issuance of 12% unsecured convertible promissory notes. Certain directors of the Company contributed \$195,000 towards the financing.

1.12 Risks and Uncertainties

The Company's financial instruments consist of cash, marketable securities, sales taxes recoverable, and accounts payable. Management does not believe these financial instruments expose the Company to any significant credit risks, with the exception of the fact that a significant portion of the Company's cash is on deposit with a major Canadian chartered bank or a Kenyan commercial bank, and all of the sales taxes recoverable are with either the government of Mexico or Canada. A significant portion of the Company's transactions occur in United States, Kenyan and Mexican currencies. Accordingly, the related financial assets and liabilities are subject to fluctuations in the respective exchange rates. The Company has cash; accordingly, the Company's interest income is susceptible to fluctuations in interest rates. The convertible debentures were issued on October 31, 2013. The payments required on the convertible debentures are subject to a number of factors and fair value estimates. The fair market values of the Company's financial instruments, with the exception of the marketable securities, approximate their carrying values, unless otherwise noted.

The Company's activities are primarily directed towards the exploration for and the development of mineral deposits. The exploration for and the development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge cannot eliminate. While the discovery of a mineral deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which are highly cyclical and unpredictable; and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of metals, and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or abandoning or delaying the development of a mineral project. There is no certainty that the expenditures made by the Company towards the search for and evaluation of mineral deposits will result in discoveries of commercial quantities of such metals.

In addition to the normal and usual risks of exploration and mining, the Company often works in remote locations that lack the benefit of infrastructure and easy access. The Company's non-Canadian property interests are located in Kenya and Mexico, countries with social, political and economic policies that differ from Canada's. Although the Company believes the current conditions in these countries are stable and conducive to conducting business, there is no assurance that such conditions will continue to prevail. Government policies may change to discourage foreign investment or mining

activities; nationalization or local equity requirements of mining industries may occur; and other unforeseen limitations, restrictions or requirements may be implemented. There can be no assurance that the Company's assets will not be subject to nationalization, expropriation, requisition or confiscation, whether legitimate or not, by any authority or body. There can also be no assurance that adverse developments such as terrorism, military repression, civil unrest, crime, extreme fluctuations in currency exchange rates, or high inflation will not occur.

The prices of metals fluctuate widely and are affected by many factors outside of the Company's control. The relative prices of metals and future expectations for such prices have a significant impact on the market sentiment for investment in mining and mineral exploration companies. The Company relies on equity financing for its long-term working capital requirements and to fund its exploration programs. The Company does not have sufficient funds to put any of its resource interests into production from its own financial resources. There is no assurance that such financing will be available to the Company, or that it will be available on acceptable terms.

1.13 Outstanding Share Data

a) Common Shares

The Company has authorized an unlimited number of common shares without par value.

- At January 31 and March 11, 2015, the Company had issued and outstanding 80,809,378 common shares with a recorded value of \$22,355,278.

b) Warrants

- At January 31 and March 11, 2015, the Company had 1,196,000 warrants outstanding valued at \$30,000. Each warrant is exercisable at \$0.10 and expires on October 31, 2018.

c) Stock Options

- At January 31 and March 11, 2015, the Company had 5,115,000 stock options outstanding, exercisable into common shares of the Company at a weighted average exercise price of \$0.12, expiring between August 3, 2015 and September 11, 2019.

1.14 Convertible Debenture Financing

On October 31, 2013, the Company completed a private placement convertible debenture financing consisting of 1,196 units at a price of \$1,001 per unit, for aggregate gross proceeds of \$1,197,196. The proceeds of the financing are being used to fund expenditures, including a two-phased exploration and potential surface gold recovery program at the Company's Nyanza Project:

- Phase I - sampling, metallurgy, permitting and plant equipment procurement; and
- Phase II – capital investment and plant operation for the surface gold recovery program. Until the Company advanced to Phase II, 75% of the gross proceeds, being \$897,897, were held in trust with a Kenyan law firm. At the Company's discretion, it was entitled to advance to Phase II with the completion of a successful Phase I.

During the third quarter of the year ended October 31, 2014, the Company elected to proceed with Phase II. As a result, the convertible debenture holders are now entitled to receive:

- a repayment of the convertible debenture in the amount of 100% of the investment (\$1,000 per unit) based on 75% of free cash flow generated from the surface gold recovery project;
- a right to purchase a preferred share in Stockport Mining Kenya ("SMK"), a subsidiary of the Company to be incorporated. \$1 per unit will be allocated to the cost of the preferred share. The preferred share will pay a premium entitlement of 110% of the original investment (\$1,100 per unit) from 75% of free cash flow generated from the gold recovery project and is then redeemed by SMK; and

- if the amount of the debenture plus the 110% premium entitlement is not paid within the five year maturity date of October 31, 2018, then the amount of debt and premium entitlement, less any repayments to that date, will be converted into common shares of the Company at a conversion price of \$0.50 per share.

Under the terms of this financing, the Company also issued 1,000 warrants with each unit. The 1,196,000 warrants are exercisable at the commencement of Phase II at a price of \$0.10 per share and expire on October 31, 2018. An initial value of \$30,000 was assigned as the fair value of the warrants.

Details of amounts repayable related to the convertible debenture are as follows:

	January 31, 2014
	\$
Phase I proceeds	299,299
Phase II proceeds	<u>897,897</u>
Total financing proceeds	1,197,196
Premium entitlement (110%)	<u>1,316,916</u>
Total amount to be repaid by October 31, 2018	<u>2,514,112</u>
Estimated fair value of amount to be repaid	1,831,306
Less: current portion of convertible debentures	<u>(425,000)</u>
Long-term portion of convertible debentures	<u>1,406,306</u>

The Company has estimated the fair value of this liability based on the net present value of 75% of projected future cash flows from operating the surface gold recovery program until October 31, 2018, using a discount rate of 20%, resulting in a fair value of \$1,831,306. The current portion of the fair value of this liability is estimated to be \$425,000 (October 31, 2014 - \$275,000). If a discount rate of 25% had been used, this would have resulted in the liability and comprehensive loss being \$160,000 lower. If a discount rate of 15% had been used, this would have resulted in the liability and comprehensive loss being \$188,000 higher. If the projected future cash flows are 20% lower, the liability and comprehensive loss would be \$365,000 lower and at maturity, \$500,000 would be converted to 1,000,000 common shares of the Company. If the projected future cash flows are 20% higher, the liability and comprehensive loss would be \$100,000 higher.

At the date of financing of October 31, 2013, the Company assessed the fair value of the liability at \$967,127. At that date, the Company was not obligated to fund a premium entitlement obligation. At October 31, 2014, the Company had an obligation for the premium entitlement, and the fair value of the convertible debenture liability was assessed as \$1,831,306. The proceeds and issue costs of the convertible debenture financing and subsequent fair value remeasurement were as follows:

	\$
On issuance	
Proceeds	1,197,196
Allocated to equity portion of convertible debentures	(75,000)
Warrants	<u>(30,000)</u>
	1,092,196
Less issue costs, including legal and listing fees and finder's fees (3% in cash and 4% in shares)	<u>(125,069)</u>
Liability component of convertible debentures – October 31, 2013	967,127
Change in fair value of convertible debenture liability	<u>864,179</u>
Liability component of convertible debentures – October 31, 2014 and January 31, 2015	<u>1,831,306</u>

The equity portion of convertible debentures expired with the Company's decision to advance to Phase II. As a result, this amount of \$75,000 has been transferred to Contributed Surplus.

1.15 Commitment

The Company has entered a Letter of Intent, dated October 15, 2014, with Akili Mineral Services Limited (“AMS”), whereby AMS will construct and operate a small-scale pilot test extraction project on the Company’s Nyanza Project – SPL 214. AMS will prepare and monitor a capital budget which will be approved and funded by the Company. Once the pilot test gold recovery project is operational, AMS will provide administrative and management services from its Nairobi head office for a monthly fee estimated to be US \$10,000 per month.

AMS will be entitled to a performance bonus of 15% of net cash flow under US \$100,000 per month and 20% on any amounts exceeding US \$100,000 per month. The performance bonus will be calculated and paid on a quarterly basis.

1.16 Deferred Resource Property Expenditures

Peter Webster, P.Geo., of Mercator Geological Services Limited, is the qualified person responsible for the technical information included in this report.

During the three-month period ended January 31, 2015, the Company incurred deferred exploration expenditures of \$87,361, of which \$86,161, or 99% was incurred on the Kenyan concessions. Minimal exploration expenditures of \$1,200 were incurred on the KM61 property for care and maintenance. During the prior year ended October 31, 2014, the Company recorded a write-down of the Mexican resource properties in the amount of \$863,528. The focus of the Company’s exploration efforts continues to be on the Nyanza Project in Kenya.

Kenya

The company has an agreement with EAPG and B&M to earn an interest in three mineral exploration concessions located in Kenya (SPL 214, SPL 258 and SPL 231) (“Nyanza Project”). Under the terms of the agreement, the Company has:

- A first option to earn a 70% interest on completing exploration expenditures of US \$600,000 and making cash payments of US \$300,000 to EAPG and B&M by August 2016. The required exploration expenditures have been incurred, and cash payments of US \$28,000 have been made to date.
- A second option to earn a further 10% interest, for a cumulative 80% interest by exercising the first option and incurring cumulative exploration expenditures of US \$4 million.
- Within 90 days of completion of the second option, EAPG and B&M can deliver a one-time joint election to fund its 20% share of exploration costs, or EAPG and B&M can grant the Company a further option to acquire an additional 10% interest by funding additional exploration expenditures of US \$10.0 million. The Company will remain the operator on the concessions and is not obligated to incur additional exploration expenditures.
- Within 90 days of completion of a positive feasibility study and receipt of a production notice from the Company for each project, EAPG and B&M can deliver a one-time joint election to fund its 10% or 20% share of the construction costs, or EAPG and B&M can grant the Company a further option to acquire an additional 5% interest by funding additional costs of US \$10.0 million. The Company is not obligated to advance a project, covered by a feasibility study, to production.
- The Company maintains a 100% right to any surface mineralization to a depth of one metre below saprolite.

Nyanza Project

SPL 214

Special License (“SPL”) 214 covers an area of approximately 15 km² in the Rongo area, Migori District, Kenya. SPL 214 is subject to a 2% net smelter royalty, which was granted to African Queen and African Queen’s partner, Abba Mining Company Limited, as part of an agreement announced by the Company on November 28, 2011. The agreement related to confirmation of B&M’s interest to certain mineral claims within the Nyanza Project and included the acquisition of certain project-related data by the Company. The Company has reimbursed African Queen US \$500,000, including US \$200,000

paid in December 2011 through the issuance of 949,658 common shares of the Company. The final cash payment of US \$150,000 was made during the first quarter of fiscal 2013.

Stockport's initial exploration program on the Nyanza Project began in 2011 and continues to date. The initial program included soil sampling, geophysics and an initial drill program of 3,000 metres ("m") of diamond drilling, including approximately 1,200 m of drilling completed in nine drill holes during Q1 2012. The results of the drilling on SPL 214 intersected a vein system over a strike length of approximately 140 m, and initially indicate what is interpreted as a stacked quartz vein system over a total width of approximately 50 m.

Early in 2012, the Company completed approximately 30 line kilometres ("km") of induced polarization ("IP") geophysical surveying and collected 88 quartz pebble samples over the SPL 214 area. The IP survey was successful in delineating four discrete resistivity high anomalies in the central and western part of the grid, and partly detecting several anomalous areas on the east side of the grid. These resistivity highs are thought to be caused by intense quartz veining or silicification associated with gold mineralizing systems. The IP survey also detected a strong chargeability high located approximately 50 m west of the drilling completed at SPL 214, suggesting that the intercepted veins may actually occur on the flank of the mineralizing system and that the core is located further west. The preliminary interpretation of gradient IP data for SPL 214 shows a series of northwest-trending lineations that correlate with several previously-mapped vein trends. Previously-reported anomalous rock samples and artisanal workings also show a direct correlation with these vein trends and IP lineations.

Geologists have completed a systematic sampling program of artisanal workings and exposed quartz veins within SPL 214. These include both bedrock and grab samples at numerous shaft locations. Of the 35 samples collected, 15 samples returned gold values that ranged from 1.37 grams per tonne ("g/t") to 31.97 g/t. These significant quartz vein sample results show a direct correlation between the dominant northwest-trending vein and IP lineations, and define a zone that is approximately 4.0 km long by 2.0 km wide. A detailed interpretation of the IP data is yet to be completed, and this information will be merged with detailed mapping and sampling results to identify new drill targets on SPL 214 in the near future, which would be subject to additional financing.

During 2013 and 2014, additional ground sampling took place on SPL 214. This program was part of the Phase I program as outlined in section 1.14 related to the convertible debenture financing completed on October 31, 2013. The Company is testing the theory that a dispersion halo exists in the near surface overburden above bedrock, associated with mapped northwest-trending quartz veins, and that the potential exists for a near surface gold recovery program. Test pits are being dug through the overburden that typically measures approximately 3.0 m in thickness. At each test site, the Company is exposing the overburden, which includes soil and regolith from surface to bedrock (where possible) and sampling quartz stones from weathered bedrock veins and fine fraction soil and regolith from targeted layers to test for gold mineralization. To date, the Company has identified five possible mineralized zones that will be considered in evaluating the potential for a surface mineralization recovery program.

The first target, Kasidho, is defined by an area of anomalous gold results that measures approximately 300 m x 150 m in surface dimension. The Company completed 17 sampling pits in the Kasidho area, and these targeted a quartz rubble band within the regolith that ranges in measured true thickness from 0.3 m to 1.9 m. Individual samples recovered from these intervals average 0.2 m in length and logged quartz rubble content of the samples ranges between 10% and 60%. Several selected samples of quartz rubble material showing visible gold were collected from pits at Kasidho and constitute grab samples of quartz material. These returned gold values of 325.6 g/t, 185.6 g/t, 59.5 g/t, 32.8 g/t and 39.1 g/t. The second target, Ahero, is located 500 m to the north of the first announced target, Kasidho (see the Company's news release dated January 8, 2014 for further details). Currently, Ahero is defined by anomalous gold results over a surface area measuring approximately 550 m x 400 m. The Company completed 44 sampling pits in the Ahero area, and similar to the previous Phase I sampling at Kasidho, targeted quartz rubble bands within the regolith that range in measured true thickness from 0.1 m to 1.0 m. Individual samples from within pits containing a quartz rubble band were sampled over an average interval length of 0.2 m. Quartz rubble material at Ahero has been logged at a density of 3% to 60% and presents as rounded, sub rounded and angular quartz. Highlighted samples returned gold values of 127.2 g/t, 95.3 g/t, 31.4 g/t, and 16.2 g/t.

In April 2014, the Company initiated a detailed sampling program of artisanal workings within SPL 214. A total of 82 samples were collected from targets at Ahero, Farm 2, Kashido, Kodundo, Komito and Garissa. All samples reported gold assay values in excess of 1.15 g/t, and seven samples report assays in excess of 4.09 g/t, with the highest reported value of 5.15 g/t gold.

The Company has continued pit sampling in the Ahero area and to date has completed a total of 74 sample pits. Pit sampling has now been completed on a third target known as Garissa. A total of 25 new pit samples have also been completed at the target area. Sampling is continuing, but visual inspection of the new samples confirms the presence of quartz pebbles within a number of the samples. Assay results for these samples are in progress for these new unreported zones within SPL 214, and positive results will expand the potential of the Ahero and Garissa target area. The Company has completed negotiations with small-scale artisanal mining operators to operate a pilot test surface recovery program at SPL 214. The agreement with artisanal mineral and land owners includes documented support to the Government of Kenya for Stockport's pilot test recovery program. Additional agreements have been reached by the Company to secure artisanal tailings as part of the pilot test recovery program.

Consistent with other Phase I objectives, the Company has completed metallurgy testing from a bulk sample of 100 Kg of quartz stone bearing regolith material. Results of the metallurgy testing indicated that overall gold recovery via scrubbing, impact crushing and fine milling was 66.5% of the ore head. The Company has completed activities and discussions with the Kenyan Mining Commission pertaining to fulfilling the requirements under the Company's Special Prospecting License that would allow Stockport to begin a pilot test small-scale mining operation. These activities include undertaking and providing notification of pegging of a proposed area of claim as outlined in Kenyan Mining Commission regulation. The Company has met the requirements for pilot test small-scale mining, as defined as a mining location as outlined in Kenyan mining commission regulations, and has provided notification of intent to move to Phase II of the Company's program.

The Company is currently advancing a small-scale extractive program, utilizing a tank leach circuit, targeting artisanal tailings with the ability to expand to process quartz rubble. In reference to the project, the Company has applied for and received National Environment Management Authority (NEMA) approval relating to the operation, entered into a land lease agreement pertaining to tank leach circuit operation and tailings facility, and received Kenyan Government Department of Lands approval for change of land use to mineral processing. To date, the Company has purchased leach tanks equipment and is in the process of completing site preparation, including construction of a plant site, access road and tailings facility. As of the date of this report, the tank leach circuit equipment is in transit to the site. The extractive program is anticipated to commence in 2015.

SPL 258 and SPL 231

Reconnaissance work began in Kenya during the fourth quarter of 2012 and continued during 2013. The objective of the program is to develop additional priority targets on SPL 258 and SPL 231. The following three early-stage targets have been identified to date.

258 Central

Reconnaissance mapping and sampling outlined new artisanal workings within the central part of SPL 258, approximately 1.0 to 3.0 km northwest of previous drilling at Nyahera West. Three zones have been identified in the area of 258 Central, one of which is represented by a 2.5 km x 700 m structural corridor that is defined by a strong resistivity response from the gradient array IP survey. The structural corridor occurs within dacitic rocks along a contact with diorite porphyry and quartz porphyry. Quartz vein structural measurements show a primary vein orientation trend of 120 to 140 degrees and a secondary cross vein trend of between 20 to 40 degrees. Primary vein dips are 40 to 70 degrees to the west, and secondary veins primarily dip 60 to 70 degrees to the northwest. The structural corridor outlined by the resistivity anomaly also correlates with a gold-in-soil anomaly.

A sampling program completed by the Company during 2013 produced assay results demonstrating all samples were anomalous in gold, with 30 of the 34 samples returning over 1.0 gram per tonne (g/t) gold, including nine samples returning over 12 g/t gold. Samples were taken from either float, chipped across quartz vein widths exposed at surface, or obtained from material uncovered by artisanal workings. Initial sampling was performed over a 2.0 km x 550 m area along a dominant northwest strike ("Zone 1"), with a second sampling performed approximately 800 m to the southwest of Zone 1 over an area of 2.0 km x 500 m ("Zone 2"). The thickness of vein samples over both zones ranged from 0.05 to 1.0 m and is thought to represent true thickness of the individual veins sampled. The Company is continuing to map and sample the full structure with an intention to identify drill targets and undertake a small drilling program, which would be subject to additional financing.

258 West

The reconnaissance program has also identified a new target in the western part of SPL 258, and initial grab samples in the area of artisanal workings have returned significant results, including 10.7 g/t gold, 10.0 g/t gold, 9.9 g/t gold, and 3.4 g/t gold. The target lies within a previously-mapped anomalous gold area of approximately 1.2 km x 1.0 km. Veins are approximately 1.0 m in width, stacked approximately 10 m apart, and have been mapped at surface over a strike of approximately 13 m. The Company intends to expand mapping and sampling activities to outline target areas suitable for an RC drilling program, which would be subject to additional financing.

231 Central

Located within concession SPL 231, a banded iron formation has been identified at 231 Central, and an initial eight samples taken over an area of approximately 100 m x 150 m returned iron percentages ranging from 26% - 40% iron. Minor quartz veining was also observed, and more work is needed to fully evaluate this occurrence. The Company intends to enlarge the mapping and sampling area, as well as follow up on the quartz veins and expand the assay process with iron specific methods.

KM61

The Company holds a 100% interest in the KM61 molybdenum-copper-silver project, located near Armstrong, Ontario. An independent NI 43-101 Mineral Resource Estimate for the Main Zone at KM61 was completed in December 2008, with an indicated resource of 66.6 million tonnes at 0.053% Mo, 0.09% Cu, and 2.6 g/t Ag (0.063% molybdenum equivalent) and an inferred resource of 38.9 million tonnes at 0.054% Mo, 0.09% Cu, and 2.7 g/t Ag (0.065% molybdenum equivalent). Please refer to the Company's NI 43-101 Technical Report filed on SEDAR on January 22, 2009 for further details.

The property is subject to a 0.5% net smelter royalty ("NSR") over five claims, including the mineralized zone. The majority of two additional claims are also subject to the 0.5% NSR, with relatively small portions subject to a 3% NSR. The remaining KM61 claims are not subject to any royalty. The Company can repurchase 50% of the 0.5% NSR for \$250,000 and/or 50% of the 3% NSR for \$1,000,000.

While the Company believes that the long-term prospects for molybdenum prices and the KM61 project remain positive, the Company is not planning any additional work on the project at this time. The Company will continue to maintain the KM61 property in good standing. As a result and in light of market conditions during the year ended October 31, 2012, the Company recognized an impairment write-down of \$4.4 million related to its interest in the KM61 property.

Seymour Lake

The Company holds a 100% interest in the Seymour Lake lithium-tantalum-beryllium property, located near Armstrong, Ontario. Certain portions of the Seymour Lake property are subject to a 3% NSR, of which 1.5% can be repurchased by the Company for \$1,000,000. The Company will continue to maintain the Seymour Lake property in good standing but is not planning additional work on the property at this time as the focus is on the Kenyan operations.

La Morena

The Company holds a 100% interest in the La Morena copper-silver property located in the state of Coahuila, Mexico. During 2010, the Company carried out an exploration program on the La Morena project that included the re-establishment of a historical grid in the La Diana area and the establishment of a new grid in the unexplored El Refugio area to the north. Approximately 20 km of IP surveying were completed on the La Diana grid and 12 km were completed on the El Refugio grid. An approximate 1,500 metre drill program was completed to test anomalies identified through the IP survey as well as mineralized horizons and structures identified in some of the old artisanal mine workings on the El Refugio grid. The drill program returned encouraging results with several high grade but narrow intersections (e.g. 0.3 m @ 397 g/t Ag, 11.9% Pb, and 12.1% Zn; 2.45 m @ 179 g/t Ag, 3.6% Pb) within larger zones of low-grade Ag-Pb-Zn mineralization that warrant follow-up drilling.

Additionally, a deep IP target remains untested on the La Diana grid, where two flanking holes returned significant Cu-Ag intersections in a 2005-2006 drill program (21.2 m @ 1.4% Cu, 140.4 g/t Ag, and 218 g/t Ag over 23 m). The Company

does not intend to complete further exploration activity on its Mexican properties in the near future and as a result, has written-down the value of its Mexican properties to \$nil during the year ended October 31, 2014.

1.17 Other Information

Additional information regarding the Company is available on SEDAR at www.sedar.com and on the Company's website at www.stockportexploration.com.