

**MAY 30, 2014**

## **OVERVIEW**

The following management discussion and analysis (“MD&A”) is a review of the operations, current financial position and outlook for Weststar Resources Corp. (the “Company”) and should be read in conjunction with the Company’s unaudited condensed interim financial statements for the three months ended March 31, 2014, as well as the audited financial statements and the accompanying notes for the year ended December 31, 2013, copies of which are filed on the SEDAR website: [www.sedar.com](http://www.sedar.com).

The Company prepares its condensed interim financial statements in accordance with International Financial Reporting Standards (“IFRS”). All dollar figures included herein and in the following discussion and analysis are quoted in Canadian dollars unless otherwise noted.

The financial information in this MD&A is derived from the Company’s condensed interim financial statements prepared in accordance with IFRS. This MD&A may contain forward looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of risk factors beyond its control. Actual results may differ materially from the expected results.

## **DESCRIPTION OF BUSINESS**

The Company was incorporated under the laws of the Province of British Columbia on October 27, 2004. The Company’s common shares were listed for trading on the TSX Venture Exchange (the “Exchange”) as a junior mineral exploration company on September 22, 2006.

The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties. The Company has not yet determined whether any of its properties contains reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets are dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof.

During the three months ended March 31, 2014, the Company began evaluating business opportunities outside of the mineral exploration sector, primarily within the Canadian medicinal marijuana sector. No agreements have been entered into with any parties as of the date of this MD&A, and there is no assurance that the Company will acquire any medicinal marijuana-related assets. The Company is still a junior mineral exploration company as of the date of this MD&A. The evaluation of opportunities outside of the mineral exploration sector is the result of management looking at any and all potential opportunities to create shareholder value.

On May 28, 2014, the Company announced a consolidation of its common shares on a one new for two old share basis, subject to Exchange approval. Share and per share amounts do not reflect the consolidation due to the pending approval.

## **EXPLORATION PROJECT – Axe Property**

Pursuant to an option agreement dated July 19, 2005, the Company acquired a 70% interest (originally 66%, but amended by mutual consent) in the Axe claims comprised of 119 units situated in the Similkameen Mining District, British Columbia. The Axe property is an advanced stage project with a known porphyry copper

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resource. As consideration for the property, the Company paid \$5,000, issued 300,000 common shares at a fair value of \$243,500 and incurred exploration costs of \$500,000.

Pursuant to an agreement dated March 23, 2007, the Company acquired four additional claims. As consideration for the claims the Company paid \$15,000. The claims are subject to a 2% net smelter royalty (“NSR”) and under the terms of the agreement the Company has the right to purchase the NSR in stages for up to \$3,000,000.

On September 16, 2008 the Company completed an updated National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (“NI 43-101”) compliant report prepared by John R. Kerr P.Eng, a Qualified Person on the previously drilled Axe Copper gold property which is located near Princeton, British Columbia.

Mr. Kerr has recommended the Company complete further drilling in the South Zone and engage an engineering firm to complete a Resource Calculation from all work to date.

The following table summarizes all drilling done by the Company in 2006 and 2007.

2006/2007 DRILL RESULTS

Table, Summarizing 2006 and 2007 Drill Results

Hole number	From	To	Core length	Cu content	Au content
A06 - 01				anomalous - no significant values	
A06 - 02	15	m 37.5	m 22.5 meters	0.21%	0.14 g/t
	78	m 87	m 9 meters	0.27%	0.07 g/t
	91.5	m 108	m 17.5 meters	0.18%	0.10 g/t
	126	m 171	m 45 meters	0.53%	0.15 g/t
	177	m 186	m 9 meters	0.18%	anomalous
	202.5	m 215	m 12.5 meters	0.65%	0.22 g/t
A06 - 03	18	m 124.5	m 106.5 meters	0.20%	0.15 g/t
A06 - 04				no significant values	
A06 - 05	11	m 25.5	m 14.5 meters	0.36%	0.29 g/t
	25.5	m 75	m 49.5 meters	anomalous	1.29 g/t
including 61.5		m 64.5	m 3 meters	0.31%	9.64 g/t
	91.5	m 102	m 10.5 meters	anomalous	0.27 g/t
A07 - 06	16.5	m 304.5	m 288 meters	0.27%	0.15 g/t
including 45		m 60	m 15 meters	0.41%	0.24 g/t
	and 85.5	m 97.5	m 12 meters	0.53%	0.28 g/t
	and 190.5	m 205.5	m 15 meters	0.47%	0.19 g/t
	322.5	m 334.5	m 12 meters	0.21%	0.17 g/t
	358.5	m 370.5	m 12 meters	0.19%	anomalous
A07 - 07	94.5	m 120	m 25.5 meters	-	1.09 g/t
including 114		m 117	m 3 meters	-	6.06 g/t
	144	m 150	m 6 meters	-	0.37 g/t
	205.5	m 210	m 4.5 meters	-	0.19 g/t
A07 - 08	42	m 66	m 24 meters	0.16%	0.20 g/t
	121.5	m 246	m 124.5 meters	0.38%	0.22 g/t
including 234		m 244.5	m 10.5 meters	0.0155%	0.94 g/t
	261	m 307.5	m 46.5 meters	0.18%	0.23 g/t
	331.5	m 340.5	m 9 meters	anomalous	0.90 g/t
A07 - 09	48	m 51	m 3 meters	-	1.06 g/t
	129	m 135	m 6 meters	-	0.20 g/t
	148.5	m 162	m 13.5 meters	anomalous	0.21 g/t

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A07 - 10	45	m	51	m	6	meters	0.17%	-	
	91.5	m	106.5	m	15	meters	0.24%		0.14 g/t
	141	m	160.5	m	19.5	meters	0.16%	-	
	181.5	m	187.5	m	6	meters	0.17%		0.14 g/t
	256.5	m	264	m	7.5	meters	0.29%		0.15 g/t
A07 - 11	96	m	109.5	m	13.5	meters	0.17%		0.27 g/t
	121.5	m	124.5	m	3	meters	0.56%		0.57 g/t
	199.5	m	273	m	73.5	meters	0.12%	-	
A07 - 12	no significant assays								
A07 - 13	4.5	m	102	m	97.5	meters	0.17%*	-	
A07 - 14	94.5	m	109.5	m	15	meters	0.17%		0.16 g/t
	151.5	m	162	m	10.5	meters	0.16%		0.15 g/t
	175.5	m	181.5	m	6	meters	0.41%		0.14 g/t

- Composite based on 65 samples (each 1.5 meters), 30 assays reported as % copper and 35 multi-spectrometer analyses reported as ppm copper

On October 20, 2009 the Company announced the commencement of further drilling operations on the Axe project. More Core Diamond Drilling Services Ltd. was drilling HQ size diamond drill holes aimed at both potentially updating a resource estimate for the South Zone; as well stepping out from the gold mineralization previously encountered in the West Zone during the Company's 2006-2007 drilling program.

On December 2, 2009 the Company announced analytical results from drilling operations on the Axe project. Within the West Zone, three drill holes were drilled to test a gold anomaly located in 2006 drill hole A06-05, which returned 49.5 meters grading 1.29g/t Au, including 3 meters grading 9.64g/t Au. Analytical results for the West Zone drilling are now available and selected results are listed below. Drill hole A09-01 was intended to undercut A06-05, but was abandoned short of its target due to tightening. Drill hole A09-03 was drilled 50m south of A09-06 and intersected significant gold mineralization associated with pyrite. Drill hole A09-04 was collared north of A06-05, and drilled at an azimuth of 065degrees. This hole intersected a thick calc-silicate unit, but may not have intersected the mineralized West Zone fault structure, which appears to be a north, northeast structure.

Drill Hole	Zone	Dip (deg)	Azm (deg)	Footage (m)	Interval (m)	Cu %	Au g/t	Notes
A09-01	West	-50	270	52.5-54.0	1.5	0.054	0.509	
				54.0-56.0	2.0	0.022	0.03	
				56.0-57.9	1.9	0.061	1.115	
				57.9-59.0	1.1	0.117	0.085	
A09-02	South	-90						
A09-03	West	-71	090	44.5-46.0	1.5	0.001	0.234	
				46.0-47.24	1.24	0.001	0.211	
				47.24-50.3	3.06	0.001	<b>9.25</b>	Poor recovery; pyrite
				50.3-53.35	3.05	<b>2.0</b>	<b>4.39</b>	Cpy with quartz
				53.35-54.4	1.05	0.21	0.33	
A09-04	West	-70	065	65.53-67.36	1.83	0.105	0.042	
				67.36-68.65	1.29	<b>0.829</b>	0.208	in calc-silicate

The 2009 drill results based mainly on drill hole A09-03 suggest a steeply dipping, westerly structure with gold and associated pyrite. As surface drilling has proven to be very difficult with historical poor recoveries within the Axe property, trenching should be an effective method to evaluate the gold-bearing target.

On March 21, 2012 the Company entered into an option agreement with Xstrata Copper Canada ("Xstrata") and Bearclaw Capital Corp. ("Bearclaw"). Under the terms of the option agreement, the Company and Bearclaw agreed to grant Xstrata an option to earn a 51% interest where Xstrata would have the sole and exclusive right to carry out exploration activities on and evaluate the Axe Property. In order to exercise the option, during the earn-in period, Xstrata was required to incur \$3,000,000 of expenditures in exploration activities on the Axe Property.

During the earn-in period, Xstrata was required to pay to the Company and Bearclaw (collectively, in proportion to their participating interests in the Axe Property, which are 70% for the Company and 30% for Bearclaw):

- \$25,000 immediately (received);
- \$25,000 on March 31, 2013 (received);
- \$30,000 on March 31, 2014;
- \$40,000 on March 31, 2015; and
- \$60,000 on March 31, 2016.

If Xstrata exercised the option, the Company, Bearclaw and Xstrata would enter into a formal joint venture agreement. Under the option agreement, the Company and Bearclaw also granted Xstrata a right of first refusal ("ROFR") over any direct or indirect sale or transfer by the Company and/or Bearclaw of any of their respective interest in the Axe Property. The ROFR would terminate at the end of the earn-in period if Xstrata had not exercised the option.

On July 3, 2013, the Company received notification of Xstrata electing to terminate its option agreement to earn a 51% interest on the Axe Property from the Company and Bearclaw.

On August 23, 2013, the Company and Bearclaw entered into a Letter of Intent ("LOI") to enter into an option agreement with Copper Mountain Mining Corp. ("Copper Mountain"). The option agreement was completed with an effective date of December 21, 2013. Under the terms of the option agreement, the Company and Bearclaw agreed to grant Copper Mountain an option to earn a 75% undivided interest in and to the Axe Property.

Copper Mountain can earn a 51% interest in the Axe Property by incurring \$3,000,000 of expenditures in exploration activities on the Axe Property during a five year period, with a minimum of \$100,000 per year. Copper Mountain must pay to the Company and Bearclaw (collectively, in proportion to their participating interests in the Axe Property, which are 70% for the Company and 30% for Bearclaw):

- \$5,000 upon signing the LOI (received);
- \$20,000 upon completion of the agreement (received);
- \$30,000 on December 21, 2014;
- \$50,000 on December 21, 2015;
- \$100,000 on December 21, 2016;
- \$150,000 on December 21, 2017; and
- \$200,000 on December 21, 2018.

If Copper Mountain exercises the option, the Company, Bearclaw and Copper Mountain will enter into a formal joint venture agreement. Copper Mountain will be the initial operator holding a 51% participating interest, and the Company and Bearclaw, a 34.3% and 14.7% participating interest, respectively.

Upon exercise of the option, Copper Mountain will have the option to acquire an additional 24% undivided interest in the Axe Property (increasing its interest to 75%, absent other adjustments) by incurring an additional \$6,000,000 in expenditures on the Axe Property in two stages of \$3,000,000 per stage. In the event Copper Mountain exercises the second option and acquires an undivided 75% interest in the Axe Property, the Company and Bearclaw will have a 17.5% and 7.5% participating interest, respectively.

#### **EXPLORATION PROJECT - East Miller Claims**

On September 25, 2013 (amended December 10, 2013), the Company entered into an agreement to acquire a 100% interest in 9 mineral claims in Quebec, Canada. On January 6, 2014, the Company issued 2,500,000 common shares (valued at \$75,000) as consideration for the agreement and 250,000 common shares (valued at \$7,500) as finders' fees.

#### **EXPLORATION PROJECT - Page Property**

On December 16, 2013, the Company entered into an agreement to acquire a 100% interest in the Page Property comprising 16 mineral claims in the Porcupine Mining Division of Ontario. On January 8, 2014, the Company issued 600,000 common shares (valued at \$24,000) as consideration for the agreement.

#### **EXPLORATION PROJECT – Lac Gueret West**

On March 6, 2014, the Company entered into an agreement to acquire a 100% interest in the Lac Gueret West Property, consisting of 75 mineral claims located in Quebec. In order to acquire the Property, the Company must:

- issue 2,500,000 common shares of the Company within 14 days of Exchange approval;
- pay \$15,000 within 14 days of closing of the Company's next financing; and
- pay \$10,000 within 14 days of the first anniversary of Exchange approval.

The vendor retains a 2% NSR on the Property, of which the Company can buy back 1% at any time for \$1,000,000.

#### **EXPLORATION PROJECT – Albany South East**

On July 15, 2013, the Company entered into an agreement to acquire a 100% interest in the Albany South East Property comprising 19 mineral claims in the Porcupine Mining Division of Ontario. In consideration, the Company issued 2,750,000 common shares of the Company (valued at \$55,000) and was required to pay \$15,000. The Company also paid finder's fees of 275,000 common shares of the Company (valued at \$5,500).

The \$15,000 cash payment was not made and the Company is in default of the agreement. The property was deemed to be impaired at December 31, 2013 and written down to \$Nil.

#### **EXPLORATION PROJECT – Tahts Reach Property**

On February 7, 2013, the Company entered into an option agreement with Caribou King Resources Ltd. (the "Option Agreement") to earn a 70% interest in the Tahts Reach Property and Barkerville Claims (collectively, the "Property") comprising 6 mining claims located in British Columbia.

Payment terms are as follows:

- \$5,000 (paid) and 300,000 common shares (issued) on February 15, 2013 in conjunction with receipt of approval from the Exchange;
- \$10,000 and 150,000 common shares on February 15, 2014; and
- \$25,000 and 150,000 common shares on February 15, 2015.

In addition, the Company must incur exploration expenditures on the Property of \$45,000 over 2 years.

The property was deemed to be impaired at December 31, 2013 and written down to \$Nil. On April 4, 2014, the Company terminated the Tahts Reach Property agreement.

### **EXPLORATION PROJECT – Diego Property**

On May 22, 2013, the Company entered into an LOI to enter into an option agreement with Cartier Resources Inc. (“Cartier”). The agreement was to acquire up to an 80% interest in the Diego Property, comprising 53 mining claims located in Quebec.

Pursuant to the terms of the LOI, the Company could earn a 50% interest in Diego by paying \$15,000 and issuing 350,000 common shares in the capital of the Company upon Exchange approval. The Company was also required to incur \$1,000,000 in exploration expenditures on the Property over a period of three years.

The Company could acquire an additional 30% interest by incurring an additional \$1,000,000 in exploration expenditures over a period of two years following completion of the initial exploration expenditure requirements.

The LOI held a condition precedent that the Company complete a non-brokered private placement financing for minimum gross proceeds of \$500,000. On August 22, 2013, the LOI was extended to November 21, 2013, at which time the LOI was terminated.

### **INVESTMENT**

The Company received 500,000 common shares of Canada Coal Inc. (“CCK”) pursuant to the disposition of exploration and evaluation assets during the year ended December 31, 2010. The 500,000 common shares are subject to escrow and are released on a staged basis, with 10% released on February 29, 2012, and 15% to be released every six months thereafter for a period of 36 months. As at March 31, 2014, 150,000 common shares were held in escrow (December 31, 2013 - 225,000).

At March 31, 2014, the fair value of the remaining 225,000 common shares of CCK held was \$11,250 and an unrealized gain of \$9,000 was recorded in other comprehensive loss for the three months ended March 31, 2014. At December 31, 2013, the fair value of the remaining 225,000 common shares of CCK held was \$2,250.

During the three months ended March 31, 2013, the Company sold 11,000 common shares of CCK for proceeds of \$990. At March 31, 2013, the fair value of the remaining 364,000 common shares of CCK held was \$18,200 and an unrealized loss of \$14,560 was recorded in other comprehensive loss for the three months ended March 31, 2013.

## RESULTS OF OPERATIONS

### For the three months ended March 31, 2014

During the three month period ended March 31, 2014, the Company reported a net loss of \$72,511 compared to the three month period ended March 31, 2013 of \$57,067. The Company's net loss included expenditures and recoveries as follows:

- Accounting, legal and audit expense of \$400 (2013 - \$3,500) relates primarily to accounting services for the operations of the Company and audit fees. The decrease from the same period last year is due to timing of expenses and a reduction in fees.
- Consulting fees of \$25,709 (2013 - \$12,500) increased as an additional consultant was engaged in 2014;
- Management fees of \$31,500 (2013 - \$28,500) relates to fees paid to officers of the Company for management of the Company's operations and projects. The change is due to a rate increase that became effective later in 2013;
- Office and general expenses of \$2,161 (2013 - \$6,731) decreased over the same period of the previous year due to the reduced operational activities and cost control measures implemented by management; and
- Transfer agent and filing fees of \$12,561 (2013 - \$2,490) increased in 2014 due to timing of expenses (the second quarter of 2013 had higher amounts).

## SUMMARY OF QUARTERLY FINANCIAL RESULTS (\$000's except loss per share)

The following are the results for the eight most recent quarterly periods, starting with the quarter ended March 31, 2014:

For the Quarterly Periods ended:		March 31, 2014	December 31, 2013	September 30, 2013	June 30, 2013
Total revenues	\$	-	-	-	-
Net loss for the period		(73)	(91)	(91)	(24)
Net loss per common share, basic and diluted		(0.00)	(0.01)	(0.00)	(0.00)

For the Quarterly Periods ended:		March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
Total revenues	\$	-	-	-	-
Net loss for the period		(57)	(5,961)	(229)	(171)
Net loss per common share, basic and diluted		(0.00)	(0.24)	(0.01)	(0.01)

**SELECTED ANNUAL INFORMATION**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Revenues	\$ -	\$ -	\$ -
Net Loss	263,293	6,597,809	3,313,116
Basic and Diluted Loss per Share	0.01	0.27	0.19
Total Assets	1,596,959	1,691,378	7,949,307
Total Liabilities	317,159	339,820	24,730

**LIQUIDITY AND CAPITAL RESOURCES**

At March 31, 2014, the Company had cash of \$1,553 and a working capital deficiency of \$261,706 as compared to December 31, 2013 when the Company had cash of \$1,586 and a working capital deficiency of \$311,955.

To address working capital requirements for 2014, the Company has implemented cost control measures to minimize its general and administrative expenses. The Company will need to pursue additional financing to further explore the Company's resource properties and pay general and administrative expenses.

Subsequent to March 31, 2014, the Company has done the following to address its working capital requirements:

- reduced the exercise price of 1,080,000 share options that were granted to officers and directors and 210,000 share options that were granted to consultants from \$0.15 per common share to \$0.05 per common share;
- granted 680,000 share options to consultants, exercisable at a price of \$0.05 per common share; and
- received \$101,250 on the exercise of 2,025,000 share options.

Capital transactions for the three months ended March 31, 2014

On January 6, 2014, the Company issued 2,750,000 common shares of the Company as payment and finder's fees for the East Miller Claims.

On January 8, 2014, the Company issued 600,000 common shares of the Company as payment for the Page Property.

On February 28, 2014, the Company issued 2,451,600 common shares of the Company in order to settle debts of \$122,580 with directors, officers, consultants and a company with common directors.

Capital transactions for the year ended December 31, 2013

In February 2013, 300,000 common shares valued at \$12,000 were issued as acquisition costs on the Tahts Reach Property;

On February 22, 2013, the Company closed a non-brokered private placement and issued 3,915,000 units at a price of \$0.035 per unit for gross proceeds of \$137,025. Each unit consists of one common share in the capital of the Company and one-half of one share purchase warrant. Each whole warrant is exercisable by the holder to acquire one additional common share of the Company for a period of two years from issuance at an exercise price of \$0.07 in the first year and \$0.10 in the second year. The units are subject to a four-month hold period.



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In addition, the Company paid a finder's fee of \$7,980 and 153,000 finder's warrants. Each finder's warrant is exercisable by the holder to acquire one additional common share of the Company for a period of two years from issuance at an exercise price of \$0.07 in the first year and \$0.10 in the second year. The finder's warrants are also subject to a four-month hold period. The Black-Scholes fair value of the finders's warrants was \$2,707 and was included in reserves.

The proceeds of the private placement were used for general working capital and mineral property exploration.

In July 2013, 3,025,000 common shares valued at \$60,500 were issued as acquisition costs and finder's fees on the Albany South East Property.

### OUTSTANDING SHARES

The following table sets forth information concerning the outstanding securities of the Company:

	<u>May 30, 2014</u>	<u>March 31, 2014</u>	<u>December 31, 2013</u>
Common shares	39,200,092	37,175,092	31,373,492
Stock Options	1,755,000	3,100,000	3,100,000
Warrants	2,110,500	2,110,500	2,110,500
Fully Diluted Shares	<u>43,065,592</u>	<u>42,385,592</u>	<u>36,583,992</u>

Note that the above table does not reflect the share consolidation of one new share for two old shares as announced May 30, 2014. Approval from the Exchange is still pending as of the date of this MD&A.

### TRANSACTIONS WITH RELATED PARTIES

The following expenses were incurred with directors and officers of the Company for the years ended March 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Short-term compensation	<u>\$ 31,500</u>	<u>\$ 32,587</u>

As at March 31, 2014, accounts payable and accrued liabilities included \$94,664 (December 31, 2013 - \$125,556) due to current and former directors and officers. The amounts due are non-interest-bearing, unsecured and without stated terms of repayment.

On February 28, 2014, the Company issued 860,000 common shares of the Company in order to settle debts of \$43,000 with directors and officers of the Company and 882,140 common shares of the Company in order to settle debts of \$44,107 with a Company with common directors and officers.

During the year ended December 31, 2013, the Company entered into debt settlement agreements with former management and directors. Accounts payable of \$84,000 were forgiven for nominal consideration. The amounts consisted of \$22,500 of accounting, audit and legal expenses, \$20,000 of consulting fees, \$32,500 of management and directors' fees and \$9,000 of GST.

### OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

## **PROPOSED TRANSACTIONS**

The Company had no proposed transactions.

## **COMMITMENTS**

The Company entered into management services and consulting agreements with officers, directors and consultants expiring on various dates from June 1, 2014 to August 1, 2014 with a total monthly commitment of \$19,000. All the management services and consulting agreements can be terminated with 90 days notice.

## **FINANCIAL INSTRUMENTS**

The Company's financial assets and liabilities consist of cash, amounts receivable, investments and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant credit, liquidity or market risks arising from these financial instruments.

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

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

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

Level 3 – Input for assets or liabilities that are not based on observable market data.

The Company's financial assets and liabilities are measured at fair value by level with the fair value hierarchy described above. Assets and liabilities are classified entirely based on the lowest level of input that is significant to the fair value measurement.

The fair values of the Company's cash, amounts receivable and accounts payable and accrued liabilities approximates the carrying amounts due to the short term nature of these instruments.

## **CRITICAL ACCOUNTING ESTIMATES**

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Significant estimates made in the preparation of these financial statements include the recoverability of the carrying value of exploration and evaluation assets, title of mineral properties, accrued liabilities, assumptions for the determination of fair value of share-based payments, and for the recoverability of deferred tax assets. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

## **MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

In connection with Exemption Orders issued in November 2007 by each of the securities commissions across Canada, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the interim financial statements and the audited annual financial statements and respective accompanying MD&A.

In contrast to the certificate under National Instrument (“NI”) 52-109 (Certification of Disclosure in Issuer’s Annual and Interim Filings), the Venture Issuer Basic Certification includes a ‘Note to Reader’ stating that the CEO and CFO do not make any representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financing reporting, as defined in MI 52-109.

## **ACCOUNTING STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE**

For details of the Company’s Future Accounting Standards, including accounting standards not yet adopted, new accounting standards adopted, and accounting standards amended but not yet effective, please refer to Note 4 of the Company’s audited financial statements for the year ended December 31, 2013.

## **RISKS AND UNCERTAINTIES**

The Company believes that the following risks and uncertainties may materially affect its success.

### Exploration, Development and Operating Risks

The exploration for and development of minerals involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. There can be no guarantee that the estimates of quantities and qualities of minerals disclosed will be economically recoverable. With all mining operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Mineral exploration is speculative in nature and there can be no assurance that any minerals discovered will result in an increase in the Company’s resource base.

The Company’s operations are subject to all of the hazards and risks normally encountered in the exploration, development and production of minerals. These include unusual and unexpected geological formations, rock falls, seismic activity; flooding and other conditions involved in the extraction of material, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to life or property, environmental damage and possible legal liability. Although precautions to minimize risk will be taken, operations are subject to hazards that may result in environmental pollution and consequent liability that could have a material adverse impact on the business, operations and financial performance of the Company.

### Fluctuating Mineral Prices

The economics of mineral exploration is affected by many factors beyond the Company’s control, including commodity prices, the cost of operations, variations in the grade of minerals explored and fluctuations in the market price of minerals. Depending on the price of minerals, it may be determined that it is impractical to continue the mineral exploration operation.

Mineral prices are prone to fluctuations and the marketability of minerals is affected by government regulation relating to price, royalties, allowable production and the importing and exporting of minerals, the effect of which cannot be accurately predicted. There is no assurance that a profitable market will exist for the sale of any minerals found on the properties.

### Substantial Capital Requirements and Liquidity

Substantial additional funds for the establishment of the Company’s current and planned mining operations will be required. No assurances can be given that the Company will be able to raise the additional funding that may be required for such activities, should such funding not be fully generated from operations. Mineral prices, environmental rehabilitation or restitution, revenues, taxes, transportation costs, capital expenditures, operating expenses and geological results are all factors which will have an impact on the amount of additional capital that may be required. To meet such funding requirements, the Company may be required to undertake additional

equity financing, which would be dilutive to shareholders. Debt financing, if available, may also involve restrictions on financing and operating activities. There is no assurance that additional financing will be available on terms acceptable to the Company or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, and pursue only those development plans that can be funded through cash flows generated from its existing operations, if any.

#### Regulatory Requirements

The current or future operations of the Company require permits from various governmental authorities, and such operations are and will be governed by laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. Companies engaged in the exploration and development of mineral properties generally experience increased costs and delays in development and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for the facilities and conduct of exploration and development operations will be obtainable on reasonable terms or that such laws and regulation would not have an adverse effect on any exploration and development project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations. Amendments to current laws, regulation and permits governing operations and activities of mineral companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or exploration and development costs or require abandonment or delays in the development of new properties.

#### Financing Risks and Dilution to Shareholders

The Company will have limited financial resources, no operations and no revenues. If the Company's exploration program on its properties is successful, additional funds will be required for the purposes of further exploration and development. There can be no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be available on favorable terms or at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

#### Title to Properties

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. The Company cannot give an assurance that title to the mineral properties will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that the Company, as the case may be, does not have title to the properties could cause the Company to lose any rights to explore, develop and mine any minerals on that property, without compensation for its prior expenditures relating to such property.

#### Requirement for Permits and Licenses

The Company may need to acquire further permits or licenses necessary to carry on proposed exploration activities on the properties. A substantial number of permits and licenses may be required should the Company proceed beyond exploration; such licenses and permits may be difficult to obtain and may be subject to changes

in regulations and in various operational circumstances. It is uncertain whether the Company will be able to obtain all such licenses and permits.

### Competition

There is competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company will compete with other mining companies, many of which have greater financial, technical and other resources than the Company, for, among other things, the acquisition of minerals claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel.

### Reliance on Management and Dependence on Key Personnel

The success of the Company will be largely dependent upon on the performance of the directors and officers and the ability to attract and retain key personnel. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. The Company will compete with numerous other companies for the recruitment and retention of qualified employees and contractors. There is no assurance that the Company can maintain the service of its directors and officers or other qualified personnel required to operate its business. Failure to do so could have a material adverse effect on the Company and its prospects.

### No Mineral Reserves or Mineral Resources

The properties in which the Company holds an interest are considered to be early exploration stage properties; however, no mineral reserve or mineral resource estimates have been prepared in respect of the properties. Mineral reserves are, in the large part, estimates and no assurance can be given that the anticipated tonnages and grades will be achieved or that the indicated level of recovery will be realized. Reserve estimates for properties that have not yet commenced production may require revision based on actual production experience. Market price fluctuations of metals, as well as increased production costs or reduced recovery rates, may render mineral reserves containing relatively lower grades of mineralization uneconomic and may ultimately result in a restatement of reserves. Moreover, short-term operating factors relating to the mineral reserves, such as the need for orderly development of the ore bodies and the processing of new or different mineral grades, may cause a mining operation to be unprofitable in any particular accounting period.

### Environmental Risks

The Company's exploration and appraisal programs will, in general, be subject to approval by regulatory bodies. Additionally, all phases of the mining business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with mining operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs.

### Governmental Regulations and Processing Licenses and Permits

The activities of the Company are subject to Canadian and provincial approvals, various laws governing prospecting, development, land resumptions, production taxes, labour standards and occupational health, mine safety, toxic substances and other matters. Although the Company believes that its activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and

regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of exploration and mining, or more stringent implementation thereof, could have a material adverse impact on the business, operations and financial performance of the Company. Further, the mining licenses and permits issued in respect of its projects may be subject to conditions which, if not satisfied, may lead to the revocation of such licenses. In the event of revocation, the value of the Company's investments in such projects may decline.

#### Local Resident Concerns

Apart from ordinary environmental issues, work on, or the development and mining of the properties, could be subject to resistance from local residents that could either prevent or delay exploration and development of the properties.

#### Conflicts of Interest

Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies (including mineral resource companies) and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The British Columbia Business Corporations Act ("BCBCA") provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director must disclose his interest in such contract or agreement and refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

#### Uninsurable Risks

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could have an adverse impact on the Company's results of operations and financial condition and could cause a decline in the value of the Company shares. The Company does not intend to maintain insurance against environmental risks.

#### Litigation

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

### **FORWARD-LOOKING INFORMATION**

This MD&A contains forward-looking statements. Forward-looking statements are projections of events, revenues, income, future economic performance or management's plans and objectives for future operations. In some cases, you can identify forward-looking statements by the use of terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. Examples of forward-looking statements made in this MD&A include statements about the Company's business plans; the costs and timing of its developments; its future investments and allocation of capital resources; success of exploration activities; requirements for additional capital; government regulation of mining operations. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including: general economic and business conditions, fluctuations in worldwide prices and demand for minerals; our lack of operating history; the actual results of

current exploration activities; conclusions or economic evaluations; changes in project parameters as plans continue to be refined; possible variations in grade and or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes or other risks of the mining industry; delays in obtaining government approvals or financing or incompleteness of development or construction activities, any of which may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

While these forward-looking statements and any assumptions upon which they are based are made in good faith and reflect our current judgment regarding the direction of the Company's business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. Except as required by applicable law, including the securities laws of the Canada, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

#### **ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

Detailed listings of general and administrative expenses and exploration expenditures are provided in the condensed interim financial statements of the Company for the three months ended March 31, 2014.

#### **OFFICERS AND DIRECTORS**

Certain directors of the Company are also directors, officers and/or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploring natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his/her interest and abstain from voting in the matter(s). In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.

Current directors and officers of the Company are as follows:

William Rascan, President and Director  
Joseph Meagher, CFO and Director  
Keith Anderson, Director  
Steven Feldman, Director

#### **OUTLOOK**

The Company's primary focus for the foreseeable future will be on reviewing its financial position, continuing exploration and development activities on its exploration and evaluation assets.

#### **OTHER REQUIREMENTS**

Additional disclosure of the Company's material documents, information circular, material change reports, new release, and other information can be obtained on SEDAR at [www.sedar.com](http://www.sedar.com).