

## FORM 51-102F1

### DECLAN RESOURCES INC. MANAGEMENT'S DISCUSSION & ANALYSIS

February 28, 2014

The following Management's Discussion & Analysis ("MD&A") provides a review of activities, results of operations and financial condition of Declan Resources Inc. ("the Company") for the three months ended December 31, 2013 in comparison with those for the three months ended December 31, 2012. The condensed unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for interim financial statements and, as a result, do not contain all disclosure required under IFRS for annual financial statements. The following discussion and analysis should be read in conjunction with the Company's annual audited consolidated financial statements for the years ended September 30, 2013 and September 30, 2012 which were prepared in accordance with IFRS. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars.

#### **Forward-Looking Statements**

Except for statements of historical fact, this MD&A contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. In particular, forward-looking information in this MD&A includes, but is not limited to, statements with respect to future events and is subject to certain risks, uncertainties and assumptions. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and is subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the United States and globally; industry conditions, including fluctuations in commodity prices; governmental regulation of the mining industry, including environmental regulation; geological, technical and drilling problems; unanticipated operating events; competition for and/or inability to retain drilling rigs and other services; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for commodities; liabilities inherent in mining operations; changes in tax laws and incentive programs relating to the mining industry; and the other factors described herein under "Risks and Uncertainties" as well as in our public filings available at [www.sedar.com](http://www.sedar.com). Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

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**Risks and Uncertainties**

The Company is in the mineral exploration and development business and, as such, is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Some of the possible risks include the following:

- a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates. The recovery of the Company's investment in exploration and evaluation assets and the attainment of profitable operations are dependent upon the discovery and development of economic ore reserves and the ability to arrange sufficient financing to bring the ore reserves into production.
- b) The most likely source of future funds for further acquisitions and exploration programs undertaken by the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another interested party carrying out further exploration or development. If such exploration programs are successful, the development of economic ore bodies and commencement of commercial production may require future equity financings by the Company which are likely to result in substantial dilution to the holdings of existing shareholders.
- c) The Company's capital resources are largely determined by the strength of the resource markets and the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.
- d) The prices of metals greatly affect the value of and the potential value of its exploration and evaluation assets. This, in turn greatly affects its ability to raise equity capital, negotiate option agreements and form joint ventures.
- e) The Company must comply with health, safety, and environmental regulations governing air and water quality and land disturbances and provide for mine reclamation and closure costs. The Company's permission to operate could be withdrawn temporarily where there is evidence of serious breaches of such regulations, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations.
- f) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue exploration and development activities in the future.
- g) Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such assets may be subject to prior agreements or transfers and title may be affected by such undetected defects.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in any forward looking statement. The development and exploration activities of the Company are subject to various laws governing exploration, development, and labour standards which may affect the operations of the Company as these laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are, or were conducted.

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**Management's Responsibility for Financial Statements**

The Company's management is responsible for the presentation and preparation of interim consolidated financial statements and the MD&A. The interim consolidated financial statements have been prepared in accordance with IFRS. The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

**Overview**

The Company is a public company incorporated on August 25, 2005, under the laws of British Columbia, Canada. The Company is a reporting issuer in British Columbia and its common shares are listed and posted for trading on the TSX Venture Exchange under the trading symbol "LAN". The Company's offices are located at 302 – 1620 West 8<sup>th</sup> Avenue, Vancouver, B.C., V6J 1V4.

The Company is a natural resource company engaged in the acquisition and exploration and development of resource properties with a focus on the development of its exploration and evaluation asset interests in Sierra Leone, while it continues to evaluate new business opportunities. The Company has recently begun investigating exploration and evaluation assets in Canada.

**Sierra Leone Property**

On July 12, 2012, the Company purchased 100% of the shares of Talos Minerals Ltd. ("Talos"), a closely held private B.C. corporation. The Company issued 24,470,002 common shares in a share for share exchange with Talos. The Company also issued 1,500,000 stock options as part of the acquisition; each option entitles the holder to purchase one common share for \$0.15 per share. Talos' principal assets are mineral exploration licenses in the Kono and Bo districts of Sierra Leone. The licenses are held by its two 85% owned Sierra Leone subsidiaries, Greenstone Minerals (SL) Limited ("Greenstone") and Revonah Resources (SL) Limited ("Revonah"). The remaining 15% of Greenstone and Revonah is held equally by Mr. Jamal Shallop and Mr. Craig McLean, both residents of Sierra Leone.

The Talos license area in the Nimini Hills greenstone formation is in the Kono District in Eastern Sierra Leone. Its Western boundary is contiguous with Polo Resources' Komahun gold discovery. This Talos license is 54 sq km and is approximately 200 km east of Freetown, the capital of Sierra Leone. Talos completed an initial geochemical sampling program on this license in 2012 and a VTEM (airborne versatile time domain electromagnetic and aeromagnetic geophysical survey) in January 2012. A technical report prepared in accordance with National Instrument 43-101 has been completed on the Nimini Hills property.

During the period from July 12, 2012 to January 24, 2013, the Company completed the construction of an exploration camp in the Nimini Hills area from which it is conducting its exploration program. The Company commenced a 4,000 m wireline core drilling program in October 2012 and initiated a multi-method ground IP geophysical survey (Gradient IP, HIRIP pole-dipole) in November 2012 to further delineate future drill targets.

The Company has completed its 2013 exploration program. In the Northeast of the property a polymetallic structure, potentially related to a Volcanic Massive Sulfide system, has been discovered. The Nimini Hills program utilized various exploration techniques, which are fully detailed on the December 17, 2013 news release, along with a description of the work and results. An extensive database was compiled and is being used by the Declan's geologists and consultants to plan additional work for early 2014.

The Talos license area in the southern extension of the Kangari Hills is in the Bo District in Central Sierra Leone. Their Northern boundary is contiguous with Amara Mining plc's Baomahun gold project. The two licenses are 144 sq km and 186 sq km and are located approximately 120 km east of Freetown. The Kangari Hills licenses include the Southern end of the Sula Mountains greenstone formation and there is

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extensive artisanal activity in the area. Soil and pit sampling work was performed at the Baomahun license area.

**Overview** (cont'd...)

**Sierra Leone Property** (cont'd...)

As at December 31, 2013 and September 30, 2013, the Company had capitalized costs of \$2,483,944 on the Sierra Leone properties. For the three months ended December 31, 2013, the Company incurred \$186,709 (three months ended December 31, 2012 - \$682,626) of exploration and evaluation expenditures.

**Patterson Lake Property, Saskatchewan, Canada**

On September 9, 2013, the Company signed a property option agreement, with 101227264 Saskatchewan Ltd. and Donnybrook Capital Corp., to acquire a 100% interest in two uranium exploration properties in the Patterson Lake area of the Athabasca Basin located in Saskatchewan, Canada ("Patterson Lake Property"). The Patterson Lake Property is believed to be on a southwest-northeast structural trend as interpreted from airborne magnetics that covers the PLS Discovery. This structural trend also covers the Rook 1 property owned by NexGen Energy Ltd. ("NexGen"). NexGen has commenced a two-drill, 3,000-metre program immediately adjacent to and on trend northeast from Fission/Alpha's recent high-grade uranium discoveries on their PLS project. The Company is compiling available geological data and will commence an exploration program as soon as practical.

To acquire the property, the Company must make cash payments totaling \$250,000 (\$120,000 has been paid to date) by September 17, 2014, issue 4,000,000 common shares (issued) and incur \$650,000 in exploration expenditures on the property on or before August 31, 2016. 734,211 common shares were issued as a finder's fee.

As at December 31, 2013 and September 30, 2013, the Company had capitalized costs of \$483,780 on the Patterson Lake Property. For the three months ended December 31, 2013, the Company incurred \$679 (three months ended December 31, 2012 - \$Nil) of exploration and evaluation expenditures.

The acquisition of the Patterson Lake Property marks the commencement of a move by the Company into uranium exploration in the Athabasca Basin. The Company will continue to review potential additional property acquisitions and is committed to the exploration for uranium in Saskatchewan.

**Firebag River Property, Alberta, Canada**

On October 24, 2013, the Company signed a property option agreement, with 877384 Alberta Ltd., to acquire a 100% interest in the Firebag River Property located southwest of the Athabasca Basin in Alberta, Canada. The Company considers the property to be significantly prospective and underexplored. It is situated southwest of the Athabasca Basin and consists of six metallic and industrial minerals permits encompassing approximately 50,000 ha. It is west of Alpha Minerals recently discovered Patterson Lake South (PLS) uranium occurrence, and about 30 km south of the southernmost mapped margin of the basin. An initial review of the Firebag River Property in November, by Dahrouge Geological Consulting Ltd. has shown encouraging values for high-quality frac sand from samples collected in Cretaceous sandstones of the McMurray Formation.

To acquire the property, the Company made cash payments of \$85,000 (paid), must issue 5,000,000 common shares (1,500,000 have been issued) on or before November 5, 2015 and incur \$3,000,000 in exploration expenditures on the property on or before November 5, 2016. 626,250 common shares were issued as a finder's fee and an additional 112,500 must be issued by the first anniversary. The Optionor retained a 2% NSR on metals and a 4% GOR with respect to other, non-metallic commodities which are produced from the Firebag Property.

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**Overview** (cont'd...)

**Firebag River Property, Alberta, Canada** (cont'd...)

As at December 31, 2013, the Company had capitalized costs of \$281,539 (September 30, 2013 - \$1,807) on the Firebag River Property. For the three months ended December 31, 2013, the Company incurred \$27,382 (three months ended December 31, 2012 - \$Nil) of exploration and evaluation expenditures.

**Gibbon's Creek Property, Saskatchewan, Canada**

On December 2, 2013, the Company signed a property option agreement, with Lakeland Resources Inc. ("Lakeland"), to acquire a 70% interest in the Gibbon's Creek Property located on the northern rim of the Athabasca Basin in Saskatchewan, Canada. Gibbon's Creek is comprised of five contiguous claims totaling 12,771 hectares located less than 3 kilometers from the settlement of Stony Rapids and adjacent to the Black Lake Project held jointly by Uracon Resources Ltd. and UEX Corporation. Additional information on the Athabasca Basin region can be found in the December 4, 2013 news release. Lakeland recently commenced an initial field program at Gibbon's Creek; results from the program are pending.

To acquire the property, the Company must make cash payments of \$1,500,000 (\$100,000 paid), issue 11,000,000 common shares (2,000,000 issued) and incur an aggregate of \$6,500,000 in work commitments over four years. The Property is subject to a 2% NSR of which the Company may repurchase 1% for \$1,000,000. 317,647 common shares were issued as a finder's fee.

As at December 31, 2013, the Company had capitalized costs of \$5,175 (September 30, 2013 - \$Nil) on the Gibbon's Creek Property. The Company has not yet incurred exploration and evaluation expenditures.

**North Star Property, Saskatchewan, Canada**

On January 17, 2014, the Company signed into a property option agreement, for the North Star Property, to acquire a 100% interest in two mineral claims comprising approximately 11,100 hectares located along the northern margin of the Athabasca Basin in Saskatchewan and north of Declan's Gibbons Creek joint venture with Lakeland, in Saskatchewan, Canada. The North Star Property is underlain by a complex magnetic background and is believed to contain the northerly extensions of a number of important regional structures associated with uranium projects in the area.

To acquire the property, the Company must make cash payments of \$15,000 (\$5,000 paid), and issue 1,500,000 common shares (issued). 162,500 common shares were issued as a finder's fee. The property is subject to a 2% NSR.

As at December 31, 2013, the Company had not yet capitalized any costs on the North Star Property. The Company has not yet incurred exploration and evaluation expenditures.

**Overall Performance and Discussion of Operations – Three Months Ended December 31, 2013**

**Operating Expenses**

During the three months ended December 31, 2013, the Company incurred a net loss of \$787,052 from operations compared to a net loss of \$1,069,858 for the three months ended December 31, 2012. Operating expenses for the three months ended December 31, 2013 were \$787,116, compared to \$1,078,760 for the three months ended December 31, 2012.

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The expenses are itemized in the Condensed Interim Consolidated Statements of Loss and Comprehensive Loss in the Company's unaudited Financial Statements for the three months ended December 31, 2013 and 2012.

**Overall Performance and Discussion of Operations – Three Months Ended December 31, 2013**  
(cont'd...)

**Operating Expenses** (cont'd...)

Operating expenses for the three months ended December 31, 2013 were \$787,116 compared to \$1,078,760 for the three months ended December 31, 2012; an overall decrease of \$291,644. The major contributors to this change are:

1. Resource property exploration was \$214,770 for the three months ended December 31, 2013 compared to \$682,626 for the three months ended December 31, 2012. The decrease is due to decreased exploration activity in Sierra Leone; however, this is offset by the commencement of activity in Canada.
2. Finance fees were \$38,198 for the three months ended December 31, 2013 compared to \$Nil for the three months ended December 31, 2012. The increase is a result of a short-term loan advanced in July 2013.
3. Management fees were \$18,000 for the three months ended December 31, 2013 compared to \$30,000 for the three months ended December 31, 2012. The decrease is a result of a decrease in the fees charged by management as fewer services were performed.
4. Travel was \$30,449 for the three months ended December 31, 2013 compared to \$133,522 for the three months ended December 31, 2012. The prior period had a significant amount of management travel to Sierra Leone.
5. Share-based compensation was \$272,073 for the three months ended December 31, 2013 compared to \$114,541 for the three months ended December 31, 2012. The increase is due to stock options issued in the current period.
6. Investor relations were \$122,409 for the three months ended December 31, 2013 compared to \$5,927 for the three months ended December 31, 2012. The increase is due to the Company working to promote its expansion to exploring potential projects in Canada.

**Selected Annual Information**

The following table sets out selected annual financial information for the three most recent financial years. The financial data has been prepared in accordance with IFRS:

Years Ended	September 30, 2013	September 30, 2012	September 30, 2011
Total Revenue	\$ Nil	\$ Nil	\$ Nil
Operating Loss - per share <sup>(1)</sup>	(\$4,283,377) (\$0.04)	(\$2,147,779) (\$0.02)	(\$1,962,864) (\$0.07)
Loss and Comprehensive Loss - per share <sup>(1)</sup>	(\$4,265,929) (\$0.04)	(\$3,511,691) (\$0.04)	(\$2,882,028) (\$0.10)
Total Assets	\$3,316,836	\$6,460,968	\$335,566
Total Non-Current Financial Liabilities	\$Nil	\$Nil	\$Nil
Cash Dividends Declared	\$ Nil	\$ Nil	\$ Nil

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Years Ended	September 30, 2013	September 30, 2012	September 30, 2011
- per common share			

**Note:**

- Fully diluted earnings (loss) per share was not calculated as the effect was anti-dilutive.

**Summary of Quarterly Results**

The following table sets out selected unaudited financial information for the eight most recent quarters. The financial data has been prepared in accordance with IFRS.

Three Months Ended	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Total Revenue	\$Nil	\$Nil	\$Nil	\$Nil
Operating Loss - per share <sup>(1)</sup>	(\$787,116) (\$0.01)	(\$595,604) (\$0.01)	(\$1,094,401) (\$0.01)	(\$1,514,612) (\$0.01)
Loss and Comprehensive Loss - per share <sup>(1)</sup>	(\$787,052) (\$0.01)	(\$595,270) (\$0.01)	(\$1,097,492) (\$0.01)	(\$1,503,309) (\$0.01)

Three Months Ended	December 31, 2012	September 30, 2012	June 30, 2012	March 31, 2012
Total Revenue	\$Nil	\$Nil	\$Nil	\$Nil
Operating Loss - per share <sup>(1)</sup>	(\$1,078,760) (\$0.01)	(\$1,144,729) (\$0.01)	(\$209,955) (\$0.00)	(\$251,305) (\$0.00)
Loss and Comprehensive Loss - per share <sup>(1)</sup>	(\$1,069,858) (\$0.01)	(\$2,520,687) (\$0.03)	(\$208,494) (\$0.00)	(\$249,268) (\$0.00)

**Note:**

- Fully diluted earnings (loss) per share was not calculated as the effect was anti-dilutive.

**Liquidity and Capital Resources**

The Company's cash position was \$93,297 as at December 31, 2013, compared to \$48,824, as at September 30, 2013 and \$2,571,859 as at December 31, 2012. The Company had a working capital deficit of \$700,404 as at December 31, 2013 compared to a working capital deficit of \$784,849 as at September 30, 2013 and working capital of \$2,284,008 as at December 31, 2012. The decrease in the Company's cash position and working capital was a direct result of operating activities.

**Financing activities**

In the three months ended December 31, 2013, the Company issued 15,000,000 units for total proceeds of \$750,000. Each unit consisted of one common share of the Company and one share purchase warrant having a one year term for purchasing of one further common share at exercise price of \$0.10 per share. Agents' fees paid totaled \$49,525.

In the three months ended December 31, 2012, the Company had no financing activity.

**Off Balance Sheet Arrangements**

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The Company is not a party to any off-balance sheet arrangements or transactions.

**Transactions with Related Parties**

The following were transactions with related parties during the three months ended December 31, 2013:

1. Paid or accrued management fees of \$Nil (December 31, 2012 - \$18,000) to Carsonby Enterprises Inc., a Company controlled by Michelle Gahagan, a director of the Company.
2. Paid or accrued management fees of \$6,000 (December 31, 2012 - \$Nil) to Galloway Financial Services Inc., a Company controlled by Wayne Tisdale, a director of the Company.
4. Paid or accrued accounting fees of \$14,000 (December 31, 2012 - \$Nil) to Lesia Burianyk, CFO of the Company.
5. Paid or accrued accounting fees of \$Nil (December 31, 2012 - \$20,250) to J W Jardine & Company Ltd. a Company controlled by John Jardine, former CFO of the Company.
6. Paid or accrued interest of \$4,537 (December 31, 2012 - \$Nil) to Galloway Financial Services Inc.
7. Paid or accrued interest of \$4,537 (December 31, 2012 - \$Nil) to Gordon King, a director of the Company.
6. Paid or accrued consulting fees of \$16,389 (December 31, 2012 - \$42,457) to Craig McLean, a director of the Company.
7. Paid or accrued management consulting fees of \$15,000 (December 31, 2012 - \$15,000) to Tyson King, a director of Talos Minerals Ltd.

As at December 31, 2013, exploration advances consisted of \$213,886 (September 30, 2013 - \$205,982) for funds advanced to a director of Revonah and Greenstone.

As at December 31, 2013 accounts payable and accrued liabilities included \$432,381 (September 30, 2013 - \$449,549) owing to related parties.

In July 2013, the Company received an aggregate amount of \$300,000 in short-term loans from a company owned by Wayne Tisdale and Gordon King. These amounts bear interest at 12% per annum and are included in notes payable as at December 31, 2013 and September 30, 2013.

In June 2012, the Company received an aggregate amount of \$400,000 in short-term loans from a company owned by Wayne Tisdale and Gordon King. These amounts are included above in accounts payable and accrued liabilities as at December 31, 2013 and September 30, 2013.

**Proposed Transactions**

The Company does not have any current proposed asset or business acquisitions or dispositions; however, the Company continues to seek new business opportunities and to raise capital.



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**Subsequent Events**

Subsequent to December 31, 2013, the Company:

- i) issued 2,360,000 common shares for proceeds of \$236,000 on the exercise of warrants;
- ii) paid \$100,000 and issued 2,000,000 common shares pursuant to the Gibbon's Creek Property option agreement. 317,647 common shares were issued as a finder's fee; and
- iii) entered into a property option agreement to acquire a 100% interest in the North Star Property located in Saskatchewan, Canada. To acquire the property, the Company must make cash payments of \$15,000 (\$5,000 paid), and issue 1,500,000 common shares (issued). 162,500 common shares were issued as a finder's fee. The property is subject to a 2% NSR.

**Significant Accounting Policies**

**New accounting policies adopted**

The following standards and amendments to existing standards have been adopted by the Company effective October 1, 2013:

*IFRS 10, Consolidated Financial Statements*

This standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard:

- i) requires a parent entity (an entity that controls one or more other entities) to present consolidated financial statements;
- ii) defines the principle of control, and establishes control as the basis for consolidation;
- iii) sets out how to apply the principle of control to identify whether an investor controls and investee and therefore must consolidate the investee; and
- iv) sets out the accounting requirements for the preparation of consolidated financial statements. IFRS 10 supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation-Special Purpose Entities.

*IFRS 11, Joint Arrangements*

This standard establishes the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement.

*IFRS 12, Disclosure of Involvement with Other Entities*

This standard requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effect of those interests on its financial position, financial performance and cash flows.

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**Significant Accounting Policies** (cont'd...)

**New accounting policies adopted** (cont'd...)

*IFRS 13, Fair Value Measurement*

This standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosure about fair value measurements. IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less cost to sell, based on fair value or disclosures about those measurements), except for: share-based payment transactions within the scope of IFRS 2 Share-based payment; leasing transactions within the scope of IAS 17 Leases; measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

*IAS 27, Separate Financial Statements*

This standard has the objective of setting standards to be applied in accounting for investments in subsidiaries, joint ventures, and associates when an entity elects, or is required by local regulations, to present separate (non-consolidated) financial statements.

*IAS 28, Investments in Associates and Joint Ventures*

This standard prescribes the accounting for investment in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 applies to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

*IAS 32, Financial instruments: presentation*

The amendments to this standard focused on four main areas:

- i) the meaning of “currently has a legally enforceable right of set-off”;
- ii) the application of simultaneous realization and settlement;
- iii) the offsetting of collateral amount; and
- iv) the unit of account for applying the offsetting requirements.

The adoption of these standards did not have an impact on the condensed interim consolidated financial statements.

**New standards, amendments and interpretations to existing standards not yet effective**

The following standards, amendments to standards and interpretations have been issued but are not effective:

*IFRS 9, Financial instruments*

This standard was issued in November 2009 and covers the classification and measurement of financial assets as part of its project to replace IAS 39 Financial Instruments: Recognition and Measurement. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to own credit risk out of earnings and recognize the change in other comprehensive income. The IASB has deferred a mandatory effective date for IFRS 9 pending the finalization of requirements on impairment, classification and measurement.

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**Significant Accounting Policies** (cont'd...)

**New standards, amendments and interpretations to existing standards not yet effective** (cont'd...)

The Company has not yet assessed the impact that the application of this standard or determined whether it will adopt this standard early.

**Financial Instruments and Risk Management**

*Financial risk management*

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 the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities and notes payable.

The Company classified its cash as fair value through profit or loss; receivables as loans and receivables; and accounts payable and accrued liabilities and notes payable as other financial liabilities. The fair value of cash is measured on the statement of financial position using level 1 of the fair value hierarchy. The fair values of receivables, accounts payable and accrued liabilities and notes payable approximate their book values because of the short-term nature of these instruments.

*Financial instrument risk exposure*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

*Credit risk*

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company has no material counterparties to its financial instruments with the exception of the financial institutions which hold its cash. The Company manages this credit risk by ensuring that these financial assets are placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist primarily of goods and services tax due from the government and other receivables; the balances are in good standing as at December 31, 2013. The Company does not believe it has a material exposure to credit risk.

*Liquidity risk*

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand. The Company has significant financial liabilities outstanding including accounts payable and accrued liabilities and loans payable. The Company is exposed to the risk that it may not have sufficient liquid assets to meet its commitments associated with these financial liabilities. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity transactions.

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**Financial Instruments and Risk Management** (cont'd...)

*Interest rate risk*

The Company is exposed to interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. Interest rate risk is minimal as the Company does not have significant interest bearing assets or any interest bearing liabilities that are tied into market rates.

*Foreign exchange risk*

The Company expects to continue to raise equity predominantly in Canadian dollars. The Company's property exploration that occurs in Sierra Leone is conducted in Canadian dollars, U.S. dollars and, to a lesser degree, Sierra Leonean leone. As such, it is subject to risk due to fluctuations in the exchange rates of these currencies. The Company does not enter into derivative financial instruments to mitigate its exposure to foreign currency risk. The effect of a one percent change in the foreign exchange rate on the Company's cash held in foreign currencies would be minimal.

*Commodity price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

*Political uncertainty*

In conducting operations in other countries, the Company is subject to considerations and risks not typically associated with companies operating in North America. These include risks such as the political, economic and legal environments. Among other things, the Company's results may be adversely affected by changes in the political and social conditions, and by changes in governmental policies with respect to mining laws and regulations, anti-inflationary measures, currency conversion and remittance abroad, and rates and methods of taxation.

**Management of Capital**

The Company manages its common shares, stock options and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

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

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

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**Management of Capital** (cont'd...)

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in certificates of deposit with major financial institutions.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

There have been no changes to the Company's approach to capital management during the three months ended December 31, 2013.

**Disclosure of Outstanding Share Data**

The authorized capital of the Company consists of an unlimited number of common shares without par value.

**Shares Issued and Outstanding:**

As at the effective date of this MD&A, there were 13,954,284 common shares issued and outstanding.

**Warrants:**

As at the effective date of this MD&A, the Company had 19,932,308 share purchase warrants outstanding.

**Stock options:**

As at the effective date of this MD&A, the Company had 11,850,000 stock options outstanding of which 6,000,000 were fully vested and exercisable.

**Additional Information**

Additional information relating to the Company is available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

**Directors and Officers**

The Company's directors and officers as at the effective date of this MD&A are:

**Directors:**

Michelle Gahagan  
Garry Clark  
Michael Curtis  
Craig McLean  
Wayne Tisdale  
Gordon King  
James Newall  
Dr. Hikmet Akin

**Officers:**

Wayne Tisdale, President and CEO  
Lesia Burianyk, CFO  
Leah Martin, Corporate Secretary