

**TANTALEX RESOURCES CORPORATION**

**(formerly Lynnwood Capital Inc.)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the three and six months ended August 31, 2014**

## ***Management's Discussion and Analysis***

Dated as of February 26, 2015

The following management's discussion and analysis ("**MD&A**") of the financial condition and results of the operations of Tantalex Resources Corporation (formerly Lynnwood Capital Inc.) (the "**Company**") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended May 31, 2014. This MD&A was written to comply with the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations*.

The discussion should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and six months ended August 31, 2014 and August 31, 2013 and related notes thereto, and the audited consolidated financial statements for the years ended February 28, 2014 and 2013, and related notes thereto. The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All monetary amounts are reported in Canadian dollars unless otherwise noted. These documents, as well as additional information on the Company, are filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and are available online at [www.sedar.com](http://www.sedar.com).

The results presented for the three and six months ended August 31, 2014, are not necessarily indicative of the results that may be expected for any future period. The financial statements and the financial information contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and interpretations of the IFRS Interpretations Committee ("**IFRIC**").

### **Cautionary Note Regarding Forward-Looking Information**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## **Description of Business and Overview**

The Company was incorporated on September 28, 2009, under the *Business Corporations Act* (British Columbia) under the name Lynnwood Capital Inc. The Company was classified as a Capital Pool Company as defined in Policy 2.4 – *Capital Pool Companies* (“**Policy 2.4**”) of the TSX Venture Exchange (the “**TSXV**”). On October 21, 2013 the Company completed its Qualifying Transaction, as defined by the Exchange’s policy 2.4 and changed its name to Tantalex Resources Corporation. In connection with the qualifying transaction the Company delisted its common shares from the TSXV. The Company received approval to list its common shares on the Canadian Securities Exchange (herein the “CSE”). The Company’s common shares commenced trading on the CSE under the trading symbol “TTX” at market open on October 22, 2013.

In connection with the closing of the qualifying transaction, the Company delisted its common shares from the TSXV, resulting in the cancellation of 3,600,000 common shares, and consolidated its then remaining securities into 1,118,731 common shares.

In connection with the closing of the qualifying transaction, all of the directors and officers of the Company resigned. Accordingly, the new directors and officers of the Company following the closing were Dave Gagnon (Chief Executive Officer and Director), Jean-Robert Pronovost (Chief Financial Officer and Director), Bernard Lapointe (Independent Director), Ndongo Armel Rodrigue Dziengue (Vice-President African Operations and Director), Denis Belisle (Independent Director) and Michel Lebeuf (Corporate Secretary).

Upon completion of the qualifying transaction, the auditor of the Company was changed from Davidson & Company LLP, Chartered Accountants, to Raymond Chabot Grant Thornton LLP, Chartered Accountants.

## **Overview of Operations**

Tantalex is an exploration and mining company with operations in West Africa. The company is primarily focused on the exploration of tantalum in the Republic of Congo (Congo – Brazzaville). Tantalex also holds exploration licenses with the company Reydev Mines for tantalum properties in Namibia. This allows strategic positioning of the company in the tantalum sector in Africa. Tantalum is a strategic metal used in the manufacturing of miniaturized electronic components (for mobile phones, computers, automobiles), for which there is currently no effective substitute.

## **2014 Highlights**

The Company is in process of mobilizing its base camp at the Mayoko Project and began a sampling program in anticipation of alluvial production of Tantalum.

On September 25th, 2014, the Company closed a \$65,000 debt financing in the form of three promissory notes.

On May 27, 2014 the Company entered into a joint venture agreement (the “Agreement”) with Reydev Mining (Proprietary) Limited (“Reydev”), for the development of the exclusive prospecting licenses (the “Licenses”) held by Reydev for tantalum properties located in the prolific tantalite valley in Namibia. The Company has agreed to pay Reydev consideration of US\$60,000 by issuing 653,220 common shares to Reydev, at a deemed price of CDN\$0.10 per share.

On May 2, 2014 the Company completed the final closing of its non-brokered private placement financing by issuing 2,200,000 common share units (“Units”) at a price of \$0.10 per Unit for gross proceeds of \$220,000.

On March 14, 2014 the Company entered into an agreement with an arm’s length service provider, pursuant to which the Company will settle \$84,000 of debt through the issuance of 840,000 Common Shares based on an agreed issue price of \$0.10 per share.

On March 11, 2014 the Company completed a non-brokered private placement financing by issuing 1,500,000 common share units (“Units”) at a price of \$0.10 per Unit for gross proceeds of \$150,000.

On February 21, 2014 the Company completed a non-brokered private placement financing by issuing 1,050,000

common share units ("Units") at a price of \$0.10 per Unit for gross proceeds of \$105,000.

On October 21, 2013 the Company released an updated 43-101 technical report.

### **Exploration and Evaluation assets – Mayoko Project**

On October 20, 2011, the Company acquired 100% of the outstanding common shares of SADEM Congo S.A.R.L. ("SADEM"), a mining exploration company which owns four Tantalum/Niobium prospecting mining concessions in the Republic of Congo totaling 4,050km<sup>2</sup>, located in the Matsanga Marala zone, in the Niari department. The resulting four exclusive exploration concessions were awarded in June 2012 and expire on July 15, 2014. The total cost of acquiring SADEM was \$348,419 and comprised of 25% of the outstanding common shares of the Company and a deferred balance of sale of \$400,000. The terms of payments of the balance of sale are as follows:

- A payment of \$200,000 was due when SADEM converted its current prospecting permit into four explorations mining permits.
- A payment of \$200,000 is due when the Company will successfully file a National Instrument 43-101 technical report stating inferred resources with the Canadian securities authorities.

On May 15th 2012, the Company entered in to a supply agreement ("off-take" agreement) with one of the leading tantalum refiner based in an occidental country. According to this agreement, the refiner agreed to buy between 5000 pounds to 20 000 pounds per month of Ta<sub>2</sub>O<sub>5</sub> from the Mayoko project at either the average market price or a fixed non-discounted price depending on the production rates. This represents about 24 to 98 tons per year, or 6-8% of the world production.

During the six months ended August 31, 2014, the Company spent \$65,848 on the Mayoko project which included payments to the better sourcing program to assist the company with conflict free compliance with its operations in the Republic of Congo (\$11,178), as well as costs related to camp supplies, mobilization and travel (\$54,670).

During the six months ended August 31, 2014, the Company also spent \$22,805 of geological work on the Namibian licenses.

The Company is in preparation for the commencement of alluvial production.

All future work is dependent on the Company having available funds.

### **Namibia Projects**

On May 27, 2014 the Company entered in to a joint venture agreement with Reydev Mining (Proprietary) Limited, for the development of the exclusive prospecting licenses held by Reydev in Namibia. In accordance with the joint venture, the Company will pay Reydev \$US60,000 by issuing 653,220 common shares of the Company at a deemed price of \$0.10 per share. The Agreement will be implemented in three phases, as follows:

#### **Phase 1: The Approval Phase**

Reydev will establish three (3) Namibian companies incorporated under the Namibia Companies Act, 2004 (the "Newcos"). The first of the Newcos ("Tantalex Namibia") will entirely hold the issued share capital of the other two Newcos (the "Newcos Subs") who will hold the two (2) prospecting Licenses acquired under the Agreement. Tantalex Namibia will issue twenty percent (20%) of its issued share capital to Reydev and eighty percent (80%) of its issued share capital to Tantalex. In the event that the parties are unable to secure the transfer of the Licenses to the Newco Subs within a period of three (3) months following the submission of the application, either party will be entitled to terminate the Agreement, in which case the common shares of Tantalex issued to Reydev will be cancelled.

#### **Phase 2: The Exploration Phase**

The conduct of prospecting on one or more of the Licenses will commence following the establishment or acquisition of the Newcos and the completion of the transfer of the Licenses from Reydev to the Newco Subs. During the exploration phase, and in respect of each Newco Sub, prospecting operations will be funded fully by Tantalex.

### Phase 3: The Mining Phase

Following the successful grant of a mining license, the Newcos' administrative expenditures and all mine establishment, development and operational expenditures will be funded by Tantalex and Reydev in proportion to their shareholdings in Tantalex Namibia.

#### 2015 Outlook:

The Company is in preparation for the commencement of exploration on the properties to better prepare and define a resource estimate.

All work is dependent on the Company having available funds.

### Results of Operations

During the three and six months ended August 31, 2014 the Company recorded a net loss of \$325,066 and \$821,178, respectively, compared to \$177,400 and \$417,700 for the three and six months ended August 31, 2013. The increase in loss was to an increase in expenses as the Company advanced its business plan and listed on the Canadian Stock Exchange in October 2013. This resulted in an increase in most cost, including public company costs, legal fees, travel, consulting, audit and accounting. No revenues have been reported for these periods. The loss for the three and six months comprised of general and administrative expenses which are detailed below.

A breakdown of the general and administrative expenses for the three and six months ended August 31 2014 and 2013 are as follows:

	For the three months ended August 30				For the six months ended August 31			
	2014	% of 2014	2013	% change	2014	% of 2014	2013	% change
Salaries and fringe benefits	2,181	1%	-	n/a	21,361	3%	-	n/a
Lodging fees	12,476	4%	-	n/a	28,670	3%	-	n/a
Insurance	4,923	2%	-	n/a	9,846	1%	-	n/a
Bank charges	3,114	1%	612	409%	5,906	1%	1,042	467%
Trustee fees and registration	3,210	1%	-	n/a	8,837	1%	-	n/a
Management fees	98,033	30%	115,306	-15%	218,715	27%	236,810	-8%
Professional fees	114,354	35%	13,009	779%	300,925	37%	65,545	359%
Financial costs	12,231	4%	-	n/a	23,157	3%	-	n/a
Reporting to shareholders	11,170	3%	20,933	n/a	36,000	4%	45,724	n/a
Rent	13,105	4%	9,405	n/a	20,075	2%	9,405	n/a
Office fees	5,358	2%	1,542	247%	13,504	2%	10,979	23%
Telecommunication	1,029	0%	2,528	-59%	5,805	1%	6,855	-15%
Travel fees	43,074	13%	12,271	251%	128,058	16%	31,899	301%
Business development	511	0%	1,526	-67%	581	0%	8,905	-93%
Amortization of equipment	297	0%	268	11%	604	0%	536	13%
Gain on exchange rate	-	0%	-	n/a	(866)	0%	-	n/a
	325,066	100%	177,400	83%	821,178	100%	417,700	97%

The increase in expenses is due the Company advancing its business plan and being listed on a public stock exchange in October 2013. The major increases were (1) the Company hired additional staff to assist with the increased work load (2) increase in travel and lodgings, as travel was required to source financing, list on the Frankfurt Stock Exchange, visit the Company's projects in Africa, and other meetings abroad (3) directors and officers insurance for public companies (4) public company fees such as transfer agent, shareholder communication, stock exchange fees (5) legal and audit fees for going public.

## Summary of Quarterly Results

Three Months Ended	August 31, 2014 \$	May 31, 2014 \$	February 28, 2014 \$	November 30, 2013 \$
Total Revenue	-	-	-	-
Net Loss	(325,066)	(496,112)	(666,825)	(314,258)
Basic and diluted earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)
Total assets	703,808	616,601	555,269	926,909
Total long term debt	348,781	337,379	326,449	353,581
Dividend	-	-	-	-

Three Months Ended	August 31, 2013 \$	May 31, 2013 \$	February 28, 2013 \$	November 30, 2012 \$
Total Revenue	-	-	-	-
Net Loss	(191,504)	(242,843)	(660,583)	(435,626)
Basic and diluted earnings (loss) per share	(0.01)	(0.01)	(0.02)	(0.01)
Total assets	1,123,389	997,816	680,900	945,715
Total long term debt	527,931	445,836	486,141	397,801
Dividend	-	-	-	-

All of the above quarterly results presented are prepared in accordance with IFRS.

### Liquidity and Capital Resources

The Company's cash decreased to \$(33,126) at August 31, 2014, from \$14,827 at February 28, 2014. The Company's working capital deficiency was \$1,191,798 compared to \$807,858 at February 28, 2014. The decrease in cash was due to the net proceeds from the issuance of shares in the amount of \$353,000 and \$12,442 of loan advances, offset by expenditures on the exploration assets of \$86,653 and \$334,887 on cash used in operations. The Company is in discussions with a number of parties regarding providing additional financings for the Company.

Since inception, the Company's capital resources have been limited to amounts raised from the private sale of common shares in the Company as well as loans. The Company has not earned income from commercial operations and as at August 31, 2014 had primarily a mining asset in Republic of Congo.

The Company will rely on its ability to obtain equity, or other sources of financing, for growth. The ability of the Company to continue operations and carry out further desired activities over the course of the next 12 months is dependent upon obtaining additional financing. The timing and ability to do so will depend on the liquidity of the financial markets as well as the acceptance of investors to finance resource based junior companies, in addition to the results of the Company's exploration programs and the acquisition of additional projects. There can be no guarantee that the Company will be able to secure any required financing.

The Company is not exposed to any externally imposed capital requirement. There were no changes in the Company's approach to capital management during the period.

During the year ended February 28, 2014, the Company entered in a factoring contract with FinexCorp Inc. under which the Company has the possibility to effect the factoring of its accounts receivable against a fee as a percentage of the receivables transferred. The maximal amount of receivables that could be transferred to FinexCorp Inc. amounts to \$500,000, and is secured by a movable hypothec.

On March 11, 2014, the Company completed the second closing of a non-brokered private placement financing by issuing 1,500,000 common share units ("Units") at a price of \$0.10 per Unit for gross proceeds of \$150,000.

On May 2, 2014 the Company completed the final closing of its non-brokered private placement financing by issuing 2,200,000 common share units ("Units") at a price of \$0.10 per Unit for gross proceeds of \$220,000.

## Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

## Transactions with Related Parties

As at August 31, 2014, there is an amount of \$18,366 due to Charbone Potash Mining, a related party by virtue of common significant shareholders (\$21,821 as at February 28, 2014). As at August 31, 2014, there is an amount of \$12,187 due to Charbone Buckell, a related party by virtue of common directors (nil as at February 28, 2014). Dave Gagnon, the CEO of the Company, is also a shareholder and director of Charbone Buckell and a shareholder of Charbone Potash Mining.

No guarantees were given or received. Outstanding balances are usually settled in cash.

## Remuneration of key management personnel of the Company

The remuneration awarded to key management personnel, including directors, the Chief Executive Officer, the Chief Financial Officer and the Director of Congo's operations, is as follows:

For the six months ended August 30,	2014	2013
Management and consulting fees	\$ 107,815	\$ 188,500
Share based payments issued	-	-
	<u>\$ 107,815</u>	<u>\$ 188,500</u>

Unless otherwise stated, none of the transactions provided for special terms and conditions.

## Contractual Commitments

As part of the acquisition of Sadem Congo, the Company shall pay a royalty of 10% of the gross income on the sales of minerals. The royalty should be paid until a total of 2 000 000 USD has been paid to the sellers of Sadem Congo. In addition to the initial royalty commitments, the Company shall pay the sellers, 15 % of gross income on the sales of minerals coming from a stock pile of minerals gathered by "La compagnie Avoine" estimated at approximatively 20 metric tons.

On May 15, 2012, the Company signed a supply agreement with Kemet Corporation (the Buyer) for the supply of Tantalite ore concentrate. The initial terms included the delivery of a minimum of 5,000lbs of 25% contained Ta2O5 up to a maximum of 20,000lbs per month at a minimum price of USD80.00/lbs depending on the quantity shipped per month, for the duration of the 5 years agreement. The Company could be exposed to penalties in the event where a specific monthly purchase order issued by the Buyer is accepted by the Company but not fulfill according to the terms of this purchase order. Such penalties, if any, would be limited to the difference between the agreed upon price for the purchase order and the actual price paid by the Buyer for the order when filled by a third party. An addendum to the supply agreement was signed on August 2, 2013 to amend the initial term of the contract that is now from May 15, 2013 to May 14, 2018.

On December 5, 2013, the Company signed a three-year agreement with Better Sourcing Program for the Mayoko supply chain due diligence assurance including due diligence setup services prior to export commencement and on-going services for export validation. The agreement includes minimum annual payment for export validation amounting to USD 70,000 per annum calculated from the date of first export.

## **Critical Accounting Estimates**

The preparation of the unaudited interim financial statements requires management to make estimate and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The unaudited interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

### **Impairment of property plant and equipment and exploration and evaluation assets**

Determining if there are any facts and circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, management estimates the recoverable amount of the asset or the cash-generating unit. This requires management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next period.

No impairment loss of the exploration and evaluation assets and property and equipment, and no reversal of impairment losses have been recognized for the reporting periods.

### **Share based payments**

The fair value of options and rights is determined using the Black-Scholes valuation model taking into account the features of the plan and market data as at the grant date and on the basis of the Company management assumptions. They made estimates as to the volatility of its own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants.

### **Fair value on the balance of sale**

On initial recognition, management estimated the fair value of the balance of sales. Estimation uncertainty relates to assumptions about the timing of the expected outflows of this liability and the discounting rate used.

### **Significant management judgment**

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the consolidated financial statements.

### **Recognition of deferred income tax assets and measurement of income tax expense**

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.



### **Going concern**

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

### **Change in Accounting Policies**

During the six months ended August 31, 2014, the Company adopted new IFRS standards and amendments to existing standards that became mandatory. These new standards and amendments did not have any material impact on the Company's consolidated financial statements.

IAS 36 Impairments of Assets ("**IAS36**") was amended by the IASB in May 2013 to clarify the requirements to disclose the recoverable amounts of impaired assets and require additional disclosures about the measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The amendments to IAS36 are effective for annual periods beginning on or after January 1, 2014. Management does not anticipate impact on the consolidated financial statements of the Company.

### **Recent Accounting Pronouncements**

Certain pronouncements were issued by the IASB but are not yet effective. Many are not applicable or do not have a significant impact to the Company. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 Financial Instruments ("**IFRS 9**") was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("**IAS 39**"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2015, with early adoption permitted.

### **Financial Instruments and Risk**

#### **Objectives and policies concerning financial risk management**

The Company is exposed to different financial risks resulting from its operations as well as investing and financing activities. The following analysis enables users to evaluate the nature and extent of the risks at the end of the year.

#### **Financial risks**

The principal financial risks to which the Company is exposed as well as its policies concerning the management of the financial risks are detailed as follows:

#### **Interest rate risk**

The convertible debentures provide for a fixed annual interest rate and therefore expose the Company to the risk of fair value variation due to interest rate variation because this financial asset is recognized at amortized cost. The other financial assets and liabilities of the Company do not represent interest risk because they do not bear interest. The Company does not use financial derivatives to decrease its exposure to interest risk.

#### **Liquidity risk**

Management's objective is to maintain sufficient levels of cash and to ensure that the Company has at its disposal sufficient sources of financing, such as private financing and capital markets. Obtaining additional funds make it possible for the Company to continue its operations.

As at August 31, 2014, management estimates that funds available will not be sufficient to meet the Company's obligations through February 28, 2015. The Company is evaluating different financing options to continue the exploration and development of its projects, which may include the issuance of securities, entering into partnership, joint venture or other arrangements. There can be no assurance that additional funds will be available or available on terms acceptable to the Company. If management is unable to obtain new funding, the Company may be required to delay, reduce the scope of, or eliminate its current or future exploration activities or relinquish rights to certain of its interests.

### **Foreign currency risk**

Foreign currency risk is the risk that a variation in exchange rates between the Canadian dollar and Central African Franc will affect the Company's operations and financial results. At August 31, 2014, the Canadian equivalent value of assets and liabilities denominated in a foreign currency consisted of cash of \$5,478 (February 28, 2014 - \$15,014), accounts payable and accrued liabilities of \$nil (February 28, 2014 - \$4,381) and due to directors of \$nil (February 28, 2014 - \$4,947). The impact on operations and comprehensive income and equity of a 10% increase or decrease in foreign currencies to the Canadian dollar exchange rate on the Company's financial instruments based on balances at August 31, 2014 would be insignificant.

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets at the reporting date.

The Company has no trade accounts. The exposure to credit risk for the Company's receivables is considered immaterial. No impairment loss has been recognized in the periods presented.

The Company's management considered that all the above financial assets that are not impaired or past due are of good credit quality.

The credit risk for cash is considered negligible since the counter parties are reputable banks with high quality external credit ratings and that cash held in Congo is not subject to any restrictions.

### **Share Capital**

As of the date of this MD&A, the Company had 39,828,443 issued and outstanding common shares, 10,156,963 of warrants outstanding and 2,319,247 options outstanding. In addition, the Company had 4,500,000 common shares reserved for issuance pursuant to outstanding convertible securities and 1,487,121 shares reserved for issuance pursuant to contractual obligations of the Company.

### **Risk Factors**

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's listing statement (Form 2A) dated October 18, 2013, available on SEDAR at [www.sedar.com](http://www.sedar.com).

In addition to the risks outlined in the Company's listing statement (Form 2A) dated October 18, 2010, the Company has identified the extreme volatility occurring in the financial markets as a significant risk for the Company. As a result of the market turmoil, investors are moving away from assets they perceive as risky to those they perceive as less so. Companies like the Company are considered risk assets and as mentioned above are highly speculative. The volatility in the markets and investor sentiment may make it difficult for the Company to access the capital markets in order to raise the capital it will need to fund its current level of expenditures.