

# **EXPLOREX RESOURCES INC.**

(A DEVELOPMENT STAGE COMPANY)

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS**

### **AND RESULTS OF OPERATIONS**

#### **FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

The following is management's discussion and analysis ("MD&A") is intended to assist the reader to assess material changes in financial condition and results of operations of Explorex Resources Inc. ("Exlorex" or the "Company") as at September 30, 2014

This MD&A which should be read in conjunction with the quarter ended financial statements as at September 30, 2014 and a summary of significant accounting policies and other explanatory information. These financial statements have been prepared using accounting policies consistent with IFRS as issued by the International Accounting standards Board ("IASB").

All monetary amounts are in Canadian dollars unless otherwise specified. The effective date of this MD&A is November 27, 2014. Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **Overview**

Exlorex Resources Inc. (the "Company", formerly Explorex Capital Ltd.) was incorporated under the Business Corporations Act (British Columbia) on January 6, 2011 as Explorex Capital Ltd., and changed its name to Explorex Resources Inc. on June 11, 2012. The Company was classified as a Capital Pool Company ("CPC") as defined by the policies of the TSX Venture Exchange (the "Exchange"). The Company is currently engaged in the acquisition, exploration and evaluation of its mineral property interests located in Eastern Canada. The Company's shares are listed on the Exchange under the symbol EX. During the previous year, the Company closed its Qualifying Transaction and as such, the Company graduated from being a CPC to a Tier 2 mining issuer on the Exchange.

#### **Highlights for the quarter ended September 30, 2014**

During the current quarter, 2014, the Company completed a non-brokered private placement of 2,100,000 units at \$0.055 per unit for gross proceeds of \$115,500. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant will entitle the holder thereof to purchase one additional share of the Company at a price of \$0.075 per share for a period of up to five years the closing date of the private placement.

#### **Highlights subsequent to the quarter ended September 30, 2014**

No significant events occurred subsequent to the quarter ended September 30, 2014.

#### **Results of operations for the year ended March 31, 2014**

The following table sets forth information for the years ended March 31, 2014 and 2013.

	Year Ended March 31, 2014	Year Ended March 31, 2013	Year Ended March 31, 2012
<b>Financial results:</b>			
Loss and comprehensive loss for the year	\$ (191,162)	\$ (437,673)	\$ (113,757)
Basic and diluted gain (loss) per share	(0.04)	(0.10)	(0.06)
<b>Balance sheet data:</b>			
Current assets	78,700	254,912	328,190
Total assets	78,700	254,912	363,250
Shareholder's equity	30,997	222,159	330,923
<b>Cash flow data:</b>			
Common share proceeds (gross)	-	301,736	310,000

### Results of operations for the quarter ended September 30, 2014

The following table sets forth information for the years ended March 31, 2014 and 2013.

	Year Ended March 31, 2014	Year Ended March 31, 2013
<b>Financial results:</b>		
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<b>Balance sheet data:</b>		
Current assets	78,700	254,912
Total assets	78,700	254,912
Shareholder's equity	30,997	222,159
<b>Cash flow data:</b>		
Common share proceeds (gross)	-	301,736

The table below sets forth selected results of operations for the Company's most recently completed quarters.

	Quarter Ended			
	September 30	June 30	March 31	December 31
	2014	2014	2014	2013
Net loss	\$ (42,297)	\$ (41,170)	\$ (65,864)	\$ (43,105)
Basic and diluted loss per share	\$ -	\$ -	\$ -	\$ -
Total assets	\$ 75,031	\$ 34,903	\$ 78,700	\$ 102,453
Working capital	\$ 63,031	\$ (10,173)	\$ 30,997	\$ 96,861

	Quarter Ended			
	September 30	June 30	March 31	December 31
	2013	2013	2013	2012
Net loss	\$ (43,361)	\$ (38,832)	\$ (323,913)	\$ (57,022)
Basic and diluted loss per share	\$ -	\$ -	\$ -	\$ -
Total assets	\$ 152,683	\$ 188,169	\$ 254,912	\$ 531,549
Working capital	\$ 139,966	\$ 183,327	\$ 222,159	\$ 280,468

#### Quarter ended September 30, 2014 compared to quarter ended September 30, 2013

For the quarter ended September 30, 2014, the Company recorded loss and comprehensive loss of \$42,297 compared to \$43,361 in the previous year. Significant changes in individual expenses in the current period include the consulting fee of \$nil (2013 - \$25,500) due to the Company terminating a consulting agreement with a consultant of the Company in the current year. Other individual expenses that changed in the current quarter include management fees of \$18,000 (2013 - \$nil) due to the Company entering into a management agreement with a director of the Company. All other costs are similar between the two periods.

The Company's working capital of \$63,031 is greater than the previous year due to a financing completed in the current quarter.

#### **Summary of previous quarterly results**

##### June 30, 2014

For the quarter ended September 30, 2014, the Company recorded loss and comprehensive loss of \$41,170 compared to \$38,831 in the previous year. Significant changes in individual expenses in the current period include the consulting fee of \$6,375 (2013 - \$nil) due to the Company entering into a consulting agreement with a consultant of the Company. Other individual expenses that changed in the current quarter include transfer agent and filing fees of \$2,824 (2013 - \$851) and the travel and automobile expense of \$828 (2013 - \$nil). All other costs are similar between the two periods. The Company's working capital of (\$10,173) is less than the previous year due to general office and administrative expenditures incurred in the year.

##### March 31, 2014

For the year ended March 31, 2014, the Company recorded loss and comprehensive loss of \$191,162 compared to \$437,673 in the previous year. Significant changes in individual expenses in the current year include the write-off of exploration and evaluation of \$nil (2013 - \$258,676) due to decreased property expenditures on exploration after terminating the Porcupine option. Other individual expenses that changed in the current quarter include professional expenses of \$37,766 (2013 - \$43,158) which were less than the previous year due to the Company holding no exploration property thereby reducing the Company's reliance on legal and technical

support. All other costs are similar between the two periods. The Company's working capital of \$30,997 is less than the previous year due to general office and administrative expenditures incurred in the current quarter.

December 31, 2013

For the quarter ended December 31, 2013, the Company recorded loss and comprehensive loss of \$43,105 compared to \$85,022 in the previous year. Significant changes in individual expenses in the current year include consulting expense of \$25,500 due to decreased property expenditures on exploration after terminating the Porcupine option. Other individual expenses that changed in the current quarter include professional expenses of \$6,810 which were less than the previous year due to the Company holding no exploration property thereby reducing the Company's reliance on legal and technical support. All other costs are similar between the two periods. The Company's working capital of \$96,861 is less than the previous year due to general office and administrative expenditures incurred in the current quarter.

September 30, 2013

For the quarter ended September 30, 2013, the Company recorded loss and comprehensive loss of \$43,361 compared to \$49,617 in the previous year. Significant changes in individual expenses in the current year include general office expense of \$3,250 due to decreased use of office overhead to manage the company's business after terminating the Porcupine option. Other individual expenses that changed in the current quarter include professional expenses of \$6,000 which were less than the previous year due to the Company holding no exploration property thereby reducing the Company's reliance on legal and technical support. The Company's working capital of \$139,966 is less than the previous year due to general office and administrative expenditures incurred in the current quarter.

June 30, 2013

For the quarter ended June 30, 2013, the Company recorded loss and comprehensive loss of \$38,832 compared to \$27,122 in the previous year. Significant changes in individual expenses in the current year include consulting expense of \$nil due to decreased use of consultants to manage the company's business after receiving Tier 2 status. Other individual expenses that changed in the current quarter include management expense of \$18,000 and general office expenses of \$10,059. Management and office expense increased in the current quarter due to the Company conducting due diligence reviews of resource property. The Company's working capital of \$183,327 is less than the previous year due to exploration expenditures on the porcupine property.

March 31, 2013

For the quarter ended March 31, 2013, the Company recorded loss and comprehensive loss of \$303,912 compared to \$46,526 in the previous quarter with the increase primarily due to increases in various expenses due to the Company becoming more active in the current year. Significant increases in individual expenses in the current quarter include write off of exploration and evaluation assets of \$258,676 due to increased use of legal fees in required to complete the company's listing statement to acquire Tier 2 status. Other individual expenses that increased in the current quarter include share-based compensation expense of \$14,523 and management expense of \$18,540. The Company's working capital of \$222,159 is less than the previous year due to financing completed during the current year.

December 31, 2012

For the three-month period ended March 31, 2013, the Company recorded loss and comprehensive loss of \$57,022 compared to \$16,786 in the previous quarter. Significant changes in individual expenses in the current quarter include consulting expense of \$23,000 due to increased use of consultants to manage the company's business after receiving Tier 2 status. Other individual expenses that changed in the current quarter include transfer agent and filing fees of \$529 and professional fees of \$22,350. The Company's working capital of \$260,468 is less than the previous year due to greater amount in office and miscellaneous expense during the current year.

## Liquidity and Capital Resources

The following table summarizes the Company's current assets, working capital and cash flow.

<b>As at September 30</b>	<u>2014</u>		<u>2013</u>	
Current assets	\$	75,031	\$	152,683
Working capital		63,031		139,966
Cash used in operating activities		(70,227)		(33,804)
Cash used in investing activities		-		-
Cash provided by financing activities		115,500		-
Change in cash	\$	45,273	\$	(33,804)

The Company is dependent on the sale of common shares to finance its exploration activities, property acquisition payments and general and administrative costs.

## Share Capital

The Company has authorized share capital of an unlimited number of common shares of which 6,699,928 shares were issued and outstanding at the end of September 30, 2014

As at September 30, 2014, there were 450,000 options outstanding and 2,100,000 warrants outstanding.

During the year ended March 31, 2014, 1,030,500 (March 31, 2013 – 1,717,500) common shares were held in escrow and are released pro-rata to the shareholders. 10% of the escrow shares were issued upon release of the Final Exchange Bulletin in June 2012 and the remainder will be released in six equal tranches of 15% every six months thereafter for a period of 36 months.

During the current year, the Company consolidated the issued share capital on the basis of two (2) old common shares for one (1) new common share ("the Consolidation"). Outstanding stock options, agent's options and warrants were adjusted by the Consolidation ratio. All common shares and per common share amounts in these financial statements have been retroactively restated to reflect the share consolidation.

During the year ended March 31, 2013, the Company completed a non-brokered private placement of 1,417,500 units at \$0.20 per unit for gross proceeds of \$283,500. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant will entitle the holder thereof to purchase one additional share of the Company at a price of \$0.30 per share for a period of up to twelve months from the closing date of the private placement. The Company paid finder's fees of \$17,350.

## Related Parties

During the year ended September 30, 2014, the Company entered into the following transactions with related parties:

- Paid or accrued rent of \$4,800 (2013 - \$4,800), management fees of \$18,000 (2013 - \$18,000) to a company controlled by a director of the Company.
- Paid or accrued professional fees of \$4,500 (2013 - \$4,500) to the Chief Financial Officer of the Company.

## Financial Instruments

The Company's main financial risk exposures and its risk management policies are as follows:

### *Credit Risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company believes it has no significant credit risk.

### *Interest Rate Risk*

The Company has cash balances and no interest-bearing debt. As of the year ended March 31, 2014, the Company held an interest bearing GIC term deposit with a variable rate of 1.05% (1.95 below prime), 364 day term maturing August 3, 2014 and cashable at any time.

### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

### *Fair Value*

The recorded value of the Company's financial assets and liabilities approximate their fair values due to their demand nature and their short term maturity.

### *Capital Risk Management*

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through a suitable debt and equity balance appropriate for an entity of the Company's size and status. The capital structure of the Company consists of equity attributable to common shareholders, comprised of issued capital and deficit.

### *Use of Estimates*

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of expenses during the period. Significant areas requiring the use of management estimates relate to the determination of environment obligations and impairment of exploration and evaluation assets and deferred costs and inputs used in accounting for share-based compensation. Actual results may differ from these estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

### *Risk and Uncertainties*

The Company's Operations and results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding exploration, additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards, insurable risk and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulation risk.

- (a) the state of the capital markets, which will affect the ability of the Company to finance mineral property acquisitions and expand its contemplated exploration programs;
- (b) the prevailing market prices for base metals and precious metals;
- (c) the consolidation and potential abandonment of the Company's property as exploration results provide further information relating to the underlying value of the property;

- (d) the ability of the Company to identify and successfully acquire additional mineral properties in which the Company may acquire an interest whether by option, joint venture or otherwise, in addition to or as an alternative to the property;

## **OTHER RISK FACTORS**

### *ADDITIONAL FINANCING*

The Company has limited financial resources and provides no assurance that it will obtain additional funding for future acquisitions and development of projects or to fulfill its obligations under applicable agreements. The Company provides no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's Properties with the possible dilution or loss of such interests. Further, revenues, financings and profits, if any, will depend upon various factors, including the success, if any, of exploration programs and general market conditions for natural resources. The Company provides no assurance that it can operate profitably or that it will successfully implement its plans for its further exploration and development of its Properties.

### *Permits and Licenses*

The Company will require licenses and permits from various governmental and non-governmental authorities for its operations. The Company has obtained, or plans to obtain all necessary licenses and permits required carrying on the activities it is currently conducting or which it proposes to conduct under applicable laws and regulations. However, such licenses and permits are subject to change in regulations and in various operating circumstances. The Company provides no assurance that it will obtain all necessary licenses and permits required to carry out exploration, development and mining operations.

### *Political Regulatory Risks*

Any changes in government policy may result in changes to laws affecting ownership of assets, mining policies, monetary policies, taxation, rates of exchange, environmental regulations, and labour relations, repatriation of income and return of capital. This may affect both the Company's ability to undertake exploration and development activities in respect of the Principal Properties in the manner currently contemplated, as well as its ability to continue to explore, develop and operate the Principal Properties. The possibility that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

### *Currency Risk*

Currency fluctuations may affect the cash flow which the Company may realize from its operations, since most mineral commodities are sold in a world market in United States dollars. The Company's costs are incurred primarily in Canadian dollars.

### *Dependence on Key Individuals*

The Company is dependent on a relatively small number of key personnel, the loss of any one of whom could have an adverse effect on the Company. In addition, the Company will be highly dependent upon contractors and third parties in the performance of its exploration and development activities. The Company provides no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Company or be available upon commercially acceptable terms.

### *Competitive Factors in the Precious and Base Metals Markets*

Most mineral resources including precious and base metals are essentially commodities markets in which we would expect to be a small producer with an insignificant impact upon world production. As a result, production, if any, would be readily sold and would likely have no impact on world market prices. In recent months due to the significant downturn in the world economies has driven the commodities prices much lower which has made raising capital more difficult more competitive than past years.

Overall the upward trend in the price of gold (approximately US\$1200 an ounce) in the last year with a more consistent price above US\$1200 in 2012 has been a benefit to Gold exploration companies. As these higher gold prices and the difference between the

Canadian dollar and US dollar spread will help the Company in raising capital. Base metal prices have been improving in the past few months will help the company as it also has some historic base metal mines.

## **Internal Control over Financial Reporting**

The Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) of the Company, together with the Company’s management, are responsible for the information disclosed in this MD&A and in the Company’s other external disclosure documents. For the year ended March 31, 2014, the CEO and the CFO have designed, or caused to be designed under their supervision, the Company’s disclosure controls and procedures (“DCP”) to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries has been disclosed in accordance with regulatory requirements and good business practices and that the Company’s DCP will enable the Company to meet its ongoing disclosure requirements. The CEO and CFO have evaluated the effectiveness of the Company’s disclosure controls and procedures and have concluded that the design and operation of the Company’s DCP were effective as of March 31, 2014 and that the Company has the appropriate DCP to ensure that information used internally by management and disclosed externally is, in all material respects, complete and reliable.

The CEO and the CFO are also responsible for the design of the internal controls over financial reporting (“ICFR”) within the Company in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards (“IFRS”).

During the design and evaluation of the Company’s ICFR, management identified certain nonmaterial deficiencies, a number of which have been addressed or are in the process of being addressed in order to enhance the Company’s processes and controls. The Company employs entity level and compensating controls to mitigate any deficiencies that may exist in its process controls. Management intends to continue to further enhance the Company’s ICFR.

The Company’s management, including its CEO and CFO, believe that any DCP and ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override to the future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected. There have been no changes in the Company’s ICFR during the year ended March 31, 2014 that have materially affected, or are reasonably likely to materially affect, the Company’s ICFR.

## **Critical Accounting Estimates**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## **Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

## **Changes in accounting policies**

Standards issued but not yet effective up to the date of issuance of the Company’s financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company does not expect the impact of such changes on the financial statements to be material.

### *IFRS 9 Financial Instruments*



In November 2009, the IASB published IFRS 9, “Financial Instruments”, which 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 their own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective on January 1, 2015. Early adoption is permitted and the standard is required to be applied retrospectively.

#### *IFRS 10 Consolidated Financial Statements*

IFRS 10, “Consolidated Financial Statements”, requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, “Consolidation - Special Purpose Entities”, and parts of IAS 27, “Consolidated and Separate Financial Statements”. The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 11, “Joint Arrangements”, IFRS 12, “Disclosure of Interests in Other Entities”, IAS 27 (2011), “Separate Financial Statements” and IAS 28 (2011), “Investments in Associates and Joint Ventures”.

#### *IFRS 11 Joint Arrangements*

IFRS 11, “Joint Arrangements”, requires a venturer to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under existing IFRS, entities have the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, “Interests in Joint Ventures”, and SIC-13, “Jointly Controlled Entities - Non-monetary Contributions by Venturers”. The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, “Consolidated Financial Statements”, IFRS 12, “Disclosure of Interests in Other Entities”, IAS 27 (2011), “Separate Financial Statements” and IAS 28 (2011), “Investments in Associates and Joint Ventures”.

#### *IFRS 12 Disclosure of Interests in Other Entities*

IFRS 12, “Disclosure of Interests in Other Entities”, establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, and special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity’s interests in other entities. The standard is effective for annual periods beginning on or after January 1, 2013. Entities early adopting this standard must also adopt the other standards included in the 'suite of five' standards on consolidation, joint arrangements and disclosures: IFRS 10, “Consolidated Financial Statements”, IFRS 11, “Joint Arrangements”, IAS 27 (2011), “Separate Financial Statements” and IAS 28 (2011), “Investments in Associates and Joint Ventures”.

#### *IFRS 13 Fair Value Measurement*

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

#### *IAS 1 Presentation of Financial Statements*

In June 2011, the IASB issued amendments to IAS 1, “Presentation of Financial Statements” to: (a) require companies to group together items within other comprehensive income (“OCI”) that may be reclassified to the statement of loss; and (b) require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax). The amendments also reaffirm existing requirements that items in OCI and income or loss should be presented as either a single statement or two separate statements. The amended standard is effective for annual periods beginning on or after July 1, 2012.

IAS 19 (2011), "Employee Benefits", amends IAS 19, "Employee Benefits" with revised requirements for pensions and other postretirement benefits, termination benefits and other changes. The key amendments include:

- Requiring the recognition of changes in the net defined benefit liability (asset) including immediate recognition of defined benefit cost, disaggregation of defined benefit cost into components, recognition of measurements in other comprehensive income, plan amendments, curtailments and settlements (eliminating the 'corridor approach' permitted by the existing IAS 19);
- Introducing enhanced disclosures about defined benefit plans;
- Modifying accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits;
- Clarifying various miscellaneous issues, including the classification of employee benefits, current estimates of mortality rates, tax and administration costs and risk-sharing and conditional indexation features; and incorporating other matters submitted to the IFRS Interpretations Committee.

The amended standard is effective for annual periods beginning on or after January 1, 2013.

The Company expects no impact from the adoption of the amendments on its financial position or performance.

### **Critical judgements in applying the Group's accounting policies**

The following is the critical judgement, apart from those involving estimations that management have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

### **Exploration and evaluation assets**

When there are events or changes in the circumstances which indicate the carrying amount of the exploration and evaluation assets may not be recoverable, the Group will take into consideration of the recoverable amounts of the relevant cash generating unit ("CGU"). After taking into account the current economic environment, the management reviews the developing projects and exploration plans and confirms that there is no indicator for impairment on the exploration and evaluation assets of the Group at the reporting dates.

### **Cautionary Statement on Forward-Looking Information**

This MD&A, which contains certain forward-looking statements, are intended to provide readers with a reasonable basis for assessing the financial performance of the Company. All statements, other than statements of historical fact, are forward-looking statements. The words "believe", "expect", "anticipate", "contemplate", "target", "plan", "intends", "continue", "budget", "estimate", "may", "will", "schedule" and similar expressions identify forward looking statements. Forwardlooking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic and competitive uncertainties and contingencies.

Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to, fluctuations in the currency markets such as Canadian dollar, fluctuations in the prices of commodities, changes in government legislation, taxation, controls, regulations and political or economic developments in Canada, the United States, or other countries in which the Company carries or may carry on business in the future, risks associated with mining or development activities, the speculative nature of exploration and development, including the risk of obtaining necessary licenses and permits, and quantities or grades of reserves. Many of these uncertainties and contingencies can affect the Company's actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company.

Readers are cautioned that forward-looking statements are not guarantees of future performance. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those acknowledged in such statements. Specific reference is made to the Company's most recent Annual Information Form on file with Canadian provincial

securities regulatory authorities for a discussion of some of the factors underlying forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except to the extent required by applicable laws.