# SUPER NOVA MINERALS CORP.

## Management Discussion & Analysis
## For the year ended May 31, 2013

Management Discussion and Analysis ("MD&A") focuses on significant factors that affected the performance or may affect future performance of Super Nova Minerals Corp. ("Super Nova" or the "Company") and is intended to help the reader understand the financial statements of Super Nova. The information herein should be read in conjunction with the audited financial statements for the year ended May 31, 2013 and 2012 and related notes contained therein, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

This MD&A is prepared as at September 23, 2013 and all monetary amounts are in Canadian dollars unless otherwise stated. Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained therein.

## COMPANY OVERVIEW

Super Nova is a Canadian resource exploration company engaged in the acquisition and exploration of mineral properties, and currently holds interests in resource properties in British Columbia and Quebec, Canada, and Montana, United States.

## HIGHLIGHTS

The following are highlights of events occurring during the year ended May 31, 2013 and subsequent thereto:

### ***Amalgamation with 0922519 BC Ltd and Public Listing***

On October 2, 2012, Super Nova Minerals Corp. ("SNMC") and 0922519 B.C. Ltd. ("519 BC") were amalgamated into on entity and continued to use the name of Super Nova Minerals Corp. (the "Company" or "Newco"). Upon amalgamation, shareholders of 519 BC received one common share of Newco for every six (6) 519 BC's common shares they held before the amalgamation while shareholders of SNMC received one share of Newco for one SNMC's common shares they held before the amalgamation. Although the transaction resulted in a single entity, control passed to the former shareholders of SNMC and the transaction constitutes a reverse take-over of 519 BC by SNMC and has been accounted for as a reverse takeover transaction in accordance with guidance provided in IFRS 2 Share-based Payment and IFRS 3 Business Combinations. As 519 BC did not qualify as a business according to the definition in IFRS 3, this reverse takeover transaction does not constitute a business combination; rather it is treated as an issuance of shares by the SNMC for the net asset of 519 BC. Also, as the main purpose of the amalgamation is to use the shell of 519 BC to list the shares of the Newco on Canadian National Stock Exchange ("CNSX"), the acquisition cost over the net asset acquired is recorded as listing fees on the statements of loss and comprehensive loss.

The total consideration for the acquisition of 519 BC was as follows:

| | | |
|---|---|---|
| Valuation of 1,006,445 common shares issued | $ | 100,645 |
| Transaction costs | | 83,292 |
| Total consideration | | 183,937 |

The allocation of the purchase cost was as follows:

| | | |
|---|---|---|
| Cash | $ | 592 |
| Accounts payable and accrued liabilities | | (6,062) |
| Listing Fees | | 189,407 |
| Total | | 183,937 |

On October 22, 2012, the common shares of the Company were listed on CNSX under the symbol "SNP".

**Property Acquisitions**

- On November 2, 2012, the Company entered into a purchase agreement (the "Preissac Agreement") with Pristine Capital Corp. ("Pristine") to acquire the Preissac Property, which is comprised of 13 mineral titles (totaling 456 hectares) located in the Rouyn-Noranda-Val mining camp, in Northwest Quebec for $30,000 cash and 1,450,000 Common Shares of the Company.

- On November 6, 2012, the Company entered into a farmout agreement (the "Farmout Agreement") with Elk Hills Petroleum Canada Ltd. and Elk Hills Heavy Oil, LLC (the "Farmors") to acquire an option, by making certain cash payment and completing certain exploration work, to earn an 85% working interest before payout and a 50% interest after payout in the Morris Block, which contains 1,900 in its entirety, on the Elk Hills Project in the Big Horn basin of Montana, United States.

- On February 22, 2013, the Company entered into an Amendment Farmout Agreement ("Amendment Agreement") with the Farmors to replace the Farmout Agreement. Pursuant to the terms of the Amendment Agreement, the Company will acquire a 50% working interest in the Elk Hills Property, (which cover approximately 14,444 acres) land position containing the Morris Block and Cottonwood Creek Prospects, until the Farmors have received a total of $3 million in net revenue from oil production through their fully carried working interest and an 87.5% working interest after the Farmors have received a total of $3 million in net revenue out of oil production by issuance of 16,786,665 common shares to the shareholders of Elk Hills Petroleum, cash payment of $700,000 to the Farmors, and completing certain project work per agreed schedule.

- On August 12, 2013 the Company entered into an agreement that replaced and superseded the original agreement and its amendment. Pursuant to the terms of the Amendment Agreement, to exercise of the option is subject to $715,000 cash payments and the issuance of a total of 16,750,000 common shares of the Company upon receiving approval from CNSX. These shares will be held in escrow and will be released to Elk Hills petroleum as follows: 25% upon receiving approval from CNSX, and 25% every six months following the initial release. Upon signing of the agreement, the Company agreed to issue 500,000 shares of common stock as a finder fee. The companies will share revenues 50% (40% after carried interest) each unit Elk Hills has been paid $3,000,000. Following the $3,000,000 milestone, Super Nova will receive 87.5% (70% net of the 20% carried interest) and Elk Hills' payment will be reduced to 12.5% (10% net of the 20% carried interest). The Company is also required to duplicate a historic well drilled in 1983 on the Cottonwood Block of the Elk Hills property, complete a steam production test on the existing Bauwens 15-13 well and install a Five Spot on the Morris Block or Cottonwood Creek Block. A Five Spot consists of a central injector well with 4 producing wells located radially around it.

***Financing***

On June 13, 2012, the Company closed a private placement of 1,212,000 common shares, which comprised of 500,000 non-flow-through common shares at $0.10 per share, of which $10,000 was received on May 31, 2012 and 712,000 flow-through shares at $0.12 per share, of which $85,440 was received on May 31, 2012 for gross proceeds of $135,440. $14,240 in flow-through share premium liability was recorded as a result of the private placement.

On September 27, 2012, the Company closed a private placement of 705,000 common shares at a price of $0.10 per share for gross proceeds of $35,500. A total of 350,000 common shares issued as part of this private placement were used to pay $35,000 in debt owed to the certain debt holders of the Company.

On January 18, 2013, the Company closed a private placement of 1,146,662 units at a price of $0.075 per unit for gross proceeds of $86,000. Each unit is comprised of one common share and one transferable common share purchase warrant. Each share purchase warrant is exercisable for a period of two years at an exercise price of $0.15 per share during the first year and $0.20 per share during the second year.

On February 20, 2013, the Company closed a private placement of 1,766,666 units at a price of $0.075 per unit for gross proceeds of $57,580. Each unit is comprised of one common share and one transferable common share purchase warrant. Each share purchase warrant is exercisable for a period of two years at an exercise price of $0.125 per share during the first year and $0.175 per share during the second year. A total of 998,933 units issued as part of this private placement were used to pay the debt owed to certain debt holders for a total of $74,920. The Company paid $1,493 in finder's fees for this private placement.

All proceeds raised were used as planned to fund exploration activities and general working capital.

## RESOURCE EXPLORATION PROJECTS

### *a) Marbridge Property, Quebec*

The Company's 100% interest owned Marbridge Property is a nickel-copper-platinum group element (PE) mineralization project, located in the Lamotte Township, 470 km northwest of Montreal and 33 km northwest of Val d'Or in the Abitibi region of west-central Quebec, along the north-trending Highway 109 which joins the town of Riviere-Heva town located on Highway 117 and Amos, 39 km to the north.

Geologically, the Marbridge property is situated in the south-central Archean Abitibi greenstone belt where it overlies the Malartic Group. The latter is comprised of numerous late batholithic bodies that intrude volcanic and sedimentary sequences. The preceding is comprised of roughly east-west-trending komatiitic and minor volcanic-sedimentary assemblages that curl around three large late- to post-tectonic granitic batholiths.

Comprehensive detailed exploration of the Marbridge Property remains to be undertaken. The Company has planned a two-phased exploration program at Marbridge Property. The first phase would consist of geological mapping, geophysics, geochemistry, and drilling, and the second phase would consist almost entirely of drilling, but would be contingent on the results obtained from Phase I.

As at May 31, 2013, the carrying value of the Marbridge Property was $342,495, which consisted of cash payments totaling $15,000, a total of 1,300,000 shares issued and valued at $130,000, exploration expenditures of $170,171, claims renewals through a payment of $68,950 in lieu of expenditure and the Company received a tax credit of $28,313, which was recognized against exploration expenditures.

The Marbridge Property is subject to a net smelter return royalty of 3%, of which 2% may be purchased for $1,000,000.

As at May 31, 2013, the Company accrued tax credits totalling $13,313, which were recognized against exploration expenditures on the Marbidge Property

### *b) Iron Ridge Project, British Columbia*

The Company has an option to acquire 100% interest in the Iron Ridge Property, located in south-eastern British Columbia, approximately 10 kilometers east of the town of Creston, which consists of five mineral claim blocks, covering a total area of 549.87 hectares. In consideration for acquiring the property, the Company issued 1,300,000 common shares valued at $130,000 during fiscal 2008, issued 2,000,000 common shares valued at $100,000 during fiscal 2011 and paid a total of $39,000 in cash by May 31, 2011.

The Iron Ridge Property is an early exploration stage property with a favourable structural and stratigraphic setting for economic minerals. During the year ended May 31, 2012, the Company carried out a field exploration program which consisted of a small sampling program and ground magnetic survey. At total of 20 rock samples and 116 soil samples were collected on the Iron Ridge Property for the sampling program. Approximately 6.6km of survey lines were covered in the ground magnetic survey in order to provide higher quality geophysical data for assessment purposes in respect to the Iron Ridge Fault. Laboratory assay results of the rock and soil samples showed no indication of any enrichment in economic minerals in the area. However, the ground geophysics produced some interesting structures and trends which could represent possible targets for further re-evaluation.

As at May 31, 2013, the carrying value of the Iron Ridge was $344,367, which consisted of cash payments totaling $39,000, a total 3,300,000 shares issued and valued at $230,000, exploration expenditures of $91,906, and the Company received a tax credit of $16,242, which was recognized against exploration expenditures.

Iron Ridge Property is subject to a net smelter return royalty of 3%, of which 2% may be purchased for $1,000,000.

### *c) Preissac Property*

On November 2, 2012, the Company entered into a purchase agreement (the "Preissac Agreement") with Pristine Capital Corp. ("Pristine") to acquire the Preissac Property, which is comprised of 13 mineral titles (totaling 456 hectares) located in the Rouyn-Noranda-Val mining camp, in Northwest Quebec for $30,000 cash and 1,450,000 Common Shares of the Company ("Purchase Price"). On November 6, the Company issued a total of 1,450,000 Common Shares, valued at $174,000, to Pristine and the cash consideration is to be paid by installments, of which $10,000 is due on January 15, 2013 and $20,000 is due on February 28, 2013. Upon completion of payment of the Purchase Price, the Company will acquire an undivided 100% interest in and to the property.

As at May 31, 2013, the Company issued 1,450,000 shares and valued $174,000.

Subsequent to May 31, 2013, the Company entered an amendment to waive the $30,000 cash payments.

### *d) Elk Hills Property*

Pursuant to a series of agreements, the Company entered into a farmout (the "Farmout Agreement") with Elk Hills Petroleum Canada Ltd. and Elk Hills Heavy Oil LLC (the "Farmors"). Under the terms of the agreement, the Company has a right to acquire a 50% working interest in both the Morris Block and Cottonwood Creek Lease Projects within the Elk Hills Property, until the Farmors receive a total of $3 million in net revenue from oil production through their fully carried working interest and an 87.5% working interest thereafter, by completing the following:

(i) Making the following cash payments:

| | **Cash** |
|---|---|
| Initial payment (Paid) | $ 47,000 |
| February 25, 2013 (paid) | $ 25,000 |
| March 15, 2013 ($10,000 paid) | 48,000 |
| April 30, 2013 | 30,000 |
| May 31, 2013 | 100,000 |
| July 31, 2013 | 150,000 |
| One week subsequent to the first well for the 5 spot being spudded | 300,000 |
| | $ 700,000 |

(ii) Issue common shares to the shareholders of Elk Hills Petroleum Canada Ltd. totalling 16,786,665 as follows:

- 5,595,555 shares within five business days after the CNSX approval (issued)
- 5,595,555 shares within one week of drilling, casing and logging a well on Cottonwood Creek Prospect
- 5,595,555 shares after all lifting costs and flow rates have been established by a huff and puff on either the Bauwens 15-13 well or the newly drilled Cottonwood Creek Prospect well.

(iii) Drill, core and case one well in the Cottonwood Creek Prospect no later than April 30, 2013

(iv) Start a Steam Injection Test at the Bauwens well or the newly drilled and cased Cottonwood Creek well within 60 days after the Cottonwood Creek well is drilled and cased and no later than July 31, 2013;

(v) Complete a 5 spot well consisting of drilling an injection well and thereafter drilling four additional producing wells surrounding the injection well in an area on the Morris Block or in the Cottonwood Creek Area designated by the Farmors; the drilling of the 5 Spot well shall commence within 60 days of the completion of the Steam Injection Test.

The Elk Hills Property is subject to royalty totalling 20%, of which 10% will be payable by the Company until the $3 million in net revenue from oil production is reached and 17.5% thereafter.

As at May 31, 2013 the Company had paid total of $82,000 in cash acquisition costs and issued 5,595,555 shares of its common stock with the total value of $559,555. The Company did not commence required drilling and did not make all the payments required by the agreements.

On August 12, 2013, the Company and Farmors reached an agreement that replaced and superseded the original agreement and its amendment. The new agreement retained the same working interest percentages as were contemplated in the original series of agreements. The terms and conditions to acquire the interest were changed to the following:

(i) Cash payment requirements:

| | **Cash** |
|---|---|
| Upon signing of the contract, non-refundable payment (paid) | $ 25,000 |
| Within 30 days of signing of the agreement (September 12, 2013); plugging costs associated with existing wells on the property | 15,000 |
| On or before September 15, 2013, non-refundable payment | 25,000 |
| On or before September 30, 2013; cost to renew top leases | 35,000 |
| On or before November 30, 2013; non-refundable payment | 25,000 |
| On March 31, 2014 or 45 days after receiving permits for steam testing, whichever is later | 100,000 |
| On July 15, 2014 or 45 days after receiving five spot permits, whichever is later | 150,000 |
| Within 90 day of extracting first barrel of oil from the five spot well | 340,000 |
| | $ 715,000 |

As at May 31, 2013, the carrying value of the Elk Hill Property was $641,555, which consisted of cash payment totaling $82,000, a total of 5,595,555 shares issued and valued at $559,555.

## SELECTED ANNUAL FINANCIAL DATA

The following selected financial information is derived from the audited financial statements and notes thereto. The information has been prepared in accordance with IFRS.

| | As at May 31, | | |
|---|---|---|---|
| | **2013** | 2012 | 2011 |
| Current assets | **$ 22,244** | $ 178,141 | $ 136,996 |
| Exploration and evaluation asssets | **1,502,417** | 703,661 | 601,229 |
| Total assets | **1,524,661** | 881,802 | 738,225 |
| | | | |
| Current liabilities | **322,458** | 117,888 | 89,040 |
| Long term liabilities | **-** | 14,240 | - |
| Shareholders' equity | **1,202,203** | 749,674 | 649,185 |
| Total liabilities and shareholders' equity | **$ 1,524,661** | $ 881,802 | $ 738,225 |
| | | | |
| Working capital (deficiency) | **$ (300,214)** | $ 60,253 | $ 47,956 |

| | Years ended May 31, | | |
|---|---|---|---|
| | **2013** | 2012 | 2011 |
| Revenue | **$ -** | $ - | $ - |
| Expenses | **738,428** | 182,961 | 47,587 |
| Loss and comprehensive loss for the year | **$ 738,428** | $ 182,961 | $ 47,587 |
| | | | |
| Basic and diluted loss per share | **$ 0.04** | $ 0.02 | $ 0.01 |
| | | | |
| Weighted average number of common shares outstanding | **18,781,869** | 11,328,694 | 4,346,105 |
| | | | |
| Dividends per share | **$ -** | **$ -** | $ - |

As Super Nova is in the exploration stage, none of the Company's current properties are in production. Therefore, mineral exploration expenditures are capitalized and losses are incurred as a result of administrative expenses related to the operation of the Company's business. Consequently, the Company's loss and comprehensive loss for the year is not a meaningful indicator of its performance or potential.

The key performance driver for the Company is the acquisition and development of prospective mineral properties. By acquiring and exploring projects of superior technical merit, the Company increases its chance of finding and developing an economic deposit.

At this time, the Company is not anticipating profit from operations. Until such time as the Company is able to realize profits from the production and sale of commodities from its mineral interests, Company will report an annual loss and will rely on its ability to obtain equity or debt financing to fund ongoing operations.

## SUMMARY OF QUARTERLY RESULTS

The following table summarizes the operation results for the past eight quarters:

| As at | **May 31, 2013** | Feb 28, 2013 | Nov 30, 2012 | Aug 31, 2012 | May 31, 2012 | Feb 29, 2012 | Nov 30, 2011 | Aug 31, 2011 |
|---|---|---|---|---|---|---|---|---|
| Current assets | **$ 22,244** | $ 10,274 | $ 37,010 | $ 167,989 | $ 178,141 | $ 133,856 | $ 165,457 | $ 226,591 |
| Exploration and evaluation asssets | **1,502,417** | 943,417 | 891,417 | 716,417 | 703,661 | 693,659 | 679,386 | 645,023 |
| Total assets | **1,524,661** | 953,691 | 928,427 | 884,406 | 881,802 | 827,515 | 844,843 | 871,614 |
| | | | | | | | | |
| Current liabilities | **322,458** | 249,642 | 270,808 | 200,982 | 117,888 | 106,689 | 97,939 | 101,393 |
| Long term liabilities | - | - | - | 14,240 | 14,240 | - | - | - |
| Shareholders' equity | **1,202,203** | 704,049 | 657,619 | 669,184 | 749,674 | 720,826 | 745,904 | 770,221 |
| Total liabilities and shareholders' equity | **$ 1,524,661** | $ 953,691 | $ 928,427 | $ 884,406 | $ 881,802 | $ 827,515 | $ 843,843 | $ 871,614 |
| | | | | | | | | |
| Working capital (deficiency) | **$ (300,214)** | $ (239,368) | $ (233,798) | $ (32,993) | $ 60,253 | $ 27,167 | $ 67,518 | $ 125,198 |

| | Quarters ended | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **May 31, 2013** | Feb 28, 2013 | Nov 30, 2012 | Aug 31, 2012 | May 31, 2012 | Feb 29, 2012 | Nov 30, 2011 | Aug 31, 2011 |
| Revenue | **$ -** | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Expenses | **119,651** | 158,577 | 304,210 | 155,990 | 87,852 | 28,330 | 39,317 | 27,462 |
| Loss and comprehensive loss for the period | **$ 119,651** | $ 158,577 | $ 304,210 | $ 155,990 | $ 87,852 | $ 28,330 | $ 39,317 | $ 27,462 |
| | | | | | | | | |
| Basic and diluted loss per share | **$ 0.01** | $ 0.01 | $ 0.02 | $ 0.01 | $ 0.01 | $ 0.00 | $ 0.00 | $ 0.00 |
| | | | | | | | | |
| Weighted average number of common shares outstanding | **18,781,869** | 18,619,402 | 15,588,126 | 14,607,289 | 12,241,822 | 12,004,050 | 12,004,050 | 9,032,854 |
| | | | | | | | | |
| Divisends per share | **$ -** | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

## RESULTS OF OPERATIONS

### Fourth Quarter ended May 31, 2013 ("Q4 2013") vs. Fourth Quarter ended May 31, 2012 ("Q4 2012")

**Net loss** in Q4 2013 was $119,651, an increase of $31,799 or 36.2% compared to the net loss of $87,852 incurred in the same period last year. The increase of loss was mainly associated with the public listing of the common shares of the Company. This increase was partially offset by decreased corporation communication activities.

**Administrative fees** in Q4 2013 increased by $10,477 or 642.5%, from $1,626 to $12,073. The increase was mainly due to more manpower and time consumed to enhance the corporate governance and administration duties associated with the listing of the common shares of the Company.

**Consulting fees** in Q4 2013 increased by $185,601 or 774.9% from $(23,953) to $161,648. The increase was mainly associated public relations activities to secure financing for ongoing operations and exploration programs planned on Elk Hill Property.

**Corporate Communication** in Q4 2013 decreased by $(180,243) or -312.7% from $57,650 to $(122,593). The decrease was mainly associated with the reclassification of $64,920 from corporate communication to consulting fees. These decreases were partially offset by increases in corporate communication activities associated with the Company increasing efforts to raise public awareness of the Company and communicate with potential and existing shareholders of the Company associated with the listing of the common shares of the Company on CNSX.

**Professional fees** in Q4 2013 decreased by $(2,526) or -5.9% from $42,610 to $40,084. The decrease was mainly due to less of audit fees as the Company engaged an independent auditor to audit the financial statements associated with the listing of common shares of the Company.

**Listing** in Q4 2013 increased by $5,470 from $nil to $5,470. The increase was mainly due to associated costs of the listing fee from 519 BC.

**Filing fee** in Q4 2013 increased by $5,892 from $(1,248) to $4,644. The increase was mainly due to investor and financing activities as a result of weak market conditions.

**Year ended May 31, 2013 vs. Year ended May 31, 2012**

**Net loss** for the year ended May 31, 2013 was $738,428 (loss per share: $0.04), an increase of $555,467, compared to the loss of $182,961 incurred during the year ended 2012. The increase of loss was mainly associated with the public listing of the common shares of the Company and the increased activities after becoming a public reporting issuer and the details are as follows:

**Administrative fees** for the year ended May 31, 2013 increased by $40,468 or 660.6% from $6,126 to $46,594. The increase was mainly due to more manpower and time consumed to enhance the corporate governance and administration duties associated with the listing of the common shares of the Company.

**Consulting fees** for the year ended May 31, 2013 increased by $148,589 or 603.1% from 24,639 to $173,228. The increase was mainly due to increased relations activities carried out by the Company.

**Corporate Communication** for the year ended May 31, 2013 increased by $41,455 or 71.9% from $57,650 to $99,105. The increase was mainly associated with the Company increasing efforts to raise the public awareness of Company and communicate with potential and existing shareholders of the Company associated with the listing of the common shares of the Company on CNSX.

**Professional fees** for the year ended May 31, 2013 increased by $40,150 or 56.7% from $70,768 to $110,918. The increase is mainly due to the increase of audit fees as the Company engaged an independent auditor to audit the financial statements associated with the listing of common shares of the Company.

**Listing** for the year ended May 31, 2013 increased by $189,407 mainly due to the fair value of common shares issued to the former shareholders of the 519 BC and costs associated with the amalgamation with 519 BC.

**Filing fee** for the year ended May 31, 2013 increased by $24,459 or 2246% from $1,089 to $25,548. The increase was mainly due to investor and financing activities as a result of weak market conditions.

## LIQUIDITY AND CAPITAL RESOURCES

The Company is in the exploration stage and therefore has incurred losses and negative cash flows from operations. The Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placement. On October 22, 2012, the common shares of the Company were listing on the CNSX. Although public listing could increase the liquidity, the Company's ability to raise cash mainly depends on capital market conditions, commodities price, and the results of ongoing exploration programs. There is no assurance that the Company will be able to obtain any additional financing on terms acceptable to the Company. The quantity of funds to be raised and the terms of any equity financing that may be undertaken will be negotiated by management as opportunities to raise funds arise. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activity.

The mining industry is capital intensive and there can be no certainty that the Company's existing cash balances or that the proceeds from the issuance of its common shares will provide sufficient funds for all of the Company's cash requirements. Should the need arise, the Company may pursue other financing options or rely on joint venture partners to supply some of funds required to explore and develop any acquisitions. There is no assurance that the Company will be successful in obtaining the funds it may require for its program or that the terms of any financing obtained will be acceptable.

The Company has no commitments for capital expenditures and financing arrangements which have been arranged but not yet used as at May 31, 2013.

*Sources and uses of cash*

The following table summarizes the sources and uses of cash for the year ended May 31, 2013 and 2012

*Cash used in operating activities* for the year ended May 31, 2013 was $267,153 (2012 - $206,182). More cash used in 2013 was mainly due to more loss incurred in 2013 offset by positive changes in non-cash working capital.

*Cash used in investing activities* for the year ended May 31, 2013 was $100,451 (2012 - $104,055). In 2013, the Company made $82,000 in cash option payments (2012 - $Nil) and incurred $10,975 exploration expenditures (2012 - $104,055) offset by $16,242 for tax credits (2012 - $Nil) received by the Company.

*Cash provided by financing activities* for the year ended May 31, 2013 was $246,837 (2012 - $297,690). All cash from financing activities were related to equity financing.

## RELATED PARTY TRANSACTIONS

The following amounts were due to related parties as at May 31, 2013 and May 31, 2012

| | May 31, 2013 | May 31, 2012 |
|---|---|---|
| Payable to a company owned by common directors | $ 64,382 | $ 13,145 |
| Due to a company owned by a director | 36,518 | 23,409 |
| Due to a director | 755 | - |
| Due to a company owned by an officer | 10,675 | - |
| Due to a former director | - | 24,000 |
| Total | $ 112,330 | $ 60,554 |

The following table represents costs the Company incurred with related parties during the years ended May 31, 2013 and 2012:

| | May 31, 2013 | May 31, 2012 |
|---|---|---|
| Office and other general administrative expenses paid on behalf of the Company by a company owned by common directors | $ 70,311 | $ 35,047 |
| Consulting fees paid to a company owned by a director | 56,000 | 12,000 |
| Geological services paid to director | 9,975 | - |
| Administrative fees paid to a company owned by an officer | 28,050 | - |
| Professional fees paid to a former director | - | 24,000 |
| Total | $ 208,432 | $ 71,047 |

The Company considers senior officers and directors to be key management. During the year ended May 31, 2013, the remuneration for key management was $101,280 (2012 - $49,709).

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting periods. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Actual results could differ materially from those reported.

Significant assumptions about the future and other sources of judgments and estimates that management has made at the statement of financial position date, that could result in 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:

- The provision of deferred tax is based on judgments in applying income tax law and estimates on timing, likelihood and reversal of temporary differences between the accounting and tax basis of the assets and liabilities;
- The estimated value of exploration and evaluation costs which is included in the statement of financial position;
- The assessment of indications of impairment of each of the exploration and evaluation assets and related determination of the net realizable value and write-down of those assets where applicable.

## ACCOUNTING STANDARDS ISSUED BUT NOT YET IMPLEMENTED

Each of the additional new standards outlined below is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted, except for IFRS 9 "Financial Instruments" which is effective for annual periods beginning on or after January 1, 2015. The Company has not yet assessed the impact, if any, that the new amended standards will have on its financial statements or whether to early adopt any of the new requirements.

***IFRS 9 "Financial Instruments"***

The result of the first phase of the IASB's project to replace IAS 39, "Financial Instruments: Recognition and Measurement". The new standard replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only two classification categories: amortized cost and fair value.

### ***IFRS 10 "Financial Statements"***

Replaces Standing Interpretations Committee 12, "Consolidation – Special Purpose Entities" and the consolidation requirements of IAS 27 "and Separate Financial Statements". The new standard replaces the existing risk and a reward based approaches and establishes control as the determining factor when determining whether an interest in another entity should be included in the financial statements.

### ***IFRS 11 "Joint Arrangements"***

Replaces IAS 31 "Interests in Joint Ventures". The new standard focuses on the rights and obligations of an arrangement, rather than its legal form. The standard redefines joint operations and joint ventures and requires joint operations to be proportionately and joint ventures to be equity accounted.

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

Provides comprehensive disclosure requirements on interests in other entities, including joint arrangements, associates, and special purpose vehicles. The new disclosures require information that will assist financial statement users in evaluating the nature, risks and financial effects of an entity's interest in subsidiaries and joint arrangements.

### ***IFRS 13 "Fair value measurement"***

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 specific standards requiring fair value measurements and in many cases does not reflect measurement basis or consistent disclosures.

### ***Amendments to other standards***

In addition to the above, there have been amendments to existing standards, including IAS 27 "Separate Financial statements" and IAS 28 "Investments in Associated and Joint Venture. IAS 27 addresses accounting for subsidiaries, associates, and joint controlled entities in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13 (see above).

Readers are encouraged to refer to the complete set of significant accounting policies as described in the notes to Company's audited financial statements for the year ended May 30, 2013.

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, and accounts payable and accrued liabilities and due to related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. Note that receivables are HST due from Government, low risk.

### ***Credit risk***

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits its exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. Receivables consist of Harmonized Sales Tax ("HST") receivable from the Canadian government and are considered low risk.

***Currency risk***

The Company operates primarily in Canadian dollars and as such is not affected by the fluctuations of the Canadian dollar with other currencies.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with its financial liabilities. The Company has historically relied upon equity financings to satisfy its capital requirements and will continue to depend heavily upon equity capital to finance its activities. There can be no assurance the Company will be able to obtain required financing in the future on acceptable terms. The Company anticipated it will need additional capital in the future to finance ongoing exploration of its properties, such capital to be derived from the exercise of outstanding stock options, warrants and/or the completion of other equity financings. The Company has limited financial resources, has no source of operating income and has no assurance that additional funding will be available to it for future exploration and development of its projects, although the Company has been successful in the past in financing its activities through the sale of equity securities. The ability of the Company to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions and exploration success. In recent years, the securities markets in Canada have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. Any quoted market for the common shares may be subject to market trends generally, notwithstanding any potential success of the Company in creating revenue, cash flows or earnings.

***Interest rate risk***

The Company normally invests in short-term interest bearing financial instruments. There is a minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any guaranteed bank investment certificate included in cash as they are currently held in large financial institutions.

***Fair value measurements of financial assets and liabilities***

Disclosure about significance of inputs used in making fair value measurements is as follows:

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

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e.: as prices) or indirectly (i.e.: derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data.

The fair value of cash is determined based on "Level 1" inputs, which consist of quoted prices in active markets for identical assets. The Company believes that the recorded values of receivables, due from related parties and accounts payable and accrued liabilities, approximate their current fair values because of their nature and relatively short maturity dates or durations.

## OTHER RISKS AND UNCERTAINTIES

The Company's principal activity is mineral exploration. Companies in this industry are subject to many and varied kinds of risks, including but not limited to, environmental, metal prices, political and economical.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title.

Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

The Company has no significant source of operating cash flow and no revenues from operations. None of the Company's mineral properties currently have reserves. The Company has limited financial resources.

Substantial expenditures are required to be made by the Company to establish ore reserves. The property interests owned by the Company, or in which it has an option to earn an interest are in the exploration stages only, are without known bodies of commercial mineralization and have no ongoing mining operations. Mineral exploration involves a high degree of risk and only few properties which are explored are ultimately developed into producing mines.

Exploration of the Company's mineral exploration may not result in any discoveries of commercial bodies of mineralization. If the Company's efforts do not result in any discovery of commercial mineralization, the Company will be forced to look for other exploration projects or cease operations. The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Trends, commitments, events or uncertainties presently known or identifiable to management that are reasonably expected to have a material effect on the Company's business, financial position, or results of operations, are as follows:

- Current market volatility and general share price decline in the financial sector, including the Exchange, may impact the Company's ability to raise further capital and fund ongoing operations.

- To maintain operational expenses going forward, the Company will require non flow through funds either through a private placement financing, the exercise of stock options or warrants, or the sale of unproven mineral interests.

## OUTSTANDING SHARE DATA

The Company's authorized capital is an unlimited number of common shares without par value. As at date of this report, the Company had 32,347,224 common shares issued and outstanding and 8,303,328 warrants outstanding.

## OFF-BALANCE SHEET ARRANGEMENTS

There are no off balance sheet items.

## PROPOSED TRANSACTIONS

There are no proposed transactions.

## ADDITIONAL DISCLOSURE FOR VENTURE ISSUER WITHOUT SIGNIFICANT REVENUE

(a) Capitalized or expensed exploration and development cost

The required disclosure is presented in Note 5 to the financial statements for three and the years ended May 31, 2013 and May 31, 2012.

## FORWARD LOOKING STATEMENTS

Except for statements of historical fact, certain information contained herein constitutes forward-looking statements. Forward-looking statements are usually identified by the use of certain terminology, including "will", "believes", "may", "expects", "should", "seeks", "anticipates", "plans" or "intends" or by discussions of strategy or intentions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results or achievements to be materially different from any future results or achievements expressed or implied by such forward- looking statements. Forward-looking statements are statements that are not historical facts, and include but not limited to, estimates and their underlying assumptions; statements regarding plans, objectives and expectations with respect to the effectiveness of the Company's business model; future operations, products and services; the impact of regulatory initiatives on the Company's operations; the size of and opportunities related to the markets for the Company's products; general industry and macroeconomic growth rates; expectations related to possible joint and/or strategic ventures and statements regarding future performance.

Additional information relating to the Company can be obtained from SEDAR at www.sedar.com.

## DISCLAIMER

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents. No securities commission or regulatory authority has reviewed the accuracy of the information presented herein.