

FORM 51-102F1

MANAGEMENT'S DISCUSSION & ANALYSIS – MARCH 31, 2013

**LONGACRE RESOURCES INC.**

June 25, 2013

The following management discussion and analysis ("MD&A") is a review of the operations, current financial position and outlook for Longacre Resources Inc. ("the Company" or "Longacre") and should be read in conjunction with the Company's audited financial statements and the accompanying notes for the year ended March 31, 2013, which were prepared in accordance with International Financial Accounting Standards ("IFRS") and are filed under the Company's profile on the SEDAR website: [www.sedar.com](http://www.sedar.com).

The reader should also refer to the Company's audited financial statements and the accompanying notes for the year ended March 31, 2012, which were prepared in accordance with IFRS.

All dollar figures included herein and in the following discussion and analysis are quoted in Canadian dollars unless otherwise noted.

**Forward-Looking Statements**

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

**Overview**

The Company is a company incorporated under the laws of British Columbia on April 13, 2011. The Company is a reporting issuer in British Columbia and Alberta, however its shares are not listed and quoted for trading on any stock exchange.

On July 1, 2011, the Company acquired a 100% interest in certain mining claims comprising the Christa-Aura Property situated in south western British Columbia (the "Project"), by staking the claims at a cost of \$17,153. The Company has expended \$103,347 on exploration and evaluation of the Project to date.

Pursuant to an Engagement Letter dated March 9, 2012, amended July 24, 2012, the Company engaged Wolverton Securities Ltd. to act as its agent to assist with the Company's initial public offering ("IPO") of its securities by way of prospectus and the Company's listing on the TSX Venture Exchange. The Company received regulatory approval for its IPO

prospectus from the British Columbia and Alberta Securities Commissions on January 21, 2013. Pursuant to the prospectus, the Company was to raise \$600,000 by the issuance of 4,000,000 common shares at \$0.15 per common share. The IPO expired on April 21, 2013 without having been sold; and management determined that, given the then current market conditions, not to seek to extend the offering.

The Company intends to complete the IPO when market conditions improve.

### **Management's Responsibility for Financial Statements**

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

### **Overall Performance and Results of Operations**

During the year ended March 31, 2013, the Company incurred a net loss of \$108,307 from operations compared to a net loss of \$149,811 for the comparable period ended March 31, 2012. These expenses are itemized in the statements of comprehensive loss in the Company's Financial Statements for the year ended March 31, 2013. The decrease in operating expenses is mainly attributable to the redemption of founders shares which resulted in a recovery of stock based compensation.

### **Selected Annual Information**

The following table sets out selected annual financial information for the last three financial years ended March 31, 2013 and 2012. The financial data has been prepared in accordance with IFRS and audited in accordance with Canadian Auditing Standards:

<b>Years Ended</b>	<b>March 31, 2013</b>	<b>March 31, 2012</b>
Total Revenue	\$ NIL	\$ NIL
Operating Loss - per share <sup>(1)</sup>	(108,307) (0.02)	(149,811) (0.04)
Loss and comprehensive loss - per share <sup>(1)</sup>	(108,307) (0.02)	(149,811) (0.04)
Total Assets	144,059	155,189
Total Long Term Financial Liabilities	NIL	NIL
Cash Dividends Declared - per common share	NIL	NIL

**Note:**

1. Fully diluted loss per share was not calculated as the effect was anti-dilutive.

## General and Administrative Expenses

General and administrative expenses for the year ended March 31, 2013 were \$108,307 compared to \$149,811 for year ended March 31, 2012. The major contributors to this decrease are:

- Financing costs were \$66,423 in 2013 compared to \$Nil in 2012, the increase due to the write off of deferred share issue costs resulting from the decision not to proceed with the Initial Public Offering.
- Stock based compensation is (\$20,000) in 2012 compared to \$80,000 in 2012, the decrease due to the redemption of 500,000 founders shares in 2013.

## Summary of Quarterly Results

The following tables sets out selected unaudited quarterly financial information for the most recent eight quarters to March 31, 2013:

Three Months Ended	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
Total Revenue	-	-	-	-
Operating (Loss) Income - per share <sup>(1)</sup>	(90,398) (0.015)	2,875 (0.000)	(8,949) (0.001)	(11,835) (0.002)
Income (loss) and comprehensive income (loss) - per share <sup>(1)</sup>	(90,398) (0.015)	2,875 (0.000)	(8,949) (0.001)	(11,835) (0.000)

Three Months Ended	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011
Total Revenue	-	-	-	-
Operating Loss - per share <sup>(1)</sup>	(25,018) (0.005)	(27,674) (0.006)	(15,027) (0.004)	(82,092) (0.041)
Loss and comprehensive loss - per share <sup>(1)</sup>	(25,018) (0.005)	(27,674) (0.006)	(15,027) (0.004)	(82,092) (0.041)

Note:

1. Fully diluted loss per share was not calculated as the effect was anti-dilutive.

## Fourth Quarter Results General and Administrative Expenses

The Company sustained a net loss of \$90,398 for the quarter ended March 31, 2013 compared to a loss of \$25,018 for the quarter ended March 31, 2012. The difference is due primarily to the write off of \$66,423 of financing costs, resulting from the termination of the Company's IPO.

The Company's assets decreased to \$144,059 as at March 31, 2013 compared to \$155,189 as at March 31, 2012, due to a decrease in cash resulting from general expenditures.

**Liquidity and Capital Resources**

The Company's cash position was \$2,657 as at March 31, 2013, compared to \$14,116 as at March 31, 2012. The Company had a working capital deficiency of \$76,118 as at March 31, 2013 compared to a working capital of \$24,689 as at March 31, 2012. The decrease in the Company's cash position and working capital was a direct result of its operating expenses, and costs associated with the terminated IPO.

**Off Balance Sheet Arrangements**

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

**Transactions with Related Parties**

During the year ended March 31, 2013 and 2012, the Company:

- paid management fees of \$2,500 (2012 - \$17,500) to a company controlled by a director and president of the Company
- paid or accrued legal fees for deferred share issue costs of \$46,606 (2012 - \$Nil) to a legal firm with a partner who is a director of the Company
- paid or accrued legal fees of \$3,308 (2012 - \$10,072) to a legal firm with a partner who is a director of the Company
- paid professional fees of \$30,000 (2012 - \$27,500) to a company controlled by an officer of the Company

These transactions were agreed upon by the board of directors and were measured at the exchange amount which is the amount of consideration established and agreed to by related parties.

**Legal Proceedings**

None.

**Proposed Transactions**

The Company will seek to refile its IPO prospectus, raise the proceeds thereunder, and list on the TSXV once the market for junior mineral exploration companies improves. There is no assurance this will happen in the short term, or at all.

**Subsequent Events**

As noted above, subsequent to March 31, 2013 the Company terminated its IPO and application to list on the TSXV due to adverse market conditions.

**Disclosure of Outstanding Share Data**

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

**Shares Issued and Outstanding:**

As at the effective date of this MD&A, there were 6,070,000 common shares issued and outstanding.

**Warrants:**

As at the effective date of this MD&A, there were 4,570,000 share purchase warrants outstanding. Each of the warrants entitles the holder thereof to acquire one additional common share of the Company at \$0.10 per share at any time until 24 months following the date the Company's shares are first listed for trading on a stock exchange in North America.

**Stock options:**

As at the effective date of this MD&A, the Company had no stock options outstanding.

**Recent Pronouncements**

The following pronouncements and amendments are effective for annual periods beginning on or after January 1, 2013 unless otherwise stated. Adopting these standards is expected to have minimal or no impact on the consolidated financial statements.

(a) IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2015 with early adoption permitted.

(b) IFRS 10 – Consolidation replaces SIC-12 Consolidation—Special Purpose Entities and parts of IAS 27 Consolidated and Separate Financial Statements and 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.

(c) IFRS 11 – Joint Arrangements requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas joint operations, the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. IFRS 11 supersedes IAS 31 Interests in Joint Ventures, and SIC-13 Jointly Controlled Entities—Non-monetary Contributions by Venturers.

(d) IFRS 12 – Disclosure of Interest 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 additional disclosures addressing the nature of, and risks associated with, an entity's interests in other entities.

(e) IFRS 13 – Fair Value Measurement is a comprehensive standard that defines fair value, requires disclosure about fair value measurement and provides a framework for measuring fair value when it is required or permitted within the IFRS standards.

(f) IAS 27 – Separate Financial Statement addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements

(g) IAS 28 – Investments in Associates and Joint Ventures has been amended to include joint ventures in its scope and to address the changes in IFRS 10 – 13.

(h) IAS 1 – Presentation of Financial Statements amendment requires components of other comprehensive income (OCI) to be separately presented between those that may be reclassified to income and those that will not. The amendments are effective for annual periods beginning on or after July 1, 2012.

(i) IAS 32 – Financial Instruments: Presentation amendment provides clarification on the application of offsetting rules. The amendments are effective for annual periods beginning on or after July 1, 2012.

### **Financial Risk Management**

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

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

#### *Financial Risk Management*

The Company's financial instruments consist of cash, accounts payable and accrued liabilities. 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. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

#### *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.

#### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

##### a) Interest rate risk

The Company has cash balances. The interest earned on cash approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates.

b) Price risk

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

### **Management of Capital**

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

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

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

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

There have been no changes to the Company's approach to capital management during the year ended March 31, 2013.

### **Disclosure Controls and Procedures**

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information. The Company's Chief Executive Officer and Chief Financial Officer evaluated the Company's disclosure controls and procedures for the year ended March 31, 2013. Management and the Board have found that those disclosure controls and procedures to be adequate for the above purposes.

### **Internal Control over Financial Reporting**

The Chief Executive Officer, the Chief Financial Officer and the Audit Committee of the Company are responsible for designing a system of internal controls over financial reporting, or designing a system of internal controls over financial reporting, or causing them to be

designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS. The Chief Executive Officer, the Chief Financial Officer and the Audit Committee have designed and implemented a system of internal controls over financial reporting which they believe is effective for the Company.

During the review of the design of the Company's control system over financial reporting it was noted that due to the limited number of staff, there is an inherent weakness in the system of internal controls due to the Company's inability to achieve appropriate segregation of duties. The limited number of staff may also result in identifying weaknesses with respect to accounting for complex and not-routine transactions due to a lack of technical resources, and a lack of controls governing the Company's computer systems and applications within the Company.

The Company will continue to use outside professionals to mitigate the risk of material misstatement in the Company's financial reporting, it is not possible to provide absolute assurance that this risk can be eliminated.

### **Additional Information**

Additional information relating to the Company is available on SEDAR, located on the internet at [www.sedar.com](http://www.sedar.com).

### **Directors and Officers**

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

#### **Directors:**

Mark Holden  
 Jeff Lightfoot  
 Robert W. Falls  
 W. D. Bruce Winfield  
 Brian Lueck

#### **Officers:**

Mark Holden, President  
 John Jardine, CFO and Corporate Secretary

### **Board Approval**

The contents of this management's discussion and analysis have been approved and its mailing has been authorized by the Board of Directors of the Company.

ON BEHALF OF THE BOARD OF DIRECTORS

*"Jeff Lightfoot"*

Jeff Lightfoot, Director