



# **LEO RESOURCES INC**

## **MANAGEMENT DISCUSSION & ANALYSIS**

**FOR THE INTERIM PERIOD FROM AUGUST 1, 2013 TO JANUARY 31, 2014**

**(Prepared by Management on March 28, 2014)**

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MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) AS OF JANUARY 31, 2014 TO ACCOMPANY THE UNAUDITED INTERIM FINANCIAL STATEMENTS OF LEO RESOURCES INC (THE "COMPANY" OR "LEO") FOR THE SIX MONTHS ENDED JANUARY 31, 2014.

The following Management's Discussion and Analysis should be read in conjunction with the audited financial statements of the Company for the period from March 18, 2013 (date of incorporation) to July 31, 2013, which were prepared in accordance with International Financial Reporting Standards ("IFRS") and the unaudited interim financial statements of Leo Resources for the six months ended January 31, 2014 and the notes thereto. All financial amounts are stated in Canadian currency unless stated otherwise.

This MD&A contains certain forward-looking statements based on the best beliefs, and reasonable assumptions of the management of the Company. There are many risks and uncertainties attached to the mineral exploration business. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements. (See "Risks and Uncertainties" in this MD&A for more information).

## **DESCRIPTION OF THE BUSINESS**

### **Overview**

Leo Resources was formed on March 18, 2013 and is a minerals company focusing its main efforts on exploring its Riverbank property in Ontario. The NI43-101 Technical reports for Riverbank is available under Leo's profile on SEDAR at [www.sedar.com](http://www.sedar.com), and on the Company's website at [www.LeoResourcesInc.com](http://www.LeoResourcesInc.com)

Leo was formerly a subsidiary of Zara Resources Inc. ("Zara"). On March 20, 2013, Zara announced a proposal to spin-off to its shareholders 100% of Leo. The spin-off was transacted by way of a statutory plan of arrangement (the "Leo Plan") under the Business Corporations Act (British Columbia). Upon completion of the Leo Plan, Leo owns 100% of Riverbank. Pursuant to the terms of the Leo Plan, Zara distributed 13,737,500 common shares of Leo. A Special Meeting of Zara shareholders was held on May 14, 2013 at which shareholders approved the Leo Plan. On August 2, 2013 the spin-off received all necessary court approvals and the plan of arrangement was subsequently completed. Leo listed on the CNSX on August 16, 2013.

On March 20, 2013 Leo entered into an agreement with Zara to acquire 100% of the Riverbank claims ("Riverbank") for \$358,000 to be satisfied by the issuance of 13,737,500 common shares of Leo. In addition Zara also subscribed for 100,000 Non-Voting Series A Preferred Shares for the sum of \$100,000 cash. Riverbank is also subject to a pre-existing 2% NSR.

Riverbank is located in the Kasabonika-McFauld's Greenstone Belt about 540 km to the north east of Thunder Bay and 350 km north of Geraldton, Ontario. It consists of 8 unpatented mining claims comprising 87 claim units covering an area of approximately 1392 ha. The property is believed to be underlain in part by mafic to ultramafic rocks that potentially could host nickel-copper mineralization.

## **MINERAL PROPERTIES**

### **Riverbank Nickel-Copper Project**

The Riverbank property consists of 8 unpatented mining claims comprising 87 claim units covering an area of approximately 1392 ha. The property is located in the Kasabonika-McFauld's Greenstone belt, part of the Sachigo sub-province of the Precambrian Shield area of Northwestern Ontario, approximately 540 km north-north east of Thunder Bay, Ontario and 350 km north of Geraldton, Ontario

The project area is located along the western margin of the James Bay Lowlands within the Tundra Transition Zone consisting primarily of string bog and muskeg whereby the water table is very near the surface. Average elevation is approximately 170 m above mean sea level. The property area is predominantly flat muskeg with poor drainage due to the lack of relief. Glacial features are abundant in the area and consist of till deposits, eskers, and drumlins, all of which are typically overlain by marine clays from the Hudson Bay transgression. The Riverbank property is believed to be underlain in part by mafic to ultramafic rocks that potentially could host nickel –copper mineralization. Prior to the acquisition of Leo's interest in the property the previous owners completed an airborne VTEM survey and associated aeromagnetic survey by Geotech. This was followed by one diamond drill hole in 2011 totaling 216 m. A number of conductive trends are present on the Riverbank property. The work to date indicates that the property is underlain by rocks that include ultramafic bodies. The geophysics done to date indicates that the target model of mafic-ultramafic associated nickel bearing magmatic sulphides is valid. Exploration over the property to date has consisted primarily of geophysics followed by limited diamond drilling.

## **INTEREST IN MINERAL PROPERTIES**

The full capitalized cost of the mineral properties is reflected in the accompanying financial statements

## **EXECUTIVE COMPENSATION**

There has been no executive compensation paid to the executives of the Company since its inception.

## **FINANCIAL STATEMENTS GOING CONCERN ASSUMPTION**

The financial statements have been prepared on the basis of accounting principles applicable to a going concern. The use of these principles assumes that the Company will continue in operation for the foreseeable future and will be able to realize assets and discharge its liabilities in the normal course of operations. Exploration of the company's mineral exploration property has not commenced, and as such, it is unknown whether the property contains reserves that are economically recoverable. As a newly incorporated Company that is commencing active operations; it incurs operating losses, which casts doubt about the Company's ability to continue as a going concern.

The business of mining and exploration involves a high degree of risk, as such there is no assurance that the Company's expected exploration programs will result in profitable mining operations. Until it is determined that the Riverbank property contains mineral reserves or resources that can be economically mined, it is classified as an exploration and evaluation asset. The Company's continued existence is dependent upon the discovery of economically recoverable reserves and resources, securing and maintaining title and beneficial interest in its properties, and making the required payments pursuant to mineral property share purchase agreements. The Company completed its first acquisition on August 2,

2013 and it has yet to generate income and cash flows from its operations. There is also no assurance that the Company will be able to obtain the external financing necessary to explore, develop and bring to commercial production the property that it is acquiring.

## RESULTS OF OPERATIONS

The Company is in the development stage and therefore did not have revenues from operations. The Company was incorporated on March 18, 2013. For the six month period ended January 31, 2014 the Company incurred a comprehensive loss of \$30,306 (\$0 loss per share). The loss was primarily comprised of \$15,871 office expenses, \$6,478 filing and listing fees and \$4,601 transfer agent fees. For the three month period ended January 31, 2014 the Company incurred a comprehensive loss of \$17,093 (\$0 loss per share). The loss was primarily comprised of \$10,571 office expenses, \$4,234 filing and listing fees and \$1,525 professional fees. Depending on future events, the rate of expenditures and general and administrative costs could increase or decrease.

### Selected Quarterly Financial Information

The following table provides selected financial information that should be read in conjunction with the unaudited Financial Statements and Notes of the Company for the applicable period.

#### Summary of Quarterly Results (Expressed in Whole Canadian Dollars, except per share amounts)

	Period from August 1, 2013 – October 31, 2013	Period from November 1, 2013 – January 31, 2014
<b>Net Loss &amp; Deficit</b>	<b>\$(13,213)</b>	<b>\$(17,093)</b>
<b>Interest in Mineral Properties</b>	<b>\$358,000</b>	<b>\$358,000</b>
<b>Current Assets</b>	<b>\$83,301</b>	<b>\$72,498</b>
<b>Total Assets</b>	<b>\$441,301</b>	<b>\$430,498</b>
<b>Total Liabilities</b>	<b>\$6,724</b>	<b>\$13,014</b>
<b>Contributed Surplus</b>	<b>\$2,500</b>	<b>\$2,500</b>
<b>Shareholder's Equity</b>	<b>\$434,577</b>	<b>\$417,484</b>
<b>Basic and diluted loss per share</b>	<b>\$(0.00)</b>	<b>\$(0.00)</b>

### Liquidity and Solvency

At January 31, 2014 the Company had cash of \$38,192 and working capital of \$59,484. The Company will need access to additional equity capital to pursue its business plan and there is no guarantee that equity may be available, and if available it may not be on terms that Management finds is in the interest of the Company. The Company may also borrow funds from its CEO. In order to maintain its operations the Company needs funds for primarily management fees, legal

and accounting. The Company would need to raise additional equity capital in order to pursue other investment opportunities or to support special projects. The exploration budget for Leo will require additional equity to be raised in order to fund the exploration budgets, and there is no guarantee that such equity can be raised by Leo.

The following table summarizes the Company's cash on hand, working capital and cash flow.

	<b>October 31, 2013</b>	<b>January 31, 2014</b>
<b>Cash</b>	<b>\$54,167</b>	<b>\$38,192</b>
<b>Working Capital (Negative)</b>	<b>\$76,577</b>	<b>\$59,484</b>
<b>Cash Used in Operating Activities</b>	<b>\$(23,439)</b>	<b>\$(42,792)</b>
<b>Cash Provided by Financing Activities</b>	<b>\$76,816</b>	<b>\$80,194</b>
<b>Increase in Cash</b>	<b>\$53,377</b>	<b>\$37,402</b>

The Company is dependent on the sale of newly issued shares to finance its exploration activities, property acquisition payments and general and administrative costs. The Company will have to raise additional funds in the future to continue its operations. There can be no assurance, however, that the Company will be successful in its efforts. If such funds are not available or other sources of financing cannot be obtained, then the Company will be forced to curtail its activities.

### **Capital Resources**

The Company has no operations that generate cash flow and its long term financial success is dependent on discovering properties that contain mineral reserves that are economically recoverable. The Company's primary assets as at January 31, 2014 is cash and mineral resource properties.

The following is a summary of the Company's outstanding share, warrant and stock options data as of March 28, 2014.

#### Common Shares

The authorized capital of the issuer consists of an unlimited number of common shares without par value of which 13, 737,501 are outstanding as of March 28, 2014. Holders of the issuer's common shares are entitled to vote at all meetings of shareholders declared by the directors, and subject to the rights of holders of any shares ranking in priority to or on a parity with the common shares, to participate rateably in any distribution of property or assets upon the liquidation, winding up or dissolution of the Issuer.

Preferred Shares The Authorized capital of the Issuer consists of an unlimited number of preferred shares without par value, of which 100,000 are issued or outstanding as of March 28, 2014. The preferred shares rank in priority to the common shares upon the liquidation, winding up or other dissolution of the Issuer.

#### Stock Options

Options to purchase common shares in the capital of Leo are granted by Leo's Board of Directors to eligible persons pursuant to Leo's 2013 Stock Option Incentive Plan. During the three month period ended January

31, 2014, Leo granted no stock options. At March 28, 2014, no options were outstanding.

### Warrants

At March 28, 2014 the Company had no warrants and brokers warrants outstanding.

### **Outlook and Capital Requirements**

There is no guarantee that market conditions will be conducive to raising additional equity capital. Depending on future events, the rate of Company expenditures and general and administrative costs could increase or decrease.

### **Related Parties Transactions**

Related party transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties. Expenses of \$7,500 were assumed by Zara, which as at July 31, 2013 was the Parent Company, and were recorded as contributed surplus. During the period ended January 31, 2014, the amount of \$5,000 was recorded as a reduction of contributed surplus. At January 31, 2014 an amount of \$24,185 was due from Zara . The amounts are on demand and have no set repayment terms.

During the period ended January 31, 2014, no management fees were payable.

### **Contractual Obligations**

There are no contractual obligations, aside from those disclosed in this MD&A, that will materially affect the performance of the Company.

### **Off-Balance Sheet Arrangements**

The Company does not utilize off-balance sheet transactions.

### **Proposed Transactions**

There are no proposed transactions that will materially affect the performance of the Company other than those disclosed in this MD&A.

### **Accounting Policies**

The accounting policies and methods employed by the Company determine how it reports its financial condition and results of operations, and may require management to make judgments or rely on assumptions about matters that are inherently uncertain. The Company's results of operations are reported using policies and methods in accordance with IFRS. In preparing financial statements in accordance with IFRS, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses for the period. Management reviews its estimates and assumptions on an ongoing basis using the most current information available. These financial statements have been prepared by management in accordance with IFRS. Outlined below are those policies considered particularly significant:

### *Significant Estimates and Judgments*

The preparation of financial statements requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods as well as the related notes to financial statements. Actual results could differ from those estimates. The most significant estimates relate to the valuation of deferred income taxes, impairment testing of exploration and evaluation assets, and the calculation of share-based payments. The most significant judgments relate to recognition of deferred tax assets and liabilities and the determination of the economic viability of a project. In determining these estimates, the Company relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. These assumptions are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events.

### *Related Party Transactions*

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be Individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount (the amount established and agreed to by the related parties).

### *Provisions*

Provisions are recognized when the Company has a present legal or constructive obligation that arose as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

### *Current Income Taxes*

Current income tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute current income taxes are measured at income tax rates, which have been enacted or substantively enacted at the reporting date. Current income taxes are recognized in profit and loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the applicable taxes are recognized in other comprehensive income or directly in equity.

### *Deferred Income Taxes*

Deferred income taxes are provided using the liability method on temporary differences at the end of each reporting period. These taxes represent the difference between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused income tax credits and unused income tax losses, to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the expected income tax rates that are expected to apply in the year in which the asset is to be realized or the liability is to be settled. The expected income tax rate utilized is based upon income tax laws that have been enacted or substantively enacted at the date of the statement of financial position. The deferred income taxes related to equity transactions are recognized directly equity and not in the statement of comprehensive income. Deferred income tax assets and liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

#### *Impairment of non-financial assets*

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset the Company estimates the recoverable amount of the cash-generating unit to which the assets belong. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. An impairment loss is recognized in the statement of comprehensive income in the period of impairment, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years.

#### *Exploration and evaluations assets ("E&E")*

E&E assets consist of exploration and mining concessions, options and contracts. Acquisition costs, lease costs and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonment.

E&E costs consist of:

- Acquisition of exploration properties;
- Gathering exploration data through topographical and geological studies;
- Exploratory filing, trenching and sampling;
- Determining the volume and grade of the resource;
- Test work on geology, metallurgy, mining, geotechnical and environmental; and
- Conducting engineering, marketing and financial studies.



## *Cash*

Cash is comprised of non-interest bearing cash deposit balances, which are subject to insignificant risk of changes in their fair value. Cash is used by the Company in the management of its short-term commitments. Cash is carried at fair value through profit or loss in the statement of financial position.

## *Equity Settled Share -Based Payment Transactions*

The costs of equity settled transactions are recognized, together with a corresponding increase in equity, over the period in which the goods or services are received. The Company measures the goods or services received, unless that fair value cannot be estimated reliably. When the Company cannot estimate reliably the fair value of the goods or services received then the Company measures their fair value and the corresponding increase in equity by reference to the fair value of the equity instruments issued as payment.

## *Share Capital*

Financial instruments issued by the Company are treated as equity only to the extent that they do not meet the definition of a financial liability. The Company's ordinary common shares are classified as equity instruments. Incremental Direct costs directly attributable to the issue of new shares are recognized in equity as reductions from the gross proceeds received from the issued shares.

## *Financial Assets and Financial Liabilities*

*Recognition:* The Company initially recognizes loans and advances, deposits and liabilities on the date at which they are originated. All other financial assets and liabilities, including assets and liabilities designated at fair value through profit or loss, are initially recognized on the trade date at which the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

*Valuation of Financial Instruments:* The determination of fair value for financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, cone The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument

Level 2: Valuation techniques based on observable inputs, either directly; i.e. as prices; or indirectly; i.e., derived from prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Cash, Accrued liabilities and Due to Parent Company are considered Level 1 in the hierarchy.

*De-recognition:* The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

*Offsetting:* Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted under EFRSs, or for gains and losses arising from a group of similar transactions.

*Amortized cost measurement:* The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

*Identification and measurement of impairment:* At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a Company of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows of the assets that can be estimated reliably. Objective evidence that financial assets, including equity securities, are impaired may include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or receivable by the Company that would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by comparing together loans and receivables with similar risk characteristics.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on impaired assets continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*Designation at fair value through profit or loss:* The Company has designated financial assets and liabilities at fair value through profit or loss in the following circumstances:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis.
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract

### *Loss per share and comprehensive loss per share*

Comprehensive loss per share is calculated based on the weighted average number of shares issued and outstanding during the quarter or year, as appropriate. In the years when the Company reports a net loss and comprehensive net loss, the effect of potential issuances of shares under options and warrants would be anti-dilutive and, therefore, basic and diluted loss per share is the same. For the period ended January 31, 2014, all the outstanding options and warrants were anti-dilutive.

### *Foreign currency transactions*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of each entity is the Canadian Dollar. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of the monetary assets and liabilities denominated in foreign currencies are recognized in operations.

### *Future Accounting Policies*

The International Accounting Standards Board ("IASB") issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after August 1, 2013. For the purpose of preparing and presenting the financial statements for the relevant periods, the Company has consistently adopted all new standards for the relevant reporting periods.

At the date of authorization of these financial statements, the IASB issued the following Standards that are effective for reporting periods ending after these financial statements and which the Company may be required to adopt in future reporting periods.

- IFRS 9 'Financial Instruments: Classification and Measurement' - effective for annual periods beginning on or after March 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 'Consolidated Financial Statements' - effective for annual periods beginning on or after March 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 'Joint Arrangements' - effective for annual periods beginning on or after March 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 'Disclosure of Interests in Other Entities' - effective for annual periods beginning on or after March 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 'Fair Value Measurement\*' - effective for annual periods beginning on or after March 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair

value and related disclosures through a fair value hierarchy.

IFRS 13 Fair Value Measurement was issued in May 2011 and defines fair value, sets out in a single standard a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. The main features of the new standard include the fact 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 (i.e., an exit price). Fair value measurements are based on the assumptions that market participants would use when pricing the item being measured under current market conditions, including assumptions about risk (i.e., it is a market-based, rather than entity-specific, measurement). When measuring the fair value of a non-financial asset, an entity considers the highest and best use of the asset, and whether the asset is used in combination with other assets or on a stand-alone basis. A fair value hierarchy categorizes into three levels the inputs to valuation techniques used to measure fair value and gives priority to observable inputs. An entity discloses information about the valuation techniques and inputs it has used, as well as the uncertainty inherent in its fair value measurements.

The Company has not early adopted these standards, amendments and interpretations, however it is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

## **Financial Instruments and Risk Management**

The Company has designated its cash at fair value through profit and loss. Trade and other payables and advances from related party are designated as other financial liabilities, which are measured at amortized cost.

### ***Financial Risk Management Objectives and Policies***

The Company is exposed to various financial risks resulting from both its operations and its investments activities. The Company's management manages financial risks. Where material, these risks will be reviewed and monitored by the Board of Directors. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

### ***Financial Risks***

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

#### ***Market Risk***

Market risk is the risk of uncertainty arising primarily from possible commodity market price movements and their impact on the future economic viability of the Company's projects and ability of the Company to raise capital. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis and adjusting operating and exploration budgets accordingly

#### ***Fair Value Risk***

Fair value risk is the potential for fair value fluctuations in the value of a financial instrument The level of market risk to which the Company is exposed varies depending on market conditions, and expectations of future price and yield movements. The Company believes the carrying amounts of its financial assets and financial liabilities are a reasonable approximation of fair value.

#### ***Interest Rate Risk***

The savings accounts are at variable rates. Consequently, the Company is exposed to a fluctuation of the interest rate on the market which could vary the interest income on the savings accounts. The Company does not use financial derivatives to decrease its exposure to interest risk.

### ***Liquidity Risk***

Liquidity risk is the risk the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. The Company anticipates having sufficient funds to carry out an exploration and acquisition program, pursue and evaluate new resources projects and meet its corporate and administrative expenses for the next twelve months.

### **Capital Management**

The Company manages its capital structure and makes adjustments to it in light of the changes in economic conditions and the risk characteristics of its underlying assets and the funds available to the Company, in order to support the acquisition, exploration and development of E&E and to ensure it continues as a going concern. In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of management to sustain future development of the Company.

The Company defines its capital as its shareholder's equity. To effectively manage the Company's capital requirements, the Company has in place a planning and budgeting process to help determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives. As needed, the Company raises funds through private placements or other equity financings. The Company does not utilize long term debt as the Company does not currently generate operating revenues. There is no dividend policy.

There has been significant market turbulence worldwide due to the credit crisis and potential of a global recession. These market conditions have, and are expected to continue to have, an adverse impact on the ability to secure equity funding. The Company is required to rely on equity financing to raise capital, but its ability to do may be impacted by the current global situation and economic uncertainties. Management has considered how these conditions have impacted the Company's viability given its current capital structure and considers that until the outcome of future financing activities is known there is considerable uncertainty about the appropriateness of the use of the going concern basis of accounting.

The Company had \$59,484 in working capital at January 31, 2014.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable considering the nature and relative size of the Company. The Company is not subject to externally imposed capital requirements.

### **Risks and Uncertainties**

The Company's principal activity is mineral exploration and development. Companies in this industry are subject to many and varied kinds of risk, including but not limited to, environmental, metal prices, political and economical. The mineral exploration business is risky and most exploration projects will not become mines. The Company may offer an opportunity to a mining company to acquire an interest in a property in return for funding all or part of the exploration and development of the property. For the funding of property acquisitions and exploration that the Company conducts, the Company depends on the issue of shares from the treasury to investors. These stock issues depend on numerous factors including a positive mineral exploration environment, positive stock market conditions, a company's track record and the experience of management. The Company has no significant source of operating cash flow and no revenues from operations. The Company has not yet determined whether its mineral property contains mineral reserves that are economically recoverable. The Company has limited financial resources. Substantial expenditures are required to be made by the Company to establish reserves. There is no guarantee that the Company will be

able to contribute or obtain all necessary resources and funds for the exploration and exploitation of its permits, and may fail to meet its exploration commitments. Mineral exploration involves a high degree of risk and few properties, that are explored, are ultimately developed into producing mines. Exploration of the Company's mineral property 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.

### **Conflicts of Interest**

Certain of the directors and officers of the Company may also serve as directors and officers of other companies involved in gold and precious metal or other natural resource exploration and development and consequently the possibility of conflict exists. Any decisions made by such directors or officers involving the Company will be made in accordance with the duties and obligations of directors and officers to deal fairly and in good faith with the Company and such other companies. In addition, such directors declare their interest and refrain from voting on any matters in which such directors may have a conflict of interest.

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

The information provided in this report is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the audited consolidated financial statements.

### **Evaluation of Disclosure, Internal Controls and Procedures**

#### Disclosure Controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in reports filed with or submitted to the various securities regulators is recorded, processed, summarized and reported within the time periods specified. This information is gathered and reported to the Company's management so that timely decisions can be made regarding disclosure.

The Company's management, have designed and evaluated the Company's disclosure controls and procedures as defined in their signed certification of annual and interim filings venture issuer basic certificate. Based on this evaluation, management has concluded that, as of the date of this MD&A, the Company's disclosure controls and procedures were effective.

#### Internal Control over Financial Reporting

Designing, establishing and maintaining adequate internal control over financial reporting is the responsibility of the Company's management. Internal control over financial reporting is a process designed by, or under the supervision of management, and affected by the Board of Directors, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements in conformity with IFRS. These controls include policies and procedures pertaining to the maintenance of records that, in reasonable detail, accurately reflect transactions pertaining to its assets; provide reasonable assurance that all transactions are recorded to permit the preparation of its financial statements and that expenditures are being made only in accordance with authorizations of management of the Company, and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on its financial statements. Management is responsible for establishing and maintaining internal control over financial reporting and has designed and implemented such controls to ensure that the required objectives of these internal controls have been met. The management of

the Company applied its judgement in evaluating the cost-benefit relationship to controls and procedures. The result of which was, because of the inherent limitations in all control systems, no evaluation of the controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected.

For the period covered by this MD&A there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **Other**

Additional information relating to the Company's operations and activities can be found by visiting the Company's website at [www.LeoResources.com](http://www.LeoResources.com) and [www.sedar.com](http://www.sedar.com).

### **Trends**

Trends in the industry can materially affect how well any junior exploration company is performing. The price of precious metals remains stable and as a result worldwide exploration is being maintained. Company management believes that the general trend will continue and that prices will be higher over time.

### **Outlook**

The outlook for precious metals continues to be stable and this is reflected in the Company's ongoing activity.

### **Cautionary Statement**

This document contains "forward-looking statements" within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding exploration plans and our other future plans and objectives are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, (i) estimates of exploration investment and scope of exploration programs, and (ii) estimates of stock-based compensation expense. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statement. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date of statements are made, and the Company endeavours to update corporate information and material facts on a timely basis. Forward-looking statements are subject to risks, uncertainties and other actors, including risks associated with mineral exploration, price volatility in the mineral commodities we seek, and operational and political risks.