

# **MERYLLION**

R e s o u r c e s

**MERYLLION RESOURCES CORP.**  
**Management's Discussion and Analysis**  
**Year ended September 30, 2018**  
(Expressed in Canadian Dollars)

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*(In Canadian Dollars unless otherwise stated)*

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*This Management's Discussion and Analysis ("MD&A") of Meryllion Resources Corp. should be read in conjunction with the Company's audited consolidated financial statements and related notes for the year ended September 30, 2018. The Company's consolidated financial statements for the year ended September 30, 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). All dollar amounts included therein and in this MD&A are expressed in Canadian Dollars unless otherwise noted. The information contained within this MD&A is current to January 28, 2019.*

**1. OVERVIEW**

Meryllion Resources Corp. was incorporated on July 25, 2013 under the laws of British Columbia, Canada. Meryllion Resources Corp. (the "Company") is a natural resource company, at the exploration stage, engaged in the acquisition and exploration of resource properties. The Company's shares trade on the Canadian Securities Exchange ("CSE") under the symbol MYR.

Additional disclosures pertaining to the Company's filings, technical reports, press releases and other information are available on SEDAR at [www.sedar.com](http://www.sedar.com).

**2. BACKGROUND**

On July 25, 2013, Kaizen Discovery Inc., formerly Concordia Resource Corp. ("Concordia"), incorporated a wholly-owned subsidiary Meryllion Resources Corp. (the subsidiary of Concordia is referred to as "MRC") under the Business Corporations Act of British Columbia. In October 2013, Concordia and MRC entered into a vend-in agreement (the "Vend-In Agreement"), whereby MRC issued 17,125,510 common shares to Concordia in exchange for approximately \$4,700,000 in cash, subject to closing adjustments, and Concordia's 100% interest in Meryllion Minerals Corporation ("MMC"). The Vend-In Agreement resulted in MRC controlling a 100% interest in MMC and Concordia's indirect interest in the Providencia and Cerro Amarillo Projects and the related assets in Meryllion Argentina SA ("MAS"), a wholly-owned subsidiary of MMC (together called the "Argentine Assets").

On December 4, 2013, Concordia completed a Plan of Arrangement (the "Arrangement") under the Business Corporations Act of British Columbia whereby it distributed 100% of its interest in MRC to its shareholders. Concurrently with the completion of the Arrangement, Meryllion obtained approval to list its common shares on the TSX-V and began trading under the ticker symbol MYR on December 6, 2013. The net cash received by the Company after closing adjustments was \$4,527,006.

Management cautions readers that the allocation of historic expenses may not be indicative of the actual expenses that would have been incurred, and do not reflect the Company's consolidated results of operations, financial position and cash flows, had the Company been operating as a separate, stand-alone public company for the periods presented.

**3. CORPORATE ACTIVITY**

During the year ended September 30, 2018, the Company converted \$90,000 of debt to 3,600,000 common shares of the Company.

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**3. CORPORATE ACTIVITY (Continued)**

During the year ended September 30, 2017, the Company closed a private placement for \$220,000 for 8,800,000 units where each unit was issued for a price of \$0.25. Each unit consists of one common share and one-half warrant with each whole warrant exercisable into one common share at price of \$0.05.

During the year ended September 30, 2017, the Company converted \$152,500 of debt to 6,100,000 common shares of the Company.

On February 28, 2017, Zula Kropivnitski resigned as a director and CFO of the Company.

On September 14, 2017, Paul Haber was appointed as interim CEO and Frank Kordy was appointed interim CFO and Secretary of the Company.

The Company does not believe its current working capital is sufficient to maintain its core operations for the next twelve months, and additional funding will be required by the Company to complete its strategic objectives and continue as a going concern. There is no certainty that additional funding at terms that are acceptable to the Company will be available. The Company may raise additional funds through debt, the issuance of shares or through a strategic partnership. The inability to obtain additional financing may cast substantial doubt on the Company's ability to continue as a going concern.

**4. SELECTED ANNUAL INFORMATION**

For the years ended September 30, 2018, 2017 and 2016:

	<b>September 30, 2018</b>	<b>September 30, 2017</b>	<b>September 30, 2016</b>
Revenue	\$ -	\$ -	\$ -
Net loss for the year	\$ (131,718)	\$ (259,412)	\$ (282,215)
Basic and diluted loss per share	\$ (0.00)	\$ (0.01)	\$ (0.01)
Total assets	\$ 16,844	\$ 33,789	\$ 81,213
Total liabilities	\$ 73,538	\$ 73,765	\$ 185,121
Cash dividends declared	\$ -	\$ -	\$ -

The Company has no revenue to report for the 2018, 2017 and 2016 fiscal years.

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**5. SUMMARY OF SELECTED QUARTERLY RESULTS**

	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Total assets	\$ 16,844	\$ 12,894	\$ 18,991	\$20,236	\$ 33,789	\$ 4,837	\$ 10,165	\$ 7,588
Net (income) loss for the period	(17,649)	(32,568)	(46,414)	(35,087)	(31,819)	(47,311)	(139,148)	(41,134)
Comprehensive income (loss) for the period	(17,649)	(32,568)	(46,414)	(35,087)	(31,819)	(47,311)	(139,148)	(41,134)
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)

*Note: Quarterly amounts added together may not equal the total reported for the period due to rounding.*

**6. RESULTS OF OPERATIONS**

The operating results of junior mining companies can fluctuate significantly from period to period. The Company is in the exploration stage and has no revenue from operations.

**Year ended September 30, 2018 ("YTD 2018") compared to the year ended September 30, 2017 ("YTD 2017")**

The Company recorded a net loss of \$131,718 for YTD 2018, as compared to a net loss of \$259,412 for YTD 2017. The decrease in the loss of \$127,694 was attributable to the following material differences:

Directors fees were \$60,000 for YTD 2018, as compared to \$157,500 for YTD 2017. This increase of \$97,500 is due to the cessation of compensation to the Board during Q2 2018 compared to compensating the Board in the year ended September 30, 2017 for all their unpaid services since joining the Board.

Office and administration fees were \$33,529 for YTD 2018, as compared to \$84,028 for YTD 2017. This decrease of \$50,499 was reasonable as the Company changed office administration companies during the year ended September 30, 2017 which lowered costs significantly for the Company.

**Three months ended September 30, 2018 ("Q4 2018") compared to the Three months ended September 30, 2017 ("Q4 2017")**

The Company recorded a net loss of \$16,844 for Q4 2018, as compared to a net loss of \$33,789 for Q4 2017. The decrease in the loss of \$16,945 was not material.

**7. FINANCIAL INSTRUMENTS**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

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**7. FINANCIAL INSTRUMENTS (Continued)**

All of the Company's financial instruments are classified into one of two categories: loans-and-receivables or other-financial-liabilities. All financial instruments are measured in the consolidated statement of financial position at fair value initially. Subsequent measurement and changes in fair value will depend on their initial classification. Loans-and-receivables and other-financial-liabilities are measured at amortized cost.

The Company has designated its cash and accounts receivable as loans-and-receivables and accounts payable, accrued liabilities and loan payable as other-financial-liabilities. Cash and accounts receivable are included in current assets due to their short term nature. Accounts payable, accrued liabilities and loan payable are included in current liabilities due to their short-term nature.

The Company's financial instruments are as follows:

	<u>September 30, 2018</u>	<u>September 30, 2017</u>
<b>Financial assets</b>		
Loans-and-receivables		
Cash	\$ 5,740	\$ 29,770
Accounts receivable	-	-
<b>Total financial assets</b>	<b>\$ 5,740</b>	<b>\$ 29,770</b>
<b>Financial liabilities</b>		
Other financial-liabilities		
Accounts payable and accrued liabilities	\$ 67,038	\$ 67,265
Loan payable	6,500	6,500
<b>Total financial liabilities</b>	<b>\$ 73,538</b>	<b>\$ 73,765</b>

Additional financial instruments disclosure, including an analysis of risks associated with financial instruments, is contained in Note 5 of the Company's audited consolidated financial statements for the year ended September 30, 2018.

**8. LIQUIDITY AND CAPITAL RESOURCES**

**(a) Liquidity**

The Company's working capital deficiency as at September 30, 2018 was \$56,694 as compared to working capital deficiency of \$39,976 at September 30, 2017. Included in working capital were cash of \$5,740 (September 30, 2017 - \$29,770).

Except as disclosed, the Company does not know of any trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the ability to raise additional capital as required.

The Company is not now and does not expect in the future, to be engaged in currency hedging to offset any risk of currency fluctuations.

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**8. LIQUIDITY AND CAPITAL RESOURCES (Continued)**

**(b) Capital Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain a flexible capital structure, which optimizes the costs of capital to an acceptable risk.

The Company depends on external financing to fund its activities and there can be no guarantee that external financing will be available at terms acceptable to the Company. The Company does not believe its current working capital is sufficient to maintain its core operations for the next twelve months, and additional funding will be required by the Company to complete its strategic objectives and continue as a going concern. There is no certainty that additional financing at terms that are acceptable to the Company will be available. The capital structure of the Company currently consists of common shares, warrants and stock options. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debt or new shares. Management reviews its capital management approach on a regular basis. There were no changes in the Company's approach to capital management during the years ended September 30, 2018 and 2017 and the Company is not subject to any externally imposed capital requirements.

There can be no assurance that the Company will have sufficient financing to meet its future capital requirements or that future additional financing will be available to the Company at acceptable terms. The inability to obtain additional financing may cast substantial doubt on the Company's ability to continue as a going concern.

**(c) Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements other than those disclosed under mineral interests.

**(d) Proposed Transactions**

The Company has no proposed transactions.

**9. RELATED PARTY TRANSACTIONS**

**(a) Key management compensation**

The remuneration of the Company's Directors consists of the following amounts:

	<b>Years ended September 30,</b>	
	<b>2018</b>	<b>2017</b>
Short-term benefits <sup>(1)</sup>	\$ 60,000	\$ 157,500
<b>Total directors compensation</b>	<b>\$ 60,000</b>	<b>\$ 157,500</b>

As at September 30, 2018, the Company owed \$nil (September 30, 2017: \$30,000) in directors fees and expenses to the directors and a former director of the Company.

As at September 30, 2018 the Company has loans payable to two shareholders of \$6,500 (September 30, 2017: \$6,500) which is unsecured, non-interest bearing and payable on demand.

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**9. RELATED PARTY TRANSACTIONS (Continued)**

**(b) Other related party transactions**

During the year ended September 30, 2018 the Company incurred \$30,527 (2017 - \$81,586) in fees paid to a management company to provide administration services including services of a Chief Financial Officer and a Corporate Secretary. As at September 30, 2018, \$27,503 (September 30, 2017 - \$9,540) was payable to this company. This amount is unsecured, non-interest bearing with no fixed terms of repayment.

During the year ended September 30, 2018, the Company settled debt in the aggregate principal amount of \$90,000 owing to the directors of the Company by the issuance of 3,600,000 common shares in the capital of the Company. The shares were valued at \$0.025 per share based on the quoted market price of the shares on the date of issuance.

During the year ended September 30, 2017, the Company settled debt in the aggregate principal amount of \$152,500 owing to directors of the Company by the issuance of 6,100,000 common shares in the capital of the Company. The shares were valued at \$0.021 per share based on the quoted market price of the shares on the date of issuance. Accordingly, the Company recognized a gain of \$24,965 on the debt settlement.

**10. OUTSTANDING SHARE DATA**

The Company is authorized to issue an unlimited number of common shares without par value. As at September 30, 2018, the Company had 54,488,420 common shares issued and outstanding. As at January 25, 2019, the Company had 67,848,420 common shares issued and outstanding.

The Company has the 100,000 stock options that are outstanding and exercisable as at September 30, 2018. No stock options were outstanding and exercisable as at January 25, 2019.

As at September 30, 2018 and January 25, 2019, the Company had 3,900,000 share purchase warrants outstanding.

**11. SUBSEQUENT EVENTS**

Subsequent to September 30, 2018, the Company issued 13,360,000 common shares to settle \$267,200 of debt owing to certain officers, directors and creditors of the Company.

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**12. RISKS AND UNCERTAINTIES**

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

The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. The Company seeks to counter this risk as far as possible by selecting exploration areas on the basis of their recognized geological potential to host economic deposits.

A summary of the Company's financial instruments risk exposure is provided in Note 5 of the Company's consolidated financial statements for the year ended September 30, 2018. The following are additional risk factors which the Company's management believes are most important in the context of the Company's business. It should be noted that this list is not exhaustive and that other risk factors may apply.

Metal price volatility may affect the future production, profitability, and financial condition of the Company. Metal prices are subject to significant fluctuation and are affected by a number of factors which are beyond the control of the Company. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, global supply and demand, and political economic conditions of major metal consuming countries throughout the world. The price of silver, copper, and other metals has fluctuated widely in recent years, and future material price declines could cause development of, and commercial production from, the Projects to be impracticable or uneconomic.

The metals market also tends to move in cycles. Periods of high demand, increasing profits and high capacity utilization lead to additional capacity through expansion of existing mines and investment in new mines which results in increased production. This growth increases supply until the market is saturated, leading to declining prices and declining capacity utilization until the cycle repeats. This cyclicity in prices can result in supply/demand imbalances and pressures on mineral prices and profit margins which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Depending on the price of silver, copper, and other metals, projected cash flow from planned mining operations may not be sufficient and the Company could be forced to discontinue development and may lose its interest in, or may be forced to sell, one or more of the mining properties. Future production from the Company's mining properties will be dependent on metal prices that are adequate to make these properties economically viable. Furthermore, future mine plans using significantly lower metal prices could result in material write-downs of the Company's investment in mining properties.



**12. RISKS AND UNCERTAINTIES (Continued)**

In addition to adversely affecting any future Mineral Reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. If such a reassessment determines that any of the Company's projects are not economically viable, then operations may cease and such projects may never be developed. Even if the projects are ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed. The occurrence of any of the foregoing could have a material adverse affect on the Company's business, financial condition, results of operations or prospects.

***Meryllion will need substantial additional financing in the future and cannot assure that such financing will be available***

To meet its operating costs and to finance its respective future acquisition, exploration, development and operating activities, the Company will require financing from external sources, including from the sale of equity and debt securities, entering into joint ventures or seeking other means to meet its financing requirements. There can be no assurance that additional funding will be available to the Company or, if available, that such funding will be offered on terms acceptable to the Company. If additional financing is raised through the issuance of equity or convertible debt securities, control of the Company may change and the interests of shareholders in the net assets of the respective company may be diluted.

If unable to secure financing on acceptable terms, the Company may have to cancel or postpone certain of its planned exploration and development activities and may not be able to take advantage of acquisition opportunities. The failure of the Company to obtain additional financing would have a material adverse effect on its business, financial condition, results of operations or prospects.

***The volatility of the capital markets may affect the Company's access to and cost of capital***

Securities markets throughout the world are cyclical and, over time, tend to undergo high levels of price and volume volatility, and the market price of securities of many companies, particularly those in the resource sector, can experience wide fluctuations which are not necessarily related to the operating performance, underlying asset values or prospects of such companies. Increased levels of volatility and resulting market turmoil may adversely impact the Company and its share price. If the Company is required to access credit markets to carry out their respective development objectives, the state of domestic and international credit markets and other financial systems could affect their respective access to, and cost of, capital. If these credit markets were significantly disrupted, as they were in 2007 and 2008, such disruptions could make it more difficult for the Company to obtain, or increase its cost of obtaining capital and financing for its operations. Such capital may not be available on terms acceptable to the Company or at all, which may have a material adverse impact on its business, financial condition, results of operations or prospects.

**12. RISKS AND UNCERTAINTIES (Continued)**

***Exploration Risk***

The Company may engage in the potential acquisition and exploration of other resource properties, an inherently risky business, and there is no assurance that economic mineral deposits will ever be discovered, or if discovered, subsequently put into production. Most exploration activities do not result in the discovery of commercially mineable deposits.

***Early Stage of Development***

The predecessor entity of the Company, Concordia, conducted mineral exploration activities for a relatively short period. There is limited financial, operational and other information available with which to evaluate the prospects of the Company. There can be no assurance that the Company's operations will be profitable in the future or will generate sufficient cash flow to satisfy its working capital requirements.

***The Company's prospects depend on its ability to attract and retain qualified personnel***

Recruiting and retaining qualified personnel will be critical to the Company's success. The number of persons skilled in the acquisition, exploration and development of mining properties is limited and competition for such persons is intense. The Company believes that it will have the necessary personnel to meet its corporate objectives but, as its business activities grow, it will require additional key financial, administrative, mining and public relations personnel as well as additional staff on the operations side. Although the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

***Future mining operations and exploration activities are subject to laws and regulations relating to the protection and remediation of the environment***

The Company's future mining operations and exploration activities are and will be subject to laws and regulations relating to the protection and remediation of the environment. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. These laws, regulations and the governmental policies for implementation of such laws and regulations are constantly changing and are generally becoming more restrictive. The costs associated with compliance with these laws and regulations are substantial and possible future laws and regulations and changes to existing laws and regulations (including the imposition of higher taxes and mining royalties) could cause additional expense or capital expenditure.

The Company cannot give any assurance that, notwithstanding its precautions and careful operating practices, breaches of environmental laws, whether inadvertent or not, or some type of environmental problem will not occur. In the event of any such breach, it is possible that the respective regulatory authority can suspend the rights of the Company, as applicable, to develop its mineral interests.

**12. RISKS AND UNCERTAINTIES (Continued)**

A breach of environmental laws and regulations may allow governmental authorities and third parties, who have an interest in any future mining operations or the consequences of mining operations, to bring lawsuits based upon damages to property and injury to persons resulting from the environmental impact of the Company's potential future operations which could lead to the imposition of substantial fines, penalties or other civil or criminal sanctions and could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

If the Company's environmental compliance obligations were to vary as a result of changes to legislation, or if certain assumptions the Company makes to estimate liabilities are incorrect, or if unanticipated conditions were to arise in the Company's future mining operations, the Company's expenses and other obligations could increase, which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

***As a participant in the resource extraction industry, the Company may face opposition from local and international groups***

There is an increasing level of public concern relating to the effects of mining production on its surroundings, communities, and environment. Certain non-governmental organizations, public interest groups and reporting organizations ("NGOs"), who oppose globalization and resource development and who may not be bound to codes of ethical reporting, can be vocal critics of the mining industry. In addition, there have been many instances in which local community groups have opposed resource extraction activities, which have resulted in disruption and delays to the relevant operation. While the Company will seek to operate in a socially responsible manner, NGOs or local community organizations could direct adverse publicity and/or disrupt its operations in respect of one or more properties, regardless of the Company's successful compliance with social and environmental best practices, due to political factors and/or activities of unrelated third parties on lands in which the Company has an interest or operates.

Any such actions and the resulting media coverage could have an adverse effect on the reputation and financial condition of the Company, as applicable, or its relationships with the communities in which it operates, which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

***The costs of complying with applicable laws and governmental regulations may have an adverse impact on the Company's business***

The Company's operations and exploration activities will be subject to laws and regulations governing various matters. These include without limitation laws and regulations relating to repatriation of capital and exchange controls, taxation, labour standards and occupational health and safety and historic and cultural preservation.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or the more stringent enforcement thereof, could have a material adverse effect on the Company's business, financial condition, results of operations or prospects by increasing exploration expenses, future capital expenditures or future production costs.

**12. RISKS AND UNCERTAINTIES (Continued)**

***Competition in the mining industry may adversely affect the Company***

The mining industry is intensely competitive. The Company will compete with other mining companies, many of which have greater resources and experience. Competition in the mining industry is primarily for: (i) properties which can be developed and can produce economically; (ii) the technical expertise to find, develop, and operate such properties; (iii) labour to operate the properties; and (iv) capital to fund such properties. Such competition may result in the Company being unable to acquire desired properties, to recruit or retain qualified employees or to acquire the capital necessary to fund their respective operations and develop their respective properties. The Company's inability to compete with other mining companies for these resources could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

***The Company's insurance coverage may not cover all of its potential losses, liabilities and damages related to its business and certain risks are uninsured or uninsurable***

The Company's business will be subject to a number of risks and hazards (as further described herein). Although the Company will maintain insurance to protect against certain risks in such amounts as it considers being reasonable, such insurance will likely not cover all the potential risks associated with its activities, including any future mining operations. The Company may also be unable to maintain insurance to cover its risks at economically feasible premiums, or at all. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration or production may not be available to the Company on acceptable or any terms. The Company might also become subject to liability for pollution or other hazards which it is not currently insured against and/or in the future may not insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

***Mining and mineral exploration is inherently dangerous and subject to factors or events beyond the Company's control***

The Company's business, and any future development or mining operations, will involve various types of risks and hazards typical of companies engaged in the mining industry. These risks will affect the exploration, development and refurbishment activities of the Company, and will affect its business to an even larger extent once commercial mining operations, if any, commence. Such risks include, but are not limited to: (i) industrial accidents; (ii) unusual or unexpected rock formations; (iii) structural cave-ins or slides and pitfall, ground or slope failures and accidental release of water from surface storage facilities; (iv) fire, flooding and earthquakes; (v) rock bursts; (vi) metals losses; (vii) periodic interruptions due to inclement or hazardous weather conditions; (viii) environmental hazards; (ix) discharge of pollutants or hazardous materials; (x) failure of processing and mechanical equipment and other performance problems; (xi) geotechnical risks, including the stability of the underground hanging walls and unusual and unexpected geological conditions; (xii) unanticipated variations in grade and other geological problems, water, surface or underground conditions; (xiii) labour disputes or slowdowns; (xiv) work force health issues as a result of working conditions; and (xv) force majeure events, or other unfavorable operating conditions.

**12. RISKS AND UNCERTAINTIES (Continued)**

These risks, conditions and events could result in: (i) damage to, or destruction of, the value of, the Projects or their facilities; (ii) personal injury or death; (iii) environmental damage to the Projects or the properties of others; (iv) delays or prohibitions on mining or the transportation of minerals; (v) monetary losses; and (vi) potential legal liability. Any of the foregoing could have a material adverse effect the Company's business, financial condition, results of operation or prospects.

***Directors and officers may be subject to conflicts of interest***

Certain directors and officers of the Company are or may become associated with other mining and/or mineral exploration and development companies which may give rise to conflicts of interest. Directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the company with which they serve are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve such a contract. In addition, directors and officers are required to act honestly and in good faith with a view to the best interests of their respective company. Some of the directors and officers have either other full-time employment or other business or time restrictions placed on them and accordingly, the Company will not be the only business enterprise of these directors and officers. Further, any failure of the directors or officers of the Company to address these conflicts in an appropriate manner, or to allocate opportunities that they become aware of to the Company, could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

**13. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Company's management is required to make judgements in the process of applying the Company's accounting policies in the preparation of its financial statements. In addition, the preparation of the financial statements in accordance with IFRS requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. While management believes the estimates are reasonable, actual results could differ from these estimates and could impact future results of operations and cash flows. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

#### **14. FORWARD LOOKING STATEMENTS**

Certain of the statements made and information contained herein are considered "forward-looking information" within the meaning of the British Columbia Securities Act. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

In particular, this MD&A contains forward-looking statements, pertaining to the following: capital expenditure programs, development of resources, treatment under governmental and taxation regimes, expectations regarding the Company's ability to raise capital, expenditures to be made by the Company on its properties and work plans to be conducted by the Company. With respect to forward-looking statements listed above and contained in the MD&A, the Company has made assumptions regarding, among other things:

- availability of additional financing or joint-venture partners
- the Company's ability to obtain additional financing on satisfactory terms.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth above and elsewhere in this MD&A.

Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by law.