

**ICONIC MINERALS LTD.  
MANAGEMENT DISCUSSION AND ANALYSIS  
THREE MONTHS ENDED NOVEMBER 30, 2014**

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Dated: January 16, 2015

**OVERVIEW**

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The following management discussion and analysis (“MDA”) of the financial position of Iconic Minerals Ltd. (the “Company”) and results of operations should be read in conjunction with the audited consolidated financial statements for the year ended August 31, 2014 and the unaudited condensed consolidated interim financial statements for the three months ended November 30, 2014. All monetary amounts referred to herein are in Canadian dollars unless otherwise stated. The financial statements together with this MDA are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com), on the Company’s website at [www.iconicmineralsltd.com](http://www.iconicmineralsltd.com), or by requesting further information from the Company’s head office in Vancouver.

**FORWARD LOOKING STATEMENTS**

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Information contained in this MDA that is not historical fact may be considered “forward looking statements”. These forward looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Company’s objectives, goals or plans are forward looking statements. Since forward looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors, including such variables as new information regarding recoverable reserves, changes in commodity demand and prices, legislative, environmental and other regulatory or political changes, competition in areas where the Company operates, and other factors discussed herein. Readers are cautioned not to place undue reliance on this forward looking information.

**DESCRIPTION OF BUSINESS**

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Iconic Minerals Ltd. (TSX-V: ICM) is a mineral exploration company focused on acquiring and exploring gold properties in Nevada and uranium and gold properties in Canada leading to NI43-101 compliant mineral resources in the near term.

The Company holds highly prospective gold exploration properties in Nevada with the potential to host both Carlin-type and Round Mountain style gold/silver deposits. The Company, through option agreements, has acquired 50% interests in the New Pass and Squaw creek properties located in Nevada.

In September 2011 the Company entered into an earn-in agreement to acquire up to a 70% interest in a lease in the Hercules Project located in Lyon County, Nevada. To acquire its interest, the Company was required to expend a total of US\$3,000,000 in staged expenditures on the property over a five year period. In October 2013, the Company amended the earn-in agreement to obtain an additional 30% in the lease (total 100%) in consideration of a one-time payment of US\$10,000. As a result, the Company is now responsible for the commitments of the underlying lease agreement, which was concurrently amended. The terms of the amended underlying lease agreement are disclosed in the consolidated financial statements.

The Company’s property portfolio also consists of uranium, polymetallic and diamond, exploration and evaluation assets located in the Athabasca Basin in Saskatchewan.

In April 2013, the Company entered into a Property Option Agreement to acquire up to an 85% exclusive right and interest in and to certain surface and mineral rights comprising 1,785 hectares, in the James Bay area, Quebec, known as the Yellow Lake Property.

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**EXPLORATION AND EVALUATION ASSETS**

A summary of the Company's exploration and evaluation assets at November 30, 2014 and August 31, 2014 is as follows:

|                                                | November 30,<br>2014<br>- \$ - | Current<br>Expenditures<br>- \$ - | August 31,<br>2014<br>- \$ - |
|------------------------------------------------|--------------------------------|-----------------------------------|------------------------------|
| United States                                  |                                |                                   |                              |
| New Pass, Nevada                               | 3,236,123                      | -                                 | 3,236,123                    |
| Hercules Project, Nevada                       | 920,753                        | 35,117                            | 885,636                      |
| Squaw Creek, Nevada                            | 1                              | -                                 | 1                            |
| <b>Total - USA</b>                             | <b>4,156,877</b>               | <b>35,117</b>                     | <b>4,121,760</b>             |
| Canada                                         |                                |                                   |                              |
| Yellow Lake, Quebec                            | 90,775                         | -                                 | 90,775                       |
| Four Lakes, Saskatchewan                       | 1                              | -                                 | 1                            |
| <b>Total - Canada</b>                          | <b>90,776</b>                  | <b>-</b>                          | <b>90,776</b>                |
| <b>Total Exploration and Evaluation Assets</b> | <b>4,247,653</b>               | <b>35,117</b>                     | <b>4,212,536</b>             |

**UNITED STATES**

**Overview**

With the acquisition of a 100% interest in the Hercules Project the Company has focused its effort on bringing this bulk minable, heap leachable type target to production. The New Pass and Squaw Creek properties will be further explored once Hercules is advanced.

**Hercules Project, Nevada**

In September 2011 the Company entered into an earn-in agreement to acquire up to a 70% interest in a lease to explore the Hercules Project located in Lyon County, Nevada. To acquire its interest in the lease, the Company was required to expend a total of US\$3,000,000 in staged expenditures on the property over a five year period. In October 2013, the Company amended the earn-in agreement to obtain an additional 30% in the lease (total 100%) in consideration of a one-time payment of US\$10,000. As a result, the Company is now responsible for the commitments of the underlying agreement, which was concurrently amended. The terms of the amended underlying lease agreement are disclosed in the consolidated financial statements.

The Hercules Project is located in the Como Mining District, Lyon County, Nevada, approximately 15 kilometers east of the Comstock Mine. The Hercules Project is a high level epithermal vein and disseminated gold/silver prospect occurring within Tertiary volcanic rocks. Iconic has agreed to explore the Project due to its potential for bulk minable heap leachable gold-silver mineralization. Two sub-parallel structural zones approximately 750 meters apart can be traced along surface for over 2,600 meters. The Project has at least 240 shallow historic drill holes, mostly within the Northeast Target.

The Company completed a summer drilling program at Hercules during 2012 consisting of 12 Reverse Circulation and 8 core holes totaling 6,631 feet (2,021 meters). The Company was recently granted a Plan of Operation (POO) permit by the Bureau of Land Management (BLM) which will allow drilling of additional 200+ holes. This drilling will allow determination of an NI 43-101 resource for the Project. Completion of this work remains subject to additional funding. During the summer of 2014, surface alteration mapping was conducted at Hercules. The identification of broad outcrops of potentially mineralized material led to initiation of a surface sampling program late in the summer. Sample lines or trenches are carefully surveyed, logged and channel sampled on 0.3 to 3.0 meter intervals. To insure quality control, standards and blanks are added before the samples are sent to ALS Chemex in Reno,

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Nevada for analysis. Results will be published after compilation. The Hercules project is a high-level epithermal vein and disseminated gold/silver prospect occurring within Tertiary volcanic rocks. Two sub-parallel structural zones can be traced along surface for over 2,600 meters. The project has over 200 often widely spaced shallow drill holes defining a broad, low-grade (0.5-3.0 g/t) gold zone which is cut by several feeder faults containing high-grade (10.0-+40.0 g/t) gold.

**New Pass Property, Nevada**

In April 2006 the Company received a mineral resource report on the New Pass project compiled by Sam S. Arentz III, P.E. of Sierra Environmental Engineers, Inc., Reno, Nevada. The report was prepared using NI 43-101 guidelines and standards and is identified as an addendum to the NI 43-101 report filed on SEDAR.

According to the Arentz report the New Pass project contains an Inferred Mineral Resource of 11.5 million tons (10.5 million tonnes) averaging 0.0226 oz/t (0.78 g/t) gold and 0.2214 oz/t (7.59 g/t) silver. This is equivalent to approximately 260,000 ounces of gold and 2.546 million ounces of silver. The shallow and largely oxidized nature of the resource indicates it may be amenable to open pit heap-leach mining methods.

In February 2008 Iconic released results for the 33 holes / 16,785 feet (5,117 m) 2007 Reverse Circulation (RC) drilling program. The Company discovered a mineralized fault well west of the known Mineral Resource at New Pass and extended the mineralized system west, north and east. In order to follow these extensions a Plan of Operation is being completed with the Bureau of Land Management ("BLM") that will allow a much expanded drilling program.

In May 2008, the Company resumed exploration drilling and a twenty five holes, 12,220 feet (3,726 m) drilling program was completed in November 2008. The program included 3 core holes and 22 Reverse Circulation (RC) holes. Drilling continues to expand the Mineral Resource to the west. The best example of this is NP-0813 which intersected 160 feet (49 m) averaging 0.053 oz/ton (1.82 g/t) gold and 0.17 oz/ton (5.8 g/t) silver on Section 1200 North. Drill holes NP-0817, 0822 and 0827 expanded the Mineral Resource in the northwest portion of the project area. NP-0817 intersected 75 feet (23 m) averaging 0.048 oz/ton (1.64 g/t) gold and 0.11 oz/ton (3.8 g/t) silver. Hole NP-0822 contained a total of 95 feet (29 m) of material averaging +0.01 oz/ton gold. Drill hole NP-0827 contained 169.7 feet (51.7 m) of mineralization including 57.7 feet averaging 0.042 oz/ton (1.44 g/t) gold and 0.40 oz/ton (13.7 g/t) silver and 20 feet (6 m) averaging 0.032 oz/ton (1.10 g/t) gold and 5.05 oz/ton (172.9 g/t) silver.

Two of the three core holes drilled gave a much better look at the structure associated with the bedded mineralized zone at New Pass. NP-0824C and 0825C indicate the bulk of the mineralization is hosted by sedimentary breccias formed by a prolonged weathering cycle and formation of karst within the limestones which were later covered with Tertiary volcanics. The mineralization is not associated with a bedding plane shear and therefore must be fed by high angle faults.

On September 8, 2010, the Company filed an NI 43-101 technical report which included updated information on all of the drilling since the 2006 resource report. A Plan of Operation was granted in July, 2009 and bonded in November, 2009. In a news release dated June 11, 2013, the Company announced the results of the 11 holes exploration program completed during the period at the Company's New Pass property.

**Squaw Creek Property, Nevada**

The Squaw Creek property is located in the Ivanhoe Mining District, four miles northwest of the Hollister Deposit and is 15 miles southeast of the Ken Snyder Deposit in the Midas Mining District. Both the Ivanhoe Mining District and the Midas Mining District lie on the northwest strike projection of the Carlin Trend and within the Northern Nevada Rift. The Midas Mining District lies at the northwest end of a line of gold deposits, which extends to the southeast to the Rain deposit, south of Carlin. The property is a joint venture with McEwen Mining Inc. (Formerly White Knight Resources Ltd.)

According to the NI 43-101 report on the property, strongly anomalous gold mineralization has been consistently intersected in drill holes over an area 3 miles long by 1 mile wide. The Company conducted a geophysics survey of the property and a 3 holes deep core drilling program. The primary target is a high grade vein deposit like the Ken Snyder mine or the deeper part of the Ivanhoe (Hollister) mine.

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Phase 2 drilling at Squaw Creek began in July 2007, and was completed in September, 2007. The drilling tested a major north-south trending, west dipping fault system. A total of 3 RC holes were drilled totaling 4,130 feet (1,260 m). Because of difficult drilling conditions only one hole reached its planned depth of 1,500 feet (457 m). Drill holes SC-0701 and 0702 were drilled to test the main graben fault intersected in SC-0602. SC-0701 deflected from the planned projection and essentially twinned core hole 0602. Gold values were slightly lower in 0701 than 0602 with the highest gold over 5 feet (1.6 m) being 0.018 oz/t (0.62 g/t) gold.

SC-0702 intersected a 70 feet (21 m) long fault zone (true thickness of 45 feet or 14 m) starting 250 feet (76 m) below the fault intercept in 0602. SC-0602 contained a 25 feet (8 m) long fault zone (true thickness of 22 feet or 7 m). SC-0702, which intersected the fault at a down-hole depth of 925 feet (282 m), has an average gold grade of 0.030 oz/t (1.02 g/t) over the 70 foot (22.5 m) interval and includes 10 feet (3 m) of 0.073 oz/t (2.50 g/t) gold. Core hole 0602 above, intersected the fault at a down-hole depth of 780 feet (276 m) and has an average gold grade of 0.0125 oz/t (0.43 g/t) over the 25 foot (8 m) interval. Both the width of the fault zone and gold grade have increased with depth. Silver values in both holes are low with silver to gold values of 1 to 1 or less.

SC-0703 was drilled 3,300 feet (1,006 m) south of hole 0701 due east to explore for the eastern bounding structure of the graben. The hole stayed within the thick section of tuffaceous volcanics within the graben and failed to find any sizable structures. The hole contained no significant gold values.

In September, 2008, a 1,358 feet (414 m) long core hole (SC-0801) was completed to test a mineralized fault zone down dip from drill hole SC-0702 (70 feet @1.02 g/t gold). Previous drilling indicated the fault dipped approximately 70 degrees. However, the fault flattens to roughly 45 degrees causing SC-0801 to intercept the zone only 180 feet (55 m) below the elevation of SC-0702.

The 0801 intercept is 120 feet (37 m) [100 feet true width] compared to 70 feet (21 m) in 0702 [45 feet true width]. The 0801 grade is slightly higher and contains the first +3.0 g/t gold intercepts at Squaw Creek (3.19 and 3.43 g/t gold over 5 feet samples). The fault zone is intruded by a rhyolite porphyry dike that is strongly quartz stockwork veined. Silver values continue to be low with silver to gold values of 1 to 1 or less.

During fiscal 2012 the Company decided to concentrate its resources and efforts towards its Hercules Project properties, and accordingly impaired the Squaw Creek Property to a nominal value, but continues to hold the rights to further explore this property.

## **CANADA**

### **Saskatchewan**

In July 2007, the Company acquired a 100% interest in certain mineral claims located in the Athabasca Basin, Saskatchewan.

Roughly one-third of the Four Lakes Property is located within the Athabasca Basin contiguous with the former producing Key Lake Uranium Mine; whereas the remaining claims encompass the NE-SW trending Wollaston Belt gneisses and granites that form the basement units to the Athabasca Basin. The Wollaston Belt hosts a number of sub-parallel NE-SW faults known for their uranium mineralization.

### **Quebec**

In April 2013, the Company entered into a Property Option Agreement to acquire up to an 85% exclusive right and interest in and to certain surface and mineral rights comprising 1,784.59 hectares, in the James Bay area, Quebec, known as the Yellow Lake Property.

Pursuant to the agreement, the Company may earn an initial 50% interest in the property by paying the optionors a total of \$50,000 cash (paid), issuing a total of 125,000 common shares (issued) in stages over 24 months, and expending \$500,000 for exploration work over a 24 month period.

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The agreement provides that the Company may acquire an additional 35% interest in the Yellow Lake Property for further expenditures and share issuances within 5 years. The agreement is subject to a 2% net smelter royalty (NSR), 1% of which may be purchased for \$1,500,000, and the Company has the right of first refusal to purchase the remaining 1% NSR.

**Summary of quarterly financial results:** The following is a summary of selected financial information compiled from the quarterly interim unaudited financial statements for eight quarters ending November 30, 2014:

|                                   | November 30,<br>2014 | August 31,<br>2014 | May 31,<br>2014 | February 28,<br>2014 |
|-----------------------------------|----------------------|--------------------|-----------------|----------------------|
| <i>Three months ending</i>        | - \$ -               | - \$ -             | - \$ -          | - \$ -               |
| Total assets                      | 4,267,751            | 4,222,939          | 4,114,700       | 4,083,619            |
| Exploration and evaluation assets | 4,247,653            | 4,212,536          | 4,081,720       | 4,046,255            |
| Working capital deficiency        | (2,021,845)          | (1,909,070)        | (1,716,230)     | (1,642,090)          |
| Long term liabilities             | 2,166,533            | 2,176,754          | 2,111,735       | 2,101,436            |
| Shareholders' equity              | 38,275               | 126,712            | 275,432         | 324,995              |
| Net loss                          | (109,935)            | (148,717)          | (74,297)        | (107,102)            |
| Loss per share                    | (0.01)               | (0.01)             | (0.01)          | (0.01)               |

|                                   | November 30,<br>2013 | August 31,<br>2013 | May 31,<br>2013 | February 28,<br>2013 |
|-----------------------------------|----------------------|--------------------|-----------------|----------------------|
| <i>Three months ending</i>        | - \$ -               | - \$ -             | - \$ -          | - \$ -               |
| Total assets                      | 4,075,381            | 4,062,041          | 3,993,326       | 3,972,409            |
| Exploration and evaluation assets | 4,045,630            | 4,032,598          | 3,852,711       | 3,632,772            |
| Working capital deficiency        | (1,543,580)          | (1,440,604)        | (1,163,377)     | (857,515)            |
| Long term liabilities             | 2,091,137            | 2,080,838          | 2,038,148       | 1,990,749            |
| Shareholders' equity              | 432,097              | 532,220            | 648,186         | 784,508              |
| Net loss                          | (100,123)            | (105,967)          | (160,474)       | (166,065)            |
| Loss per share                    | (0.01)               | (0.01)             | (0.02)          | (0.02)               |

**Comparison of operating results for the three months ended November 30, 2014 and 2013:** The Company had a net loss of \$109,935 in the period compared to a net loss of \$100,123 in the prior year's comparable period. Most expenses were similar in both periods, with the most significant variances explained in the following table:

|                                                                                                                                                             | <i>Three months ended</i> | November 30,<br>2014<br>- \$ - | November 30,<br>2013<br>- \$ - |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|--------------------------------|--------------------------------|
| Office administration                                                                                                                                       |                           | 20,066                         | 51,235                         |
| The decreases in office administration expense are due to management's renegotiation of office administration charges reflecting a reduction of activities. |                           |                                |                                |
| Foreign exchange                                                                                                                                            |                           | 42,937                         | 3,428                          |
| The increase in foreign exchange loss is due to significant drop in value of the Canadian dollar versus US dollar.                                          |                           |                                |                                |

## **LIQUIDITY AND CAPITAL RESOURCES**

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The Company has financed its operations to date primarily through the issuance of common shares, exercise of stock options and related party advances. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

At November 30, 2014 the Company had a working capital deficiency of \$2,021,845 and a cumulative deficit of \$38,265,879. Management considers its cash-on-hand is not sufficient to fund its recommended exploration work, planned acquisition program and corporate overhead through the next twelve months. Accordingly, the Company is continuing to seek additional funds from existing shareholders and potential investors.

During the three months ended November 30, 2014, the Company expended \$35,117 on its Nevada properties.

### **Private Placement**

On November 20, 2014, the Company announced it has negotiated a private placement for gross proceeds of up to \$500,000. Upon receipt of acceptance from the regulatory agency to the Financing, the Company will issue up to 10,000,000 units at a price of \$0.05 per unit, each unit consisting of one common share and one-half share purchase warrant, each whole warrant entitling the holder to purchase one additional common share, exercisable for a period of one year from the date of issuance at \$0.15 per share. Proceeds raised from the financing will be used towards exploration and development of the Company's Hercules Project in Lyon County, Nevada, and for general working capital purposes.

The Company may pay finders' fees in connection with the Financing in accordance with the rules and policies of the regulatory agency.

### **Debt Settlement**

The Company further announces that it has negotiated a settlement with certain creditors for outstanding debts in the aggregate amount of \$1,050,000, subject to acceptance by the regulatory agency. The debt will be settled by the issuance of 21,000,000 common shares at a price of \$0.05 per share.

Two Insiders will directly and/or indirectly acquire an aggregate of 5,680,000 Shares from the Debt Settlement, which will increase those Related Parties' pro rata shareholdings in the Company.

The Company's future capital requirements will depend on many factors, including costs of exploration and development of the properties, cash flow from operations, costs to complete additional exploration, and competition and global market conditions. The Company's recurring operating losses and growing working capital needs will require that it obtain additional capital to operate its business.

The Company will depend on outside capital to complete the exploration and development of the resource properties. Such outside capital will include the sale of additional common shares. There can be no assurance that capital will be available as necessary to meet these continuing exploration and development costs or, if the capital is available, that it will be on terms acceptable to the Company. The issuances of additional equity securities by the Company may result in a significant dilution in the equity interests of its current shareholders. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the business and future success may be adversely affected.

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**RELATED PARTY TRANSACTIONS**

Related party transactions were as follows:

|                                                                                                                        | 2014   | 2013   |
|------------------------------------------------------------------------------------------------------------------------|--------|--------|
| <i>Three months ended November 30</i>                                                                                  | - \$ - | - \$ - |
| Management fees paid or accrued to Richard Kern, the president of the Company                                          | 15,000 | 15,000 |
| Consulting fees paid or accrued to a company controlled by Joe DeVries, the corporate manager of the Company           | 12,000 | 12,000 |
| Office administration fees paid or accrued to a company controlled by Richard Barnett, the CFO and Corporate Secretary | 6,000  | 6,000  |
| Rent and administration fees accrued to a company controlled by the corporate manager                                  | 13,500 | 44,681 |

At November 30, 2014 and August 31, 2014 the key management balances were as follows:

|                                                                                                                                      | Nov 30, 2014 | Aug 31, 2014 |
|--------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
|                                                                                                                                      | - \$ -       | - \$ -       |
| Included in accounts payable are amounts due to the corporate manager or companies controlled by the corporate manager               | 698,736      | 670,559      |
| Included in accounts payable are loans from the corporate manager                                                                    | 246,824      | 246,824      |
| Included in accounts payable are amounts due to a company controlled by the CFO                                                      | 99,820       | 89,920       |
| Included in accounts payable are amounts due to Richard Kern, director and Herb Duerr, former director, or companies related to them | 630,355      | 638,984      |

These transactions and the other related party transactions disclosed elsewhere in the financial statements 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.

**OTHER MATTERS**

**Outstanding Share Data:** At the current date, the Company has 10,375,713 common shares outstanding.

**Stock options** - During the periods ended November 30, 2014 and 2013, there were no stock options granted. At the current date, there are no stock options outstanding.

**Warrants** - As of the current date, there are 1,925,000 warrants outstanding.

**Off-Balance Sheet Arrangements** - The Company has not entered into any off-balance sheet arrangements.

**FINANCIAL INSTRUMENTS – PRESENTATION AND DISCLOSURE**

Financial assets and financial liabilities are recognized on the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are required to be measured at fair value at initial recognition. Measurement in subsequent periods is dependent upon classification of the financial instruments as fair value through profit or loss ("FVTPL"), available for sale, loans and receivables, held to maturity, or other financial liabilities. For financial instruments classified as FVTPL, transaction costs are added to the initial fair value of the related financial instrument.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

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Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;  
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and  
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets and liabilities classified as FVTPL are measured at fair value with changes in those fair values recognized in consolidated statement of operations. Financial assets classified as available for sale are measured at fair value with changes in those fair values recognized in Other Comprehensive Income. Financial assets classified as loans and receivables, held to maturity or other financial liabilities are measured at amortized cost using the effective interest rate method of amortization. Where a financial asset classified as held to maturity or available for sale has a loss in value which is considered to be other than temporary, the loss is recognized in the consolidated statement of operations.

The Company has classified cash and marketable securities as FVTPL, accounts payable and accrued liabilities and long-term liabilities as other financial liabilities.

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**ACCOUNTING POLICIES**

**New accounting standards adopted**

The Company adopted new accounting standards during the period ended November 30, 2014. The new standards adopted, which had no effect on the Company are as follows:

***New standards, interpretations and amendments not yet effective***

A number of new standards, amendments to standards and interpretations are not yet effective as of November 30, 2014 and have not been applied in preparing these financial statements.

IFRS 7, Financial Instruments: Disclosures (Amended in 2011)

The IASB amended the disclosure requirements in IFRS 7, “Financial Instruments: Disclosure” to require information about all recognized financial instruments that are set off in accordance with paragraph 42 of IAS 32 “Financial Instruments: Presentation”.

The amendments also require disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The IASB believes that these disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity’s recognized financial assets and recognized financial liabilities, on the entity’s financial position.

Tentatively effective for annual periods beginning on or after January 1, 2018

IFRS 9, Financial Instruments – Classification and Measurement, is a new standard on financial instruments that will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as de-recognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

The Company has not early adopted these revised standards and none of these standards are expected to have a material effect on the financial statements.

## **RISKS**

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The Company is engaged in the exploration for and development of exploration and evaluation assets. These activities involve significant risks which careful evaluation, experience and knowledge may not, in some cases, eliminate. The commercial viability of any material deposit depends on many factors not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade, proximity to infrastructure. Government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations, have an impact on the economic viability of a mineral deposit.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts revenues and expenses during the reporting period. Actual results could differ from those estimates.

Annual losses are expected to continue until the Company has an interest in an exploration and evaluation asset that produces revenues. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing and generating revenues sufficient to cover its operating costs. The accompanying consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

Any forward-looking information in the management discussion and analysis is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the Company and other factors.

## **INTERNAL CONTROLS OVER FINANCIAL REPORTING**

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The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing 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 purposes in accordance with IFRS. We have designed controls for this process and have conducted an evaluation which has identified potential weaknesses in such controls. Due to the limited number of staff, it is not feasible to attain complete segregation of incompatible duties. Weaknesses in the Company's internal controls over financial reporting allow for a greater likelihood that a material misstatement would not be prevented or detected.

## **DIRECTORS**

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Certain directors of the Company are also directors, officers and/or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploring natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his/her interest and abstain from voting in the matter(s). In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.