# TESORO MINERALS CORP.
(formerly Auro Resources Corp.)

## MANAGEMENT DISCUSSION & ANALYSIS

**For the Year Ended October 31, 2014**

**Directors and Officers as at February 25, 2015:**

| | |
|---|---|
| **Directors**: | Peter Tegart, CEO<br>Cyrus Driver, CFO<br>Scott McLean<br>Antony Harwood |
| **TSX Venture Exchange Symbol:** | TES-TSX.V |

## 1.1 Date of This Report

This management discussion and analysis of financial position and results of operations ("MD&A") is prepared as of February 25, 2015 and should be read in conjunction with the audited consolidated financial statements for the year ended October 31, 2014 of Tesoro Minerals Corp. with the related notes thereto. These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

Readers may also want to refer to the October 31, 2013 audited consolidated financial statements and the accompanying notes.

***Caution on Forward-looking Information***

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties which could cause actual results to vary considerably from these statements. Management's discussion and analysis may contain forward-looking statements, including statements regarding the business and anticipated financial performance of the Company. These statements are not guarantees of the Company's future performance. Given the uncertainties associated with forward-looking information, readers are cautioned not to put undue reliance on forward-looking information.

Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

## 1.2 Overall Performance

***Description of Business***

Tesoro Minerals Corp. is a publicly held mineral exploration company with major land positions in Colombia's leading gold camps. The Company is listed on the TSX Venture Exchange under the symbol "TES" and the Frankfurt Exchange under the symbol "NXP3." The Company holds property interests in three of the country's most prolific gold regions in Antioquia, Tolima-Quindio, and Santander-Norte de Santander, Colombia, South America.

Management and the Board of Directors are focused on creating shareholder value, by ensuring that capital is committed towards exploration, while focusing on, and balancing the costs of operating a public company within a prospective emerging market.

El Tesoro

By an agreement dated July 26, 2010, the Company entered into an option agreement to acquire a 100% interest in the El Tesoro Gold Mine, from Minerales Del Puerto S.A., a private Colombian company. The El Tesoro licence is located in the Puerto Berrio Mining District in the Northeast Department of Antioquia, Colombia.

Consideration under the agreement is US$1,000,000 cash, the issue of 600,000 post consolidation common shares of the Company and completion of US$400,000 in exploration expenditures as follows:

- Upon completion of due diligence, the recovery of title by the vendor and TSX acceptance of a National Instrument 43-101 report ("NI 43-101") on the property (received on September 16, 2010), a payment of US$600,000 (paid) and the issuance of 300,000 common shares (issued).

- Upon issuance of relevant environmental permits, issue a further 300,000 shares to Minerales Del Puerto S.A., and US$200,000.

- Anniversary payments of US$100,000 twelve months and twenty-four months after receiving the necessary environmental permits.

- Upon review of the NI 43-101 and passing technical due diligence, the Company will expend a minimum of US$400,000 in respect of exploration and further development of the project within one year following the date of the definitive agreement.

The Company will issue a further 50,000 shares if 500,000 Troy Ounces of gold, and a further 50,000 shares if 1,000,000 Troy Ounces of gold are "measured", "indicated", or "inferred" in the NI 43-101.

The Company also paid a finder's fee of $66,732 cash and issued 25,667 shares.

During the year ended October 31, 2012, the Company wrote down the property to a nominal value of $1 and recorded an impairment charge of $1,626,819 as the Company ceased exploration and decided to focus on its other mineral properties.

During the year ended October 31, 2013, the Company received $19,584 from the acquisition costs and recorded the amount as recovery of exploration and evaluation assets.

During the year ended October 31, 2014, the Company wrote down the property to a value of $nil as there are no further plans to explore the property.

White Gold

On July 27, 2011, the Company acquired all the issued and outstanding shares of White Gold Corporation ("White Gold"), a private Alberta corporation. White Gold, through its wholly-owned subsidiary, Oro Barracuda Ltda., a Colombian corporation, owns a 100% interest in the Tolimo &

Quindio, Arboledas Gold Project and Surata Gold Project mineral property claims located in Colombia. The acquisition was completed by an amalgamation agreement with the Company's wholly-owned Alberta subsidiary, 1605139 Alberta Ltd. Consideration for the acquisition is:

a) issuance of 2,100,000 post consolidation common shares of the Company to the former shareholders of White Gold of which 38% (798,000 common shares for a total of 15 Concession Agreements received) were released on the acquisition date and 62% (1,302,000 common shares) are to be released upon receipt of 24 Concession Agreements regarding certain of the Colombian mineral properties that were in the "Pending Concession" and "Lease Application" stages of regulatory approval in Colombia.

As at October 31, 2014 and 2013, the schedule of shares issuance is as the following:

| | Number of common shares to be issued | Number of Concession Agreements to be received | Percentage |
|---|---|---|---|
| Balance, October 31, 2011 | 1,302,000 | 24 | 62.00% |
| Shares issued for Concession Agreements received | (157,500) | (3) | (7.50%) |
| Balance, October 31, 2012 | 1,144,500 | 21 | 54.50% |
| Shares cancelled for Concession Agreements disapproved | (327,000) | (6) | (15.57%) |
| Balance, October 31, 2013 and 2014 | 817,500 | 15 | 38.93% |

During the year ended October 31, 2014, the Company wrote down the White Gold properties to a value of $nil and recorded an impairment charge of $3,509,340 as the Company ceased exploration and decided to explore other opportunities. Accordingly, an environmental insurance provision of $5,669 was recorded in accounts payable. As at October 31, 2014, the Company still held interests in the White Gold properties.

During the year ended October 31, 2013, the Company cancelled the scheduled issuance of 327,000 common shares as 6 Concession Agreements were rejected by the Colombian regulatory. Consequently, the Company reduced the obligation to issue shares by $457,800 for a deemed fair value of $1.40 per share and recognized the change in reserves.

As at October 31, 2014 and 2013, the Company had 817,500 common shares scheduled for issuance valued at $1.40 per share for a total value of $1,144,502, which are included in equity as obligation to issue shares.

b) issuance of 90,860 share purchase options and 17,036 share purchase warrants of the Company.

In addition, the Company also issued 86,667 shares valued at a total of $121,333 and incurred $90,000 in cash payment for finder's fee.

## 1.3 Selected Annual Information

| | | For the Fiscal Year ended October 31, 2014 | | For the Fiscal Year ended October 31, 2013 | | For the Fiscal Year ended October 31, 2012 |
|---|---|---|---|---|---|---|
| Loss | $ | 4,381,712 | $ | 1,071,429 | $ | 3,073,970 |
| Comprehensive loss | $ | 4,400,805 | $ | 1,047,355 | $ | 3,028,521 |
| Loss per share – basic and diluted | $ | (0.16) | $ | (0.13) | $ | (0.47) |
| Working capital (deficiency) | $ | 570,945 | $ | (1,064,804) | $ | (557,258) |
| Exploration and evaluation assets | $ | - | $ | 3,417,304 | $ | 3,473,791 |
| Total assets | $ | 835,550 | $ | 3,498,789 | $ | 3,616,527 |
| Deficit | $ | (39,916,856) | $ | (35,535,144) | $ | (34,463,715) |
| Weighted average number of shares outstanding | $ | 26,891,713 | $ | 8,045,626 | $ | 6,545,754 |

## 1.4 Results of Operations

***Discussion of Operations and Financial Condition***

During the year ended October 31, 2014, the Company reported a loss of $4,381,712 compared to $1,071,429 for the comparative year ended October 31, 2013, an increase of $3,310,283. The increase is mainly due to a recognition of impairment charge of exploration and evaluation costs of $3,509,340 as compared to $438,216 for the year ended October 31, 2013. This represents an increase of $3,071,124. The general and administration costs for 2014 were $569,174 as compared to $554,729 in the prior year. More significant increases in certain categories are as below:

- Consulting fees and investor relations of $11,628 (2013 – $Nil) increased as the Company engaged consultants during the year. The Company did not engage any consultants in the prior year.

- Management fees of $99,648 (2013 – $81,452) related to compensation agreement with the Company's directors and officers and also the Company's current Chief Executive Officer as disclosed in section 1.8.

- Professional fees of $309,559 (2013 – $379,053) decreased mainly as a result of a decrease in professional accounting fees to $69,195 (2013 - $102,225).

Increase in the loss for the year is also impacted by exploration costs as the following:

| **Year ended October 31** | **2014** | **2013** | **Increase (decrease)** |
|---|---|---|---|
| **EXPLORATION COSTS** | | | |
| Geological consulting | $ 130,907 | $ 169,640 | $ (38,733) |
| Field work and supplies | 102,945 | 55,787 | 47,158 |
| Professional fees | 27,399 | 28,912 | (1,513) |
| Project evaluation | 21,187 | 21,792 | (605) |
| Provision for environmental insurance | 5,669 | - | 5,669 |
| Impairment of exploration and evaluation assets | 3,509,340 | 438,216 | 3,071,124 |
| **Total exploration costs** | $ (3,797,447) | $ (714,347) | $ 3,083,100 |

Decrease in exploration costs for the year ended October 31, 2014 has increased primarily due to an impairment of exploration and evaluation assets in the amount of $3,509,340 (2013: $438,216). Please refer to Section 1.12 for further discussion on the Colombian operation.

***Summary of Quarterly Results***

The following is a summary of the Company’s financial results for the eight most recently completed quarters which have been prepared using accounting policies consistent with International Financial Reporting Standards (“IFRS”):

| Quarterly periods | Loss | Basic and diluted loss per common share |
|---|---|---|
| October 31, 2014 | $ (3,548,164) | $ (0.13) |
| July 31, 2014 | $ (108,773) | $ (0.00) |
| April 30, 2014 | $ (571,735) | $ (0.02) |
| January 31, 2014 | $ (153,040) | $ (0.01) |
| October 31, 2013 | $ (463,281) | $ (0.12) |
| July 31, 2013 | $ (23,617) | $ (0.00) |
| April 30, 2013 | $ (176,953) | $ (0.00) |
| January 31, 2013 | $ (407,578) | $ (0.01) |

During the quarter ended January 31, 2014, the Company reported a loss of $153,040 mainly as a result of exploration costs of $65,289 and professional fees of $46,952. The Company also incurred consulting and investor relations fees of $18,000.

During the quarter ended April 30, 2014, the Company reported a loss of $571,735 mainly as a result of exploration costs of $243,912 and professional fees of $174,941. During the quarter, the Company also incurred management fees of $43,000 as a result of compensation agreement entered with management (refer to section 1.8) for their services during quarter ended April 30, 2014. During the quarter ended April 30, 2013, the Company completed a private placement of 18 million units for gross proceeds of $18,000,000 with share issuance costs of $100,415.

During the quarter ended July 31, 2014, the Company reported a loss of $108,773 mainly as a result of exploration cost of $56,559 and professional fees of $41,240. During the quarter, the Company also completed the first tranche private placement of 4,345,000 units at $0.10 per unit, raising aggregate proceeds of $434,500. Each unit consisted of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire an additional common share of the Company at $0.20 per common share for the first year from the date of issue, and at an additional $0.05 per common share for each subsequent year until the expiry of the warrants five years after the date of issue. In relation to the first tranche private placement, the Company paid finder's fees of 7% cash and 7% broker warrants for a total of $30,240 and 302,400 broker warrants.

The Company also completed the second tranche private placement of 700,000 units at $0.10 per unit, raising aggregate proceeds of $70,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire an additional common share of the Company at $0.20 per common share for the first year from the date of issue, and at an additional $0.05 per common share for each subsequent year until the expiry of the warrants five years after the date of issue. In relation to the first tranche private placement, the Company paid finder's fees of $4,900 and 7,000 broker warrants.

The Company also settled an aggregate of $441,741 of indebtedness owed to six creditors of the Company for services provided by the creditors, the Company issued an aggregate of 4,005,264 common shares at a fair value of $0.10 per share. The application was approved by the TSX Venture Exchange and the Shares were issued on June 11, 2014. All Shares issued in connection with the shares for debt transaction are subject to a four-month statutory hold period until October 11, 2014. The Company recognized a charge to reserve of $41,215 on this transaction given part of the settlement was with a shareholder of the Company.

During the quarter ended October 31, 2014, the Company reported a loss of $3,548,164 mainly as a result of exploration cost of $3,431,687 and professional fees of $46,426. The Company also incurred management fees of $13,300 as a result of compensation agreement entered with a key management (refer to section 1.8). The Company recorded an impairment charge of $3,405,708 during the quarter ended October 31, 2014.

## 1.5 Liquidity

In management's view, given the uncertainty of the nature of the Company's operations, the most relevant financial information relates primarily to current liquidity, solvency and planned expenditures. The Company's financial success will be dependent upon the acquisition of an existing business or, if the Company focuses on the resource sector, the acquisition of a viable property and the discovery of economically recoverable reserves. Such development may take years to complete and the amount of resulting income, if any, is difficult to determine.

As at October 31, 2014, the Company reported working capital surplus of $570,945 compared to a deficiency of $1,064,804 for the year ended October 31, 2013. The Company will require additional financing to fund further exploration at its key projects, investigations and/or evaluations of potential new acquisitions and thereafter to fund any extensive development and expansion of such acquisitions. In light of the continually changing financial markets, there is no assurance that funding by equity subscriptions will be possible at the times required or desired by the Company.

### *Liquidity Risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2014, the Company had a cash balance of $766,606 (2013 – $39,109) to settle current liabilities of $264,782 (2013 – $1,134,902). The Company is planning additional financings in the near term to raise working capital to finance its ongoing operations.

### *Credit Risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The carrying value of these instruments represents the Company's maximum exposure to credit risk. As at October 31, 2014, the Company's receivables mainly consisted of GST receivable from government authorities in Canada and cash balances were mainly held at a chartered bank in Canada. There is minimal credit risk with respect to GST recoverable as this amount is recoverable from Canadian governmental agencies. The Company believes it has no significant credit risk.

***Market Risk***

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

a) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market interest rates. At October 31, 2014, interest rate risks on cash and on the Company's obligations are not considered significant.

b) *Foreign currency risk*

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Colombia. The Company funds cash calls to its foreign subsidiary in Colombian Peso. There is a risk in the exchange rate of the Canadian dollar relative to the Colombian Peso and a significant change in this rate could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

Assuming that all other variables remain constant, based on the Company's Colombian Peso exposure at October 31, 2014, a 10% change in the value of the Canadian dollar against the Colombian Peso would not materially affect the loss from operations.

***Commitments***

Aside from the commitments related to management contracts, to issue employee stock options, and share purchase warrants the Company has commitments related to the acquisition of exploration and evaluation assets (See Section 1.2).

## 1.6 Capital Resources

On December 17, 2013, the Company completed first tranche private placement of 4,550,000 units at $0.10 per unit, raising aggregate proceeds of $455,000. Each unit consisted of one common share of the Company and one share purchase warrant with each warrant entitling the holder to acquire an additional common share of the Company at $0.20 per share for the first year from the date of issue and at an additional $0.05 per share for each subsequent year until the expiry of the warrants on fifth year. In relation to the first tranche private placement, the Company paid finder's fees of $31,850 in cash and 7% agent's warrants for a total of 318,500 agent's warrants for the first tranche private placement. The common shares issued in the first tranche and the common shares to be issued pursuant to the exercise of the warrants and agent's warrants are all subject to a hold period expiring on April 18, 2014.

On January 10, 2014, the Company completed the second tranche private placement of 10,050,000 units at $0.10 per unit, raising aggregate proceeds of $1,005,000. Each unit consisted of one common share of the Company and one share purchase warrant with each warrant entitling the holder to acquire an additional common share of the Company at $0.20 per share for the first year from the date of issue and at an additional $0.05 per share for each subsequent year until the expiry of the warrants on fifth year. In relation to the second tranche private placement, the Company paid finder's fees of $66,185 in cash and 7% agent's warrants for a total of 647,500 agent's warrants. The common shares issued in the second tranche and the common shares to be issued pursuant to the exercise of the warrants and agent's warrants are all subject to a hold period expiring on May 11, 2014.

On January 17, 2014, the Company completed the third and final tranche private placement of 3,400,000 units at $0.10 per unit, raising aggregate proceeds of $340,000. Each unit consisted of one common share of the Company and one share purchase warrant with each warrant entitling the holder to acquire an additional common share of the Company at $0.20 per share for the first year from the date of issue and at an additional $0.05 per share for each subsequent year until the expiry of the warrants on fifth year. In relation to the third tranche private placement, the Company paid finder's fees of $2,380 in cash and 7% agent's warrants for a total of 91,000 agent's warrants. The common shares issued in the third tranche and the common shares to be issued pursuant to the exercise of the warrants and agent's warrants are all subject to a hold period expiring on May 18, 2014.

On June 11, 2014, the Company settled an aggregate of $441,742 of indebtedness owed to six creditors of the Company for services provided by the creditors, the Company issued an aggregate of 4,005,264 common shares at a deemed price of $0.10 per share. The application was approved by the TSX Venture Exchange and the Shares were issued on June 11, 2014. All Shares issued in connection with the shares for debt transaction were subject to a four-month statutory hold period until October 11, 2014. The Company recognized a gain of $41,215 on this transaction.

On July 30, 2014, the Company completed the first tranche private placement of 4,345,000 units at $0.10 per unit, raising aggregate proceeds of $434,500. Each unit consisted of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire an additional common share of the Company at $0.20 per common share for the first year from the date of issue, and at an additional $0.05 per common share for each subsequent year until the expiry of the warrants five years after the date of issue. In relation to the first tranche private placement, the Company paid finder's fees of 7% cash and 7% broker warrants for a total of $30,420 and 302,400 broker warrants. The common shares issued in the first tranche and the common shares to be issued pursuant to the exercise of the warrants and broker warrants were subject to a hold period until November 30, 2014.

On August 15, 2014, the Company completed the second and final tranche of a non-brokered private placement of 700,000 units at $0.10 per unit for gross proceeds of $70,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire an additional common share of the Company at $0.20 per common share for the first year from the date of issue, and at an additional $0.05 per common share for each subsequent year until the expiry of the warrants five years after the date of issue. In relation to the second and final tranche private placement, the Company paid finder's fees of 7% cash and 7% broker warrants for a total of $4,900 and 7,000 broker warrants. The common shares issued in the second and final tranche and the common shares to be issued pursuant to the exercise of the warrants and broker warrants were subject to a hold period until December 16, 2014.

## 1.7 Off Balance Sheet Arrangements

The Company had no off-balance sheet arrangements.

## 1.8 Transactions with Related Parties

During the year ended October 31, 2014 and 2013, the Company was charged the following amounts by key management personnel and related parties of the Company:

| | Nature of Transactions | **For the Year Ended October 31, 2014** | For the Year Ended October 31, 2013 |
|---|---|---|---|
| **Key management personnel:** | | | |
| President and CEO | Management | **$ 5,348** | $ 44,652 |
| CFO | Management | **25,000** | - |
| COO | Management | **69,300** | - |
| Former CEO and Director | Management | - | 20,000 |
| Former President, CEO and CFO | Management | - | 10,800 |
| Former Secretary and CFO | Management | - | 6,000 |
| Former President, VP Exploration and COO | Geological | - | 2,706 |
| | | **$ 99,648** | $ 84,158 |
| **Related party:** | | | |
| A firm of which the CFO is a partner | Professional | **$ 57,021** | $ 101,000 |

The amounts due to related parties and key management personnel included in accounts payable and accrued liabilities are as follows:

| | | **October 31, 2014** | | October 31, 2013 |
|---|---|---|---|---|
| Due to a company controlled by the former President and CEO | **$** | **-** | $ | 10,000 |
| Due to a company controlled by the former President, VP Exploration and COO | | **-** | | 15,600 |
| Due to the former President, CEO and CFO | | **22,176** | | 22,176 |
| Due to a company controlled by the former CEO and Director | | **-** | | 8,248 |
| Due to the former President, VP Exploration and COO | | **-** | | 1,400 |
| Due to former Secretary and CFO | | **6,720** | | 6,720 |
| Due to a firm of which the CFO is a partner | | **6,000** | | 128,023 |
| Due to the President and CEO | | | | 44,652 |
| Due to VP Exploration and COO | | **5,086** | | |
| | **$** | **39,982** | $ | 236,819 |

a) During the year ended October 31, 2014, the Company issued 1,376,782 common shares value at $0.10 per share to settle $137,678 of indebtedness to a company controlled by a director, a firm of which the CFO is a partner, and the CFO.

b) As at October 31, 2013, there was an interest free loan payable of $10,000 repayable on demand, included in the due to a company controlled by the former President and CEO. The loan was repaid subsequent to the year ended October 31, 2013.

c) During the year ended October 31, 2013, the Company issued 200,000 common shares valued at $0.50 per share to settle $100,000 of indebtedness to the former President, VP Exploration and COO.

d) During the year ended October 31, 2013, the Company issued 166,667 common shares valued at $0.30 per share to settle $50,000 of indebtedness to the former CEO and Director. As at October 31, 2013, the Company had an obligation to issue 68,145 stock options to the former CEO and Director.

e) During the year ended October 31, 2013, the Company issued 38,333 common shares valued at $0.30 per share to settle $11,500 of indebtedness to the former President and CEO.

## 1.9 Proposed Transactions

As of 23rd January, 2015 a Memorandum of Understanding has been signed with a third party wherein it is proposed that the Company's remaining, greenfields mineral exploration property portfolio will be transferred in exchange for 10% of the shares of the third party (post a seed capital placement) along with a 1% Net Smelter Return royalty on each property. Under the agreement, the Company retains the right to participate in future financings of the third party, and the right of first refusal to invest in any properties of merit that the third party generates through its acquisition and exploration activities in Colombia, apart from any discovery made on properties in the above-mentioned portfolio.

## 1.10 Critical Accounting Estimates

The preparation of these financial statements in conformity with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates.

Significant accounting judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements include, but are not limited to, the following:

i) Determination of categories of financial assets and financial liabilities which has been identified as an accounting policy which involves assessments made by management;

ii) Determination of functional currency of the Company and its wholly-owned subsidiaries; and

iii) Recoverability of the carrying value of the Company's exploration and evaluation assets.

Key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year include, but are not limited to, the following:

i) Deferred income taxes - The Company is periodically required to estimate the tax basis of assets and liabilities. Where applicable tax laws and regulations are either unclear or subject to varying interpretations, it is possible that changes in these estimates could occur that materially affect the amounts of deferred income tax assets and liabilities recorded in the financial statements. Changes in deferred tax assets and liabilities generally have a direct impact on earnings in the period that the changes occur. Each period, the Company evaluates the likelihood of whether some portion or all of each deferred tax asset will not be realized. This evaluation is based on historic and future expected levels of taxable income, the pattern and timing of reversals of taxable temporary timing differences that give rise to deferred tax liabilities, and tax planning initiatives.

ii) Share-based payment – The fair value of share-based payment is determined using a Black-Scholes Option pricing model. Such option pricing models require the input of subjective assumptions including the expected price volatility, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant.

### 1.11 New accounting standards and amendments to existing standards

New and amended standards adopted by the Company

The application of these amendments and standards had no material impact on current and prior year disclosures but may affect disclosures for future transactions.

- Amendments to IFRS 7, Financial Instruments: Disclosures, to require information about all recognized financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. This standard is effective for years beginning on or after January 1, 2013.

- New standard IFRS 10, Consolidated Financial Statements, replaces the guidance on control and consolidation in IAS 27, Consolidated and Separate Financial statements, and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control under IFRS so that the same criteria are applied to all entities to determine control. This standard is effective for years beginning on or after January 1, 2013.

- New standard IFRS 11, Joint arrangements, requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for joint operations, the venturer will recognize its share of assets, liabilities, revenue and expenses of the joint operations. Under existing IFRS, entities have the choice to proportionally consolidate or equity account for interest in joint ventures. IFRS 11 supersedes IAS 31 – Interest in Joint Ventures and SIC 13 – Jointly Controlled Entities – Non-monetary Contributions by Venturers. This standard is effective for years beginning on or after January 1, 2013.

- New standard IFRS 12, Disclosure of Interests in Other Entities, provides the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and consolidated structured entities. This standard is effective for years beginning on or after January 1, 2013.

- New standard IFRS 13, Fair Value Measurement, defines fair value and sets out in a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. The standard does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). This standard is effective for years beginning on or after January 1, 2013.

- Reissued IAS 27, Separate Financial Statements, requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments. This standard is effective for years beginning on or after January 1, 2013.

- Reissued IAS 28, Investment in Associates and Joint Ventures, supersedes IAS 28 Investments in Associates and defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment. This standard is effective for years beginning on or after January 1, 2013.

<u>New or revised standards and amendments to existing standards not yet effective</u>

The Company has not applied the following new, revised and amended standards that have been issued but are not yet effective for the October 31, 2014 reporting period:

- New standard IFRS 9, Financial Instruments, classification and measurement is the first part of a new standard on classification and measurement of financial assets that will replace IAS 39, “Financial Instruments: Recognition and Measurement.” IFRS 9 has two measurement categories: 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 and loss. This standard is effective for years beginning on or after January 1, 2018.

- Amendments to IAS 32 - Financial Instruments: Presentation amendment provides clarification on the application of offsetting rules. This standard becomes effective for annual periods beginning on or after January 1, 2014.

- Amendments to IAS 36 – Impairment of Assets, clarifies the recoverable amount disclosures for non-financial assets, including additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount was based on fair value less costs of disposal. The amendments apply retrospectively for annual periods beginning on or after January 1, 2014. Earlier application is permitted except an entity shall not apply those amendments in periods (including comparative periods) in which it does not also apply IFRS 13.

- Amendments to IFRS 10, *Consolidated Financial Statements*, IFRS 12, *Disclosures of Interests in Other Entities* and IAS 27, *Separate Financial Statements*. The amendments provide for the definition of an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity. The amendments also deal with the disclosures required and preparation of separate financial statements of an investment entity. These amended standards are effective for annual periods beginning or after January 1, 2014.

- Amendments to IAS 24- The amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments will only affect disclosure and are effective for annual periods beginning on or after January 1, 2014. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

- The IASB issued IFRIC 21 – Levies ("IFRIC 21"), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets ("IAS 37"), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event ("Obligating Event"). IFRIC 21 clarifies that the Obligating Event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 is effective for annual periods commencing on or after January 1, 2014. The Company is currently evaluating the impact the final standard is expected to have on its consolidated financial statements.

- Amendments to IFRS 2- *Share based payment*. The amendment clarifies vesting conditions by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition. The amendment is effective for share based payment transactions for which the grant date is on or after July 1, 2014. The Corporation is in the process of determining the impact of the amendment of IFRS 2 on its consolidated financial statements.

The Company is currently assessing the impact that these standards will have on the Company's financial statements. The Company plans to adopt these standards as soon as they become effective for the Company's reporting period. The amendments and new standards are expected to have minimal impact on the Company's financial statements.

## 1.12 Outlook

### *Exploration Update*

Tesoro Minerals Corp. is a mineral exploration company that has held major greenfields land positions in Colombia's leading gold camps for the past three years including interests in two prolific gold regions: Tolima – Quindio and Santander – Norte de Santander.

The Company has pursued joint venture (JV) opportunities in order to balance exploration risk with the benefits of participation in a mineral discovery.

### *Objectives*

The Company's business model has been to research, evaluate, acquire properties, add value through exploration, and then farm-out projects to partners.

***Exploration***

The company spent the first half of the 2014 conducting a heavy minerals stream sediment sampling program in order to assess the prospectivity of the property portfolio in the Surata, Arboledas and Colosa West areas. In areas where the results of the program were null, the Company has returned properties to the Colombian government. In the areas where there are indications of gold or other metal anomalism, the Company bundled the remaining properties into a Colombian grass-roots portfolio, and sought to sell the portfolio to a third party whereby the Company retains a free-carried interest in the properties, whilst retaining certain back-in rights and the option to participate in future financings of the third party.

***Other Opportunities***

Colombia remains a relatively new, under-explored mineral rich terrane that offers excellent potential for discovery, but the Company has shifted its focus to pursuing later stage, exploration through development opportunities in more mature mining jurisdictions in South America.

## 1.13 Additional information

***Change in Management and Directors***

On January 4, 2013, the Company announced the appointment of Cyrus Driver, Dr. Antony Harwood, Scott McLean and Peter Tegart as directors of the Company effective on January 11, 2013. The new directors are successful businessmen with significant experience in geological exploration and mine development, and possess strong skills in business management, capital markets, finance and accounting.

On January 11, 2013, the directors of the Company appointed Peter Tegart as the new President and Chief Executive Officer of the Company and Cyrus Driver as the new Secretary and Chief Financial Officer of the Company.

On January 14, 2014, the Company announced the appointment of John Gray as the new Chief Operating Officer of the Company.

The new management looks forward to working to achieve positive change for the Company and its shareholders.

### *Outstanding Share Data*

The Company's authorized capital is unlimited common shares without par value. As at February 25, 2015, the following share purchase warrants were outstanding:

| | Number of Shares | Exercise Price | Expiry Date |
|---|---|---|---|
| Issued and Outstanding Common Shares: | 36,231,809 | | |
| Warrants: | 1,383,258 | $ 1.00 | November 7, 2014 |
| | 4,550,000 | $ 0.20 | December 18, 2018 |
| | 10,050,000 | $ 0.20 | January 11, 2019 |
| | 3,400,000 | $ 0.20 | January 18, 2019 |
| | 4,345,000 | $ 0.20 | July 30, 2019 |
| | 700,000 | $ 0.20 | August 15, 2019 |
| Agent's warrants: | 318,500 | $ 0.20 | December 18, 2018 |
| | 647,500 | $ 0.20 | January 11, 2019 |
| | 91,000 | $ 0.20 | January 18, 2019 |
| | 302,400 | $ 0.20 | July 30, 2019 |
| | 7,000 | $ 0.20 | August 15, 2019 |
| Fully Diluted: | 62,026,467 | | |

***Disclosure Controls and Procedures***

It should be noted that pursuant to Multilateral Instrument 52-511 (adopted by the British Columbia Securities Commission on November 23, 2007), the officers of the Company are no longer required to certify the effectiveness of disclosure controls and procedures used by the Company, as was required in previous filings under National Instrument 52-109. Accordingly, the new forms of certificate to be signed by the Company's Chief Executive Officer and Chief Financial Officer contain the following Note to Reader:

In contrast to the certificate required under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Additional information relating to the Company is on SEDAR at www.sedar.com.