MANAGEMENT DISCUSSION AND ANALYSIS
2ND QUARTER ENDED DECEMBER 31, 2014

This Management Discussion and Analysis ("MD&A") is intended to supplement the Company's condensed consolidated interim financial statements and related notes thereto for the six months ended December 31, 2014. This report is as at ***February 26, 2015****.*

All monetary amounts are in Canadian dollars unless otherwise specified.

The above referenced consolidated financial statements and the Company's other public filings can be found on SEDAR at www.sedar.com.

February 26, 2015

THE COMPANY

Anthem Resources Incorporated (hereinafter referred to as the "Company" or "Anthem") is a mineral exploration company focused primarily on the energy sector with emphasis currently placed on uranium properties in Saskatchewan. Anthem has divested of a number of exploration properties mainly for shares of the purchaser and as a consequence holds a sizable portfolio of publicly traded companies.

INVESTMENT INTERESTS

Investment in Boss Power Corp – Effective January 23, 2015, Boss Power Corp ("Boss Power") completed a divisive reorganization and obtained shareholder and final court approval obtained on January 19, 2015 and January 22, 2015. Anthem holds 27,250,000 common shares of Boss Power valued at market price of $0.23 for $6.3 million at the date of this report. Boss Power has 42,026,631 shares issued and has cash of approximately $13 million or $0.32 per share.

As a result of the arrangement, Anthem is a majority shareholder of Boss Power and the largest shareholder with 64.8% of the issued and outstanding voting common shares.

Nickel North Exploration Corp. ("Nickel North") – Nickel North is the second largest investment that the company holds and represents approximately 17% of the issued and outstanding shares. The Company has Board representation on Nickel North.

Marketable Securities as at December 31, 2014

Company	# of common shares/warrants	Available-for-sale securities	Other	Available for sale securities
Skeena Resources Limited.	966,905	$ 91,856	$ -	$ 91,856
Skeena Resource Limited. – warrants	384,000	-	-	-
Sparton Resources Ltd.	2,200,000	22,000	-	22,000

Company	# of common shares/warrants	Available-for-sale securities	Other	Available for sale securities
Golden Band Resources Inc	7,441,000	37,205	-	37,205
Jack's Fork Exploration Inc.	1,750,000	-	-	-
Nickel North Exploration Corp.	10,933,707	328,012	-	328,012
Nickel North Exploration Corp. – warrants	2,966,853	-	6,475	6,475
Forum Uranium Corp.	10,000	1,050	-	1,050
		$ 480,123	$ 6,475	$ 486,598

The fair value of shares is determined by reference to closing prices on a stock exchange. The fair value of warrants is determined by using the Black-Scholes option pricing model.

In addition, the Company holds common share purchase warrants with a fair value, using the Black-Scholes calculation model, of $6,475, which were classified as derivative instruments, entitling the Company to acquire 2,966,853 common shares of Nickel North Exploration Corp of which 1,151,016 are exercisable at $0.60 in year 2 until August 2, 2014 (expired subsequently) and 1,815,837 are exercisable at $0.35 in year one and $0.60 in year 2 until April 30, 2015.

ROYALTY HOLDINGS

The company holds Net Smelter Return royalty interests on various mineral properties as follows:

Property	Owner	# of mineral tenures	NSR held by Anthem	Buyback Provisions
Wollaston Trend, Sask.	Denison Mines Corp.	27	2.0%	1.0% for $1M
Fir Island, Sask.	Forum Uranium Corp.	3	1.5% *	1.0% for $1M
Fond du Lac, Sask.	Lakeland Resources Inc.	1	1.5%	0.5% for $1M
Karpinka, Sask.	Forum Uranium Corp.	2	1.0%	0.5% for $1M
Kasmere, Man.	Canalaska Uranium Ltd.	1	2%	2.0% for $2M
Anomaly 7, NL.	Silver Spruce Resources Inc.	2	2% **	
Tropico, Mx.	Skeena Resources Limited	1	1.2%	0.6% buyable at fair market value

* 0.5% of NSR is payable by Anthem to another party
** 2% NSR is payable by Anthem to an underlying vendor, of which 1% is buyable for $0.5M

EXPLORATION MINERAL PROPERTY INTERESTS

The technical content of this Management Discussion & Analysis has been prepared under the supervision of the Company's Vice-President of Exploration, Michael Cathro, P.Geo., who is a "Qualified Person" as such term is defined in National Instrument 43-101.

BRITISH COLUMBIA PROJECTS

KET and REN claims

This program has been on hold since the B.C. Government's announcement in April, 2008 and the March, 2009 Order in Council regarding a ban on uranium and thorium exploration and development. The company regards this as an expropriation of an asset. At the request of the Company, the Chief Gold Commissioner issued a Protection Order on the claims to allow them to remain in good standing and protect them from forfeiture. The Company is seeking damages and filed a notice of civil claim in B.C. Supreme Court on February 21, 2014. The Province filed a response to civil claim on November 4, 2014. A court date is expected to be in the fall.

SASKATCHEWAN PROJECTS

Athabasca Basin Projects

Anthem holds varying interests in two Joint Venture partnerships with Denison Mines Corp. In addition, the Company holds NSR royalty interests in several properties in Saskatchewan.

The properties were selected to target an unconformity-type or basement-hosted uranium deposit at or near the contact between the Athabasca sandstones and underlying basement rocks, similar to the nearby world-class Key Lake, Cigar Lake and McArthur River deposits.

DENISON JOINT VENTURE

Hatchet Lake and Murphy Lake - Anthem holds a 41.9% and 41.06% interest in the joint ventures respectively, located in the shallow, eastern portion of the Athabasca basin of Saskatchewan. Denison Mines Corp. ("Denison") is the operator and the target is unconformity-type uranium deposits similar to the nearby McLean Lake mine. For Hatchet Lake, Denison has budgeted $760,000 to complete ground geophysics and drilling of seven or eight holes totaling 2,000 metres on the Tuning Fork grid. Drilling is expected to commence in mid-January 2015. At Murphy Lake, Denison plans to spend $608,000 to complete ground geophysics and drilling of four holes totaling about 1,400 m in June to July, 2015. Anthem believes that the uranium market will remain depressed for the foreseeable future and therefore has elected not to contribute to either program for 2015, and will be diluted to an estimated 36-per-cent JV interest for Hatchet Lake, and 31 per cent for Murphy Lake.

The **Hatchet Lake** property is located just 17 km north of the McClean Lake uranium mill owned by AREVA-Denison-OURD. Access is by winter road or aircraft.

The property covers the strike continuation of faults and conductors which host nearby unconformity-related uranium deposits and prospects such as La Rocque Lake (Cameco) and Wolly (AREVA - Denison). Sandstone cover on the property is relatively thin, ranging from nil to approximately 120 metres.

While there has been considerable historic drilling on the property, particularly in the Richardson-Crooked Lake area, most of the holes were shallow and vertical, and did not effectively test the steeply dipping conductors, or targets in the basement. Nevertheless, a number of promising historic uranium and polymetallic base-metal (Co, Cu, Ni, Zn, As, Au) drill intercepts have been reported, including SMDC Hole 61 which intersected "uraniferous sulphide breccia" which assayed 7.34% Co, 1.66% Ni and 16.07% As over 2.5

m (and 5.0 m of 73 ppm U), Hole 74 which intersected 2,112 ppm U, 256 ppm As and 202 ppm Ni over 3.4 m, and Hole HT-96 which intersected 2,600 ppm U over 1.0 m, plus adjacent sections which assayed 5.95% Cu over 2 m and 0.612% Co over 2.5 m. The association of uranium with very high base-metal values is very encouraging as it is typical of the "polymetallic" class of sandstone-hosted deposits such as Cigar Lake, Roughrider and the Sue A, B, and E deposits.

In recent years, the JV partners have completed modern, deep penetrating airborne electromagnetic and magnetic surveys on all the claims, detailed ground surveys on specific targets and drilling on the Tuning Fork and Richardson-Crooked Lakes trends.

The winter 2011 program included ground geophysics and diamond drilling in the Richardson-Crooked Lake area, a six-kilometre-long conductor system with uranium and base-metal enrichment associated with sulphide mineralization and alteration in sandstone and basement rocks. Three holes totaling 802 metres returned anomalous intersections, as follows:

Hole #	From (m)	To (m)	Thickness (m)	Grade* (% eU_3O_8)
RL-11-01	97.65	98.05	0.4	0.13%
And	122.25	122.45	0.2	0.06%
RL-11-02A	107.65	108.45	0.8	0.15%
RL-11-03	92.55	92.85	0.3	0.06%

*Grades reported here are by down-hole probe and are presented as “grade equivalent” eU3O8 with a 0.05% eU3O8 cutoff. For a description of the probing method, quality assurance program and quality control measures applied by Denison, please see the Annual Information Form dated March 28, 2011 filed under Denison’s profile on the SEDAR website.

A winter drilling program was cancelled in 2012 due to poor ice conditions.

A 13-hole, 2361-metre drill program was completed in February 2013. Significant uranium mineralization was discovered on the northern portion of the Richardson-Crooked Lakes trend. The best assay result was in drill hole RL-13-16, which intersected **0.45% U_3O_8 over 2.3 metres** beginning at 124.0 metres down the drill hole (approximately 112 m vertical depth below surface). This mineralization is hosted by Athabasca sandstone directly above the unconformity.

Significant results from this drill program are tabulated below:

Hole #	**From (m)**	**To (m)**	**Interval (m)**	**U_3O_8 %**	**Au (g/t)***	**Host Rocks**
RL-13-13	136.85	137.00	0.15	**1.51**		Basement
RL-13-16	124.00	126.30	2.30	**0.45**		Sandstone
Including	124.00	124.50	0.50	**1.46**		
and	134.00	135.00	1.00		**21.5**	Basement
Including	134.50	135.00	0.50		**39.1**	Basement
And	135.50	136.00	0.50	0.098		Basement

*Gold determined by metallic assay at SRC Geoanalytical Laboratory.

The gold is hosted in a quartz vein cutting an altered pegmatite.

The uranium mineralization in holes RL-13-13 and 16 is open along strike, to depth and between the two holes, which are 100 m apart. The uranium values are associated with strong clay, hematite and chlorite alteration, an assemblage typical of unconformity-type deposits. The Company believes that the sandstone-hosted mineralization in hole RL-13-16 occurs 10 to 20 m away from the postulated intersection between the sub-Athabasca unconformity and a graphitic fault zone, which was cut some 40 m deeper in the basement by hole RL-13-14. This intersection is thought to be an ideal structural trap for high-grade uranium, and will be tested by future detailed drilling. Additional sampling of drill core for uranium, gold and pathfinder elements were conducted in summer 2013. In addition, the JV partners completed a radon-in-water survey in Richardson Lake.

A 10-hole, 2,025 m drill program was conducted in January and February 2014 on the Richardson-Crooked Lakes trend. Assay results were announced in a news release dated April 3, 2014.

Highlight uranium intervals from the 2014 drill program include:

Hole #	Azimuth/dip	From (m)	To (m)	Interval (m)	U_3O_8 %	Cu %	Au g/t	Comment
RL-14-19	090/-65.0	124.2	132.7	**8.5**	**0.025**			Sandstone/Basement
Incl.		126.7	127.2	0.5	0.008		1.88	Sandstone
and		127.7	132.2	**4.5**	**0.035**	**0.33**		Basement
and		162.5	164.5	2.0		0.68		Basement
RL-14-21A	090/-65.5	121.0	122.0	1.0	0.026			Sandstone
and*		125.0	130.0	**5.0***	**0.058**	**1.10**		Basement
and*		130.0	135.0	5.0*	0.005	0.21		Basement

Notes: U_3O_8 is by total digestion method. Au by 15-gram fire assay with ICP-OES finish. Composite sample only, not split core.

All 10 holes were angle holes designed to cut sub-vertical, conductive graphitic fault zones in the basement. The holes intersected the unconformity at vertical depths of 75 to 110 m below surface and tested additional structural and geophysical targets as deep as 50 to 100 m below the unconformity. Geologically, the 2014 drill program encountered many features indicative of a prospective environment for large, high-grade Athabasca-type uranium deposits including strong fracturing, desilicification (sanding), clay and hematite alteration in the sandstone, weak-to-strong chlorite and clay alteration, graphitic fault zones and sulphide mineralization in the basement.

Hole RL-14-27, drilled at -65 degrees dip and 047 azimuth, intersected Ag-Pb-Zn mineralization in faulted graphitic pelite in the basement, including 9.6 m grading 19.6 g/t Ag, 3.3% Pb and 0.27% Zn (true width unknown). The mineralization comprises disseminations and veinlets of galena and sphalerite and may be stratiform. The Ag-Pb-Zn mineralization is not radioactive and is located about 93 m along strike to the northwest of historic hole SMDC 61, which is reported to have cut 2.5 m of 7.34% Co, 1.66% Ni and 16.07% As (true width unknown). The relation, if any, between the differing types of mineralization in these holes is not understood.

Hole #	From (m)	To (m)	Interval (m)	Ag g/t	Pb %	Zn %	Comment
RL-14-27	148.0	163.4	15.4	21.0	2.24	0.34	Basement - graphitic pelite
including	148.0	157.6	**9.6**	**19.6**	**3.30**	**0.27**	
including	156.5	157.6	**1.1**	**84.4**	**12.80**	**1.85**	
and	159.9	163.4	3.5	37.9	0.82	0.75	

The **Murphy Lake** property is located approximately 20 km north of the McClean Lake uranium mill. Highway 905 crosses the property but access to most of the targets is by winter road or aircraft.

Asamera Oil, SMDC, Cogema and others previously explored the Murphy Lake property. Several interesting geological features including under-explored EM conductors and locally elevated geochemical values have been identified. Limited previous drilling has been completed including holes by Denison/Anthem JV and Cogema, which intersected anomalous uranium values at the unconformity or in the basement. Depth to uranium targets is shallow – less than 250 m.

Hole MP-08-01, drilled by the JV in 2008, tested one of the conductors and intersected a very promising zone of alteration and anomalous radioactivity (600-1700 counts per second) for 1.9 metres below the faulted unconformity contact, at a depth of 194 m. Analyses from two 20-centimetre samples of split core from this zone yielded uranium values of 537 and 724 ppm U.

A ground HLEM survey was completed on claim S-111636 in 2011 and follow-up drilling and geophysics is being considered for several targets on the property. A VTEM Plus airborne electromagnetic was flown over a portion of the property in Spring 2013.

A Titan-24 IP resistivity survey will be completed in summer 2014 in the area of drill hole 2008-01. That hole intersected strong alteration and faulting in the sandstone and at the unconformity, along with anomalous radioactivity just below the unconformity at approximately 194 m depth down the hole. As noted above, the Company elected to not contribute to the 2014 program and its interest has been reduced to approximately 41%.

WEBB RIVER (100% ANTHEM)

At the end of 2014, Anthem held a 100% interest in the Webb River property on the southeast margin of the basin. Given the continuing weak markets for uranium, the claims were allowed to lapse in January 2015.

QUEBEC AND LABRADOR PROJECTS

Otish Mountains property

In exchange for the Otish Mountains property, the Company held a promissory note for $3,900,000 secured by the shares of Otish Minerals Ltd. ("Otish"), which owns the claims in the Otish Mountains. With the moratorium on uranium development in Quebec, the purchaser of the Otish property wrote it to zero. As a result, the Company impaired the promissory note for the full amount including the accrued interest. Subsequent to the six months ended December 31, 2014, the Otish property was returned in good standing for cancellation of the promissory note.

On January 8 2015, Anthem executed a settlement agreement with Virginia Energy Resources Inc., whereby Virginia Energy will transfer full ownership of subsidiary Otish Minerals Ltd. to Anthem in return for full and final satisfaction of its indebtedness to Anthem of $3.9-million. Otish Minerals' primary asset is the Otish uranium property in central Quebec, which was explored by Virginia and Anthem between 2007 and 2012. It also holds the Chateau Fort gold property described below.

Under the terms of the settlement agreement, Virginia Energy has transferred back to Anthem its full ownership of Otish Minerals, and Anthem accepts the transfer as full and final settlement of the debt. Anthem has previously written down the value of this investment to zero, reflecting its impairment due to a government moratorium on uranium exploration.

In March, 2013, the government of Quebec announced it would conduct an impact study on the exploration and development of uranium in the province. The Bureau d'Audiences Publiques sur l'Environnement (BAPE) was given a mandate to complete this study and submit a report no later than May 20, 2015, to the Minister of Sustainable Development, Environment and the Fight Against Climate Change, who will then have 60 days to make the report public. In the meantime, the government says that no certificate of authorization will be issued for the exploration or development of uranium in Quebec until the study is completed. The company is awaiting the outcome of the BAPE study.

Chateau Fort gold property

Anthem has completed substantial staking in late 2014 to nearly double the size of the Chateau Fort gold property held by its reacquired subsidiary Otish Minerals Ltd. The new staking brings the property to 18,867 hectares in size and follows the discovery, by Visible Gold Mines Inc., of high-grade gold-copper-silver boulders at kilometre-147 and kilometre-150 along the newly constructed Route 167 Extension, a four-season road. Anthem's property adjoins Visible Gold's property, as well as the past-producing, high-grade Eastmain gold mine of Eastmain Resources Inc. The claims were selected to cover prospective geology and geophysical trends from the Eastmain mine, as well as Au, Ag, Cu, Zn and As anomalies from proprietary, in-house surficial geochemical surveys (lake bottom, soil and stream sediments). Compilation work has identified at least eight high-priority targets for follow-up. A new map of the property will be posted to the Anthem website.

Mega Joint Venture, Labrador

The Mega JV comprises the Bruce River and Mustang Lake properties, located in the Central Mineral Belt of Labrador. Mega Uranium Ltd. is the operator.

Anthem elected not to participate in exploration programs since 2009 and as such has seen its interest in the Bruce River and Mustang properties diluted to 26.5%. The Company wrote off $3,226,319 in exploration and evaluation assets related to these properties during the year ended June 30, 2013. . In January 2015, the Bruce River property was allowed to lapse.

EVALUATION AND EXPLORATION EXPENDITURES

The Company has incurred the following evaluation and exploration expenditures:

	HATCHET & MURPY LAKE DENISON JV	MISC. SASK CLAIMS	QUEBEC CLAIMS	NEW-FOUND-LAND	TOTAL
Total expenditures to June 30, 2013	$ 3,697,937	$ 4,095,381	$ -	$ 1	$ 7,793,319
Land costs	21,089	4,150	-	-	25,239
Field supplies	4,353	130	-	-	4,483
Exploration	21,542	1,152	-	-	22,694
Disposition of Fond du Lac	-	(547,283)	-	-	(547,283)
Disposition of Fir Island	-	(459,376)	-	-	(459,376)
Write offs	(532,665)	(2,800,874)	-	-	(3,333,539)
Total expenditures to June 30, 2014	$ 3,212,256	$ 293,280	$ -	$ 1	$ 3,505,537
Land costs	-	1,000	1,065	-	2,065
Geology/geophysics	300	272	3,571	-	4,143
Environmental/socio-economics	-	-	4,850	-	4,850
Staking & maintenance	-	-	21,195	-	21,195
Disposition of Karpinka	-	(1,450)	-	-	(1,450)
	300	(678)	30,681	-	30,803
Total expenditures to December 31, 2014	$ 292,602	$ 292,602	$ 30,681	$ 1	$ 3,536,340

RESULTS OF OPERATIONS

Being in the exploration stage the Company does not have revenues from operations and, except for income from its cash and receipts from the sale and option of its properties, relies on equity funding for its continuing financial liquidity.

The Company has marketable securities equity and investments as per the following table.

Summary of Quarterly Results

The following table reports selected financial information of the Company for the past eight quarters commencing with the reported financial information for the most recent quarters.

Quarter ended		**31-Dec-14**		**30-Sep-14**		**30-Jun-14**		**31-Mar-14**
Capitalized property acquisition and exploration costs	$	31,481	$	(678)	$	(3,761,257)	$	(554,243)
Revenue[1]		-		-		-		-
Net gain (loss) for the quarter	$	(231,273)	$	(169,518)	$	(1,906,300) [2]	$	(683,062) [3]
Gain (loss) per share	$	(0.01)	$	(0.02)	$	(0.02)	$	(0.02)

Quarter ended		**31-Dec-13**		**30-Sep-13**		**30-Jun-13**		**31-Mar-13**
Capitalized property acquisition and exploration costs	$	10,649	$	17,069	$	(3,493,965)	$	401,313
Revenue		-		-		-		-
Net loss for the quarter	$	(500,190) [4]	$	304,830 [5]	$	(5,521,027) [6]	$	(164,024)
Gain (loss) per share	$	(0.01)	$	(0.11)	$	(0.13)	$	(0.01)

(1) the Company is in the exploration stage and has no revenue;
(2) includes the Company's share of equity income in the Boss Power investment of $6,861,947, a write off of exploration and evaluation assets of $3,333,539, an impairment of marketable securities of $1,637,390 and an impairment of the promissory note of $3,554,181.
(3) includes $330,376 loss on the sale of Fir Island to Forum for 300,000 Forum shares at a market value on the date of the purchase agreement of $129,000;
(4) includes the Company's share of equity losses in the Boss Power investment of $240,253;
(5) includes $347,099 of Quebec tax incentives refunded on work conducted in a prior tax year
(6) includes $152,027 in equity losses in investments with Boss Power for the quarter; and mineral property write offs in Labrador of $3,226,319.

Cash flows for the six months ended December 31, 2014

The Company was paid $400,000 by Boss Power in a negotiated arrangement in settlement of legal obligations that were incurred on Boss Power's behalf in previous years.

Cash provided by operations during the six months was $35,917; cash has increased by $61,344.

Loss for the second quarter

The Company incurred a net loss for the quarter of $231,273 (2013 –$500,190).

Other expenses were management and consulting fees of $30,432 (2013 - $31,246), professional fees for legal services of $12,817 (2013 - $218,311) and office, rent, admin, which includes insurance and bookkeeping costs of $29,568 (2013 - $30,172).

Deficiency deposits paid in lieu of work on Webb River in the amount of $45,698 were forfeited when the claims were allowed to lapse.

Marketable securities were sold for a loss of $57,825.

Loss for the six months ended December 31, 2014

The Company incurred a net loss for the six months of $400,792 (2013 –$195,360).

Other expenses were management and consulting fees of $61,459 (2013 - $54,562), professional fees for legal services of $33,531 (2013 - $242,310) and office, rent, admin, which includes insurance and bookkeeping costs of $62,231 (2013 - $55,611).

Liquidity and Capital Resources

At December 30, 2014 the Company had marketable securities fair valued at $486,598 (June 30, 2014 – $1,216,316) and in addition, has equity investments comprised of 27,250,000 Boss Power common shares market valued at $0.23 per common share for $6.3 million at the date of this report.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements.

Related Party Transactions

Key management compensation

Key management personnel at the Company are the directors and officers of the Company. The remuneration of key management personnel during the six months ended December 31, 2014 and 2013 is as follows:

		2014		2013
Short-term benefits	$	61,459	$	54,562
Share-based payments		-		-

In accordance with Item 1.9 of Part 2 of Form 51-102.F1 the Company has no ongoing contractual commitments with related parties. Short term benefits were paid to Virginia Uranium Inc., for services of the Chief Executive Officer and to Forde Management & Associates Ltd. for services of the Chief Financial Officer. Other than the amounts disclosed above, there were no short-term employee benefits or share-based payments paid to key management personnel during the six months ended December 31, 2014 and 2013.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities includes $247,926 (June 30, 2014 - $280,381) due to directors or officers or companies with common officers and directors; and

Proposed Transactions

There are no proposed transactions.

Critical Accounting Estimates and Judgements

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year and include, but are not limited to, the following:

<u>Estimated useful lives of equipment</u>

The estimated useful lives of equipment, which is included in the consolidated statements of financial position, will impact the amount and timing of the related amortization included in profit or loss.

<u>Share-based payments</u>

The fair value of share-based payments is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

<u>Recovery of deferred tax assets</u>

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement.

Critical accounting judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include, but are not limited to, the following:

<u>Impairment</u>

The assessment of any impairment of equipment and exploration and evaluation assets is dependent upon estimates of recoverable amounts that take into account factors such as reserves, economic and market conditions, and the useful lives of assets. Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial reserves. The nature of exploration and evaluation activity is such that only a few projects are ultimately successful and some assets are likely to become impaired in future periods.

Impairment of marketable securities

Management assesses at each reporting date to determine whether there is any objective evidence that marketable securities are impaired. Marketable securities are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows.

Management applies judgment in determining impairment by considering whether the decline in fair value is both significant and prolonged. All impairment losses are recognized in profit or loss.

Recent Accounting Pronouncements

IFRS 9 *Financial Instruments* (2009)

IFRS 9 introduces new requirements for classifying and measuring financial assets, as follows:

- Debt instruments meeting both a "business model" test and a "cash flow characteristics" test are measured at amortized cost (the use of fair value is optional in some limited circumstances)
- Investments in equity instruments can be designated as "fair value through other comprehensive income" with only dividends being recognized in profit or loss
- All other instruments (including all derivatives) are measured at fair value with changes recognized in profit or loss
- The concept of "embedded derivatives" does not apply to financial assets within the scope of the standard and the entire instrument must be classified and measured in accordance with the above guidelines.

The IASB has indefinitely postponed the mandatory adoption date of this standard.

IFRS 9 *Financial Instruments* (2010)

This is a revised version incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing de-recognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*.

The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss; in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss.

The IASB has indefinitely postponed the mandatory adoption date of this standard.

IFRS 9 *Financial Instruments* (2014)

This is a finalized version of **IFRS 9** which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of **IFRS 9** introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under **IAS 39**, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized
- Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
- De-recognition. The requirements for the de-recognition of financial assets and liabilities are carried forward from IAS 39.

Applicable to annual periods beginning on or after January 1, 2018.

IFRS 9 ***Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) (2013)***

A revised version of **IFRS 9** which:

- Introduces a new chapter to **IFRS 9** on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
- Permits an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of **IFRS 9**, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss
- Removes the mandatory effective date of IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalization of the impairment and classification and measurement requirements. Notwithstanding the removal of an effective date, each standard remains available for application.

This standard has no stated effective date.

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Amends IFRS 11 *Joint Arrangements* to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 *Business Combinations*) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not remeasured).

Note: The amendments apply prospectively to acquisitions of interests in joint operations in which the activities of the joint operations constitute businesses, as defined in IFRS 3, for those acquisitions occurring from the beginning of the first period in which the amendments apply. Amounts recognized for acquisitions of interests in joint operations occurring in prior periods are not adjusted.

Applicable to annual periods beginning on or after July 1, 2016.

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

Amends IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment
- introduce a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure

Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38) **(continued)**

- of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated
- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Applicable to annual periods beginning on or after July 1, 2016.

The Company has adopted the following annual improvements:

Annual Improvements 2010-2012 Cycle

Makes amendments to the following standards:

- **IFRS 2** — Amends the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”
- **IFRS 3** — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date
- **IFRS 8** — Requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly
- **IFRS 13** — Clarify that issuing **IFRS 13** and amending **IFRS 9** and **IAS 39** did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)
- **IAS 16** and **IAS 38** — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount
- **IAS 24** — Clarify how payments to entities providing management services are to be disclosed

Annual Improvements 2011-2013 Cycle

Makes amendments to the following standards:

- **IFRS 1** — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only)
- **IFRS 3** — Clarify that **IFRS 3** excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself
- **IFRS 13** — Clarify the scope of the portfolio exception in paragraph 52
- **IAS 40** — Clarifying the interrelationship of **IFRS 3** and **IAS 40** when classifying property as investment property or owner-occupied property

Risk Factors

Success in the mining exploration business is measured by a company's ability to raise funds, secure properties of merit and, ideally, identify commercial deposits on one of its properties. The attainment of these objectives is influenced by many factors not necessarily within management's control.

The ability to raise funds is to a large part dependent on the state of the junior resource stock market, which in turn is dependent on the economic climate, metal prices and perceptions as to which way the market is headed. Current economic conditions and the volatility in equity and commodity prices are causing concern and uncertainty in the industry.

Other risk factors include political risks, the establishment of undisputed title to mineral properties, environmental concerns and obtaining governmental permits and licenses when required.

The resource industry is intensely competitive in all of its phases, and the Company competes with many companies possessing far greater financial resources and technical facilities than itself. Competition could adversely affect the Company's ability to acquire, explore and develop properties in the future.

Certain of the directors and officers of the Company also serve as directors and/or officers of other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with respect to the Company and such other companies. In addition, such directors and officers are required to declare and refrain from voting on any matter in which such directors and officers may have a conflict of interest.

The Company is exposed to risks in collecting accounts receivable from joint venture partners who are not adequately financed in this current market turmoil and uncertainty. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

Environmental Risks

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous materials and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

Disclosure and Procedures

Management has evaluated the effectiveness of the Company's disclosure and procedures, and believes they have been effective in providing reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings)* and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

All relevant information related to the Company is filed electronically at www.sedar.com.

Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: held-to-maturity, fair value through profit or loss ("FVTPL"), loans and receivables, and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

Fair value through profit or loss

Financial assets are classified as FVTPL when the financial asset is held-for-trading or it is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; it is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or if it is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Cash is included in this category of financial assets.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost, less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate method.

Held-to-maturity

Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method. The Company has no assets classified as held-to-maturity.

Available-for-sale

AFS financial assets are non-derivatives that are either designated as AFS or not classified in any of the other financial assets categories. Changes in the fair value of AFS financial assets, other than impairment losses, are recognized as other comprehensive income and classified as a component of equity. The Company has marketable securities that are classified as AFS.

Financial liabilities

The Company classifies its financial liabilities in the following categories:

Borrowings and other financial liabilities

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the income statement over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Inputs for assets or liabilities that are not based on observable market data.

Other Management's Discussion and Analysis

Additional disclosure for venture issuers without significant revenue:

Capital Stock as at *February 26, 2015*:
Authorized:
Unlimited number of voting common shares
Unlimited number of redeemable, retractable, convertible, preferred shares

Issued: 35,419,746 common shares

Stock options:

Number	Exercise Price	Date of Expiry
1,100,000	$0.63	November 01, 2015 [1]
83,334	$1.11	February 15, 2016 [1]
1,850,000	$0.10	March 10, 2019
300,000	$0.12	May 22, 2019
3,333,334		

[1] Certain resigning insiders had early expiry of their options 90 days after the Plan of Arrangement concluded on September 27, 2012. Under the terms of the option agreements, 120,000 of the options priced at $2.57 with a fair value of $308,400 expired on December 27, 2012. Upon resignation, 8,333 of the options priced at $1.28 with a fair value of $10,666 and 600,000 of the options priced at $0.63 with a fair value of $378,000 were cancelled.

Fully diluted: 38,753,081 common shares

Other Information

Directors

Robert Ingram, *Edmonton*, *AB*
Ronald K. Netolitzky, *Victoria, BC*
Robert V. Matthews, *Vancouver, BC*
Walter Coles, Jr., *New York, NY*
Tom MacNeill, *Saskatoon, SK*

Officers

Walter Coles, Jr., *President & CEO*
Mike Cathro, *Vice-President Exploration*
Karen A. Allan, CMA, *CFO & Corp. Secretary*

Auditors Smythe Ratcliffe LLP

Legal Counsel Cassels Brock