



**Management's Discussion and Analysis
of the Financial Condition and Results of Operations
For the Fourth Quarter
and
Year ended December 31, 2014**

April 30, 2015

Strategic Resources Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED DECEMBER 31, 2014

This management discussion and analysis ("MD&A") has been prepared based on information available to Strategic Resources Inc. (the "Company") as at April 30, 2015. The MD&A of the operating results and financial condition of the Company for the fourth quarter and year ended December 31, 2014, should be read in conjunction with the Company's audited consolidated financial statements (the "Financial Statements") and the related notes for the years ended December 31, 2014 and 2013 and the related notes thereto. The Consolidated Financial Statements have been prepared by management and are in accordance with International Financial Reporting Standards ("IFRS") and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements. Additional information relating to the Company can be found on SEDAR at www.sedar.com.

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The internal control system was designed to provide reasonable assurance to the Company's management regarding the preparation and presentation of the financial statements.

As the Company is a Venture Issuer (as defined under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) ("NI 52-109"), the Company and Management are not required to include representations relating to the establishment and/or maintenance of disclosure controls and procedures ("DC&P") and/or ICFR, as defined in NI 52-109.

CAUTIONARY NOTE

This document contains or refers to forward-looking information. Such forward-looking information includes, among other things, statements regarding targets, estimates and/or assumptions in respect of future production, capital costs and future economic, market and other conditions, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to: the grade and recovery of ore which is mined varying from estimates; exploration and development costs varying significantly from estimates; inflation; fluctuations in commodity prices; delays in the development of the any project caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; termination or revision of any debt financing; failure to raise additional funds required to finance the completion of a project; and other factors. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no responsibility to update them or revise them to reflect new events or circumstances, except as required by law. See the section entitled **Risks and Uncertainties**.



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General

Strategic Resources Inc. (or the "Company") is incorporated in the province of Ontario. The Company is listed on the TSXV and trades under the symbol "STI". The Company's registered office is 40 King St. West, Suite 3100, Toronto, Ontario, M5H 3Y2.

The Company is in the process of exploring and evaluating its mineral properties. On the basis of information to date, it has not yet determined whether these properties contain economically recoverable mineral deposits. The underlying value of the mineral properties is entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest, the ability of the Company to obtain the necessary financing to complete development, and future profitable production.

The profitability and operating cash flow of the Company is affected by various factors, including the market price of minerals under exploration, operating costs, interest rates, regulatory and environmental compliance, general and administrative costs, the level of exploration and development expenditures and other discretionary costs. While the Company seeks to manage the level of risk associated with its business, many of the factors affecting these risks are beyond the Company's control.

The Financial Statements were authorized for issuance by the Board of Directors of the Company on April 30, 2015.

Going concern

The Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, these Financial Statements do not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts that may differ from those shown in the Financial Statements. At December 31, 2014, the Company has a deficit of \$16,458,421 and has incurred losses since inception. There is substantial doubt that the Company can meet general operating and property expenditures due to its limited working capital. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

The reader is also directed to review ***Financial risk factors – liquidity risk*** section of this MD&A.



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Developments during and subsequent to the three months ended December 31, 2014

Exploration

Gallinas Mountains Rare Earth Project – Lincoln County New Mexico USA

As reported in previous MD&A's, the status of the drilling permit application (Plan of Operations) for the Gallinas Mountains rare earth project remains enmeshed in needless US Forest Service bureaucracy.

The general level of confidence in the commodity sector remains below normal given the economic headwinds currently being faced by China and the European Union. The level of confidence in the mineral exploration sector in particular remains tepid as investors seek opportunities in other more attractive segments of the marketplace. During Q4, 2014 the Company continued its efforts to identify strategic approaches to keep itself sustainable.

As further progress is made, press releases will be issued.

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Selected annual information

	December 31, 2014	December 31, 2013	December 31, 2012
	\$	\$	\$
Consolidated statements of operations and comprehensive loss			
Total operating expenses	(212,500)	(275,961)	(673,454)
Net loss	(212,500)	(275,961)	(673,454)
Basic and diluted loss per common share	\$(0.002)	\$(0.004)	\$(0.009)
Total comprehensive loss	(213,818)	(290,434)	(612,388)
 Consolidated statements of cash flow			
Cash used in operations	(148,331)	(261,262)	(508,589)
Cash used in investing activities	141,165	(5,020)	(28,405)
Cash from financing activities	-	-	-
Increase (decrease) in cash and cash equivalents	(8,006)	(260,081)	(536,994)
 Consolidated statement of financial positions			
Cash	57,404	65,410	325,491
Total assets	77,305	225,267	528,842
Shareholders' equity (deficiency)	(6,992)	206,826	497,260
 Weighted average number of common shares outstanding	 73,002,132	 73,002,132	 73,002,132

Overall performance

As at December 31, 2014 the Company had assets of \$77,305 and a net deficiency position of \$6,992. This compares with assets of \$225,267 and a net equity position of \$206,826 as at December 31, 2013.

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Years ended December 31, 2014 and 2013

Total assets decreased by \$147,962 (2013 – \$303,575) during the year ended December 31, 2014 with decreases in the following items: cash of \$8,006 (2013 – \$260,081), property and equipment of \$800 (2012 - \$47,303) , other financial asset of \$2,735 (2013 – \$14,470) and restricted cash of \$134,681.

During the year ended December 31, 2014, the Company's decreasing cash position was a result of cash used in operations of \$148,331 (2013 - \$261,262) and cash received from investing activities of \$141,165 (2013 – used \$5,020).

Results of operations

The Company has not generated any operating revenue and therefore losses have been incurred throughout the year ended December 31, 2014.

Years ended December 31, 2014 and 2013:

For the years ended December 31, 2014 and 2013, the Company posted losses. Net loss was \$212,500 (2013 – \$275,961) or \$0.002 (2013 – \$0.004) loss per share. The yearly loss was comprised of the following expenditures:

Office and general expenses of \$7,449 (2013 – \$20,834).

Costs decreased period-over-period as the Company continues to reduce administrative and general costs in an effort to conserve cash.

Public relations expenditures of \$3,572 (2013 - \$4,462).

Professional, management and consulting fees of \$159,211 (2013 - \$144,366).

No options were issued in 2014.



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Exploration and evaluation expenditures of \$35,753 (2013 - \$83,560).

Exploration activities decreased for the Company's rare earth projects as the Company conserved cash during the uncertain market environment. Details of the difference by property are shown in the *Additional disclosure for venture issuers without significant revenue* section of this MD&A.

Realized Loss on other financial asset of \$nil (2013 - \$3,060)

During 2014 no (nil) shares of Red Rock Energy were sold.

Foreign exchange loss (gain)

During the year, the Company incurred foreign exchange gain of \$4,227 (2013 – loss of \$15,689).

Other comprehensive income/loss

In 2014, the Company realized a loss of \$2,735 (2013 - \$4,985) on its holdings of shares of Red Rock Energy Inc.

Summary of quarterly results

	4 th Quarter 2014	3 rd Quarter 2014	2 nd Quarter 2014	1 st Quarter 2014
Total revenues	-	-	-	-
Net loss	(61,750)	(35,589)	(75,473)	(39,688)
Net loss per share – basic and fully-diluted	(0.0008)	(0.0005)	(0.001)	(0.0005)
Total assets	77,305	108,791	133,330	186,832
Long-term debt	-	-	-	-
Shareholders' equity (deficiency)	(6,992)	56,412	106,394	155,326
Cash dividends declared per common share	0.00	0.00	0.00	0.00

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	4 th Quarter 2013	3 rd Quarter 2013	2 nd Quarter 2013	1 st Quarter 2013
Total revenues	-	-	-	-
Net loss	(50,661)	(79,515)	(66,619)	(79,166)
Net loss per share – basic and fully-diluted	(0.001)	(0.001)	(0.001)	(0.001)
Total assets	225,267	307,603	370,378	454,531
Long-term debt	-	-	-	-
Shareholders' equity	206,826	267,597	338,388	413,732
Cash dividends declared per common share	0.00	0.00	0.00	0.00

Significant variances are detailed below:

The increase in net loss of \$26,161 between Q4-2014 and Q3-2014 is attributable to recorded liabilities owing to two Board members.

The decrease in net loss of \$28,854 between Q4-2013 and Q3-2013 is mainly attributable to reduced exploration expenditures on the Company's rare earth project in New Mexico.

Liquidity and capital resources

The Company's liquidity and solvency are critical information since the Company is not currently generating any income from its mineral properties. As at December 31, 2014, the Company's working capital was \$21,842 (2013 - \$53,760), which management believes is not sufficient for the Company to discharge all of its current and anticipated obligations over the short term. In order to meet its longer-term working capital requirements and planned exploration expenditures for its projects, the Company will be required to complete a financing (debt or equity). Management is actively pursuing strategic options in order to enhance its cash and working capital position.

If the Company's exploration programs are successful, additional funds will be required to develop the Company's properties and, if successful, to place them in commercial production. The only sources of future funds available to the Company are further offerings of either debt or equity capital of the Company, or the sale by the Company of an interest in any of its properties, in whole or in part. The



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ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its interests in some or all of its properties and reduce or terminate its operations.

There are no other statement of financial position conditions that would adversely affect the Company's liquidity.

Transactions with related parties

For the years ended December 31, 2014 and 2013

Malcolm Bucholtz, director and President and Chief Executive Officer of the Company, charged the Company \$80,024 (2013 - \$60,000) in respect of his services acting as President and Chief Executive Officer of the Company and \$30,000 (2013 - \$58,496) for exploration and evaluation activities

Keshill Consulting Associates Inc. ("KCA") charged the Company a total of \$12,000 (2013 - \$54,000) in respect of the services of Stephen Gledhill acting as Chief Financial Officer of the Company.

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Summary of significant accounting policies

Mineral properties

All acquisition and exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property will be capitalized as an intangible asset, being a mineral property under development. On the commencement of commercial production, depletion of each mining property will be provided on a unit-of-production basis using estimated resources as the depletion base.

Property and equipment

Property and equipment ("P&E") are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of P&E consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of P&E, less their estimated residual value, using the declining balance method.

• Exploration equipment	20%
• Automotive equipment	30%
• Equipment	20%

An item of P&E is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for P&E and any changes arising from the assessment are applied by the Company prospectively.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

Decommissioning, restoration and similar liabilities ("Asset retirement obligation" or "ARO")

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of mineral properties and P&E, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using



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either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Share-based payments

Share-based payment transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

Equity-settled transactions

The costs of equity settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in reserve for share-based payments.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.



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Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the reporting date.



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Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the years ended December 31, 2014 and 2013, all the outstanding stock options and warrants were antidilutive.

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company's cash and restricted cash are classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company does not have any financial assets classified as loans-and-receivables or held-to-maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company's other financial asset is classified as available-for-sale.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.



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Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income (loss). At December 31, 2014, the Company has not classified any financial liabilities as FVTPL.

Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.



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Available-for-sale

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and/or short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

Provisions

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and



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the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Related-party transactions

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

Foreign currency transactions

Functional and presentation currency

Items included in the financial statements of each consolidated entity in the Company's consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional and presentation currency of the Company and its subsidiary Red Basin LLC is the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the foreign currency exchange rates prevailing at the dates of the transactions. Generally, foreign currency exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in currencies other than an operation's functional currency are recognized in the consolidated statements of operations and comprehensive loss.

Significant accounting judgments and estimates

The preparation of the Financial Statements requires management to make judgements 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 judgements 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 judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations; property, plant and equipment, recoverability of trade and other receivables, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgements relate to recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.



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Adoption of new and revised standards and interpretations

The Company has adopted these accounting standards effective January 1, 2014. The adoption of these accounting standards had no significant impact on the consolidated financial statements. These standards are:

IAS 32 - 'Financial Instruments: Presentation'

This amendment provides clarification on the application of offsetting rules. These amendments are effective for annual periods beginning on or after January 1, 2014.

IAS 36 - 'Impairment of Assets'

On May 29, 2013, the IASB made amendments to the disclosure requirements of IAS 36, requiring disclosure, in certain instances, of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed. These amendments are effective for annual periods beginning on or after January 1, 2014.

IFRS 10 - 'Consolidated Financial Statements' and IFRS 12 - 'Disclosures of Interests in Other Entities' and IAS 27 - 'Separate Financial Statements'

IFRS 10 and 12 and IAS 27 have been amended with an effective date for annual periods beginning or after January 1, 2014. The amendment provides for the definition of an investment entity and sets out an exception to consolidating particular subsidiaries of an investment entity. The amendments also deals with the disclosures required and preparation of separate financial statements of an investment entity.

The International Accounting Standards Board has issued new and amended standards and interpretations which have not yet been adopted by the Company. The Company is in the process of assessing the impact that the new and amended standards and interpretations will have on its financial statements or whether to early adopt any of the new requirements. The following is a brief summary of the new and amended standards and interpretations:

IFRS 9 – 'Financial Instruments'

This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortized cost or fair value. To be classified and measured at amortized cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognized in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. This standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 2 Share-based Payment



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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. This standard is effective for reporting periods beginning on or after July 1, 2014.

IAS 24 Related Party Disclosures

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. This standard is effective for reporting periods beginning on or after July 1, 2014.

Risk and uncertainties

Operational

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of mining properties. The risks below are not the only ones facing the Company. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected.

Capital management

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts, deficit, and accumulated other comprehensive loss, which as at December 31, 2014 totaled a deficit of (\$6,992) (December 31, 2013 - \$206,826). The Company's capital structure is adjusted based on the funds available to the Company such that it may continue exploration and development of its properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative return on capital criteria, but rather relies on the expertise of management and other professionals to sustain future development of the business.

The Company's properties are in the exploration stage and, as a result, the Company currently has no source of operating cash flow. The Company intends to raise such funds as and when required to complete its projects. There is no assurance that the Company will be able to raise additional funds on reasonable terms. The only sources of future funds presently available to the Company are through the exercise of outstanding stock options or warrants, the sale of equity capital of the Company or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.



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There were no changes in the Company's approach to capital management during the year ended December 31, 2014. The Company is not subject to externally imposed capital restrictions.

Financial instruments and risk factors

Fair value

The Company has, designated its cash and cash equivalents as FVTPL, which are measured at fair value. The Company's other financial assets have been classified for accounting purposes as available-for-sale, which are measured at fair value. HST recoverable is classified for accounting purposes as loans and receivables, which is measured at amortized cost which equals fair value. Trade payables and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost, which also equals fair value. Fair values of trade and other receivables and trade payables and accrued liabilities are determined from transaction values which were derived from observable market inputs. Fair values of other financial assets are also based on Level 1 measurements.

As at December 31, 2014, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

(i) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the statement of financial position.

- a. **Cash**— Cash is held with major Canadian and United States banks and therefore the risk of loss is minimal.
- b. **GST recoverable** – The Company is not exposed to significant credit risk as this amount is due from the Canadian government.

(ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at December 31, 2014, the Company had working capital (deficiency) of \$(21,842) (December 31, 2013 – \$206,826). In order to meet its longer-term working capital and property exploration expenditures, the Company intends on securing further financing to ensure that those obligations are properly discharged. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit some or all of its



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interests and reduce or terminate its operations therein.

(iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

a. Interest rate risk

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in short-term guaranteed investment certificates, as appropriate.

b. Currency risk

Although the Company's operations are conducted in Canadian dollars, it has entered into contracts and/or agreements that require payment in United States dollars. Management believes that foreign currency risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

c. Price risk

The Company holds the common shares of a TSXV-traded company. The Company has classified this investment as available-for-sale and such common shares are subject to stock market volatility. The value of this financial instrument fluctuates on a daily basis due to external market factors that are not within the control of the Company. The Company monitors the trading value of these common shares in order to ensure that, if in the best interest of the Company, sale of the shares is made under favourable conditions

Other risk factors

Derivatives risk – mineral properties

The Company retains and/or has obligations related to certain carried interest rights, the value of which is derived from future events and commodity prices. These rights are derivative instruments. However, the mineral property interests to which they relate are not sufficiently developed to reasonably determine value.

Exploration and development risk

The Company's business of exploring mineral resources involves a variety of operational, financial and regulatory risks that are typical in the mining industry. The Company attempts to mitigate these risks and minimize their effect on its financial performance, but there is no guarantee that the Company will be profitable in the future, and the Company's common shares should be considered speculative.



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Business Risk

There are numerous business risks involved in the mineral exploration industry, some of which are outlined below. The Company may not always own 100% of the mineral claims, concessions, rights or other interests. Similarly, any non-compliance with or non-satisfaction of the terms of an option agreement by the Company could affect its ability to exercise the option and earn its interest in the claims, concessions and assets relating to mineral properties.

Mining claims, concessions or other interests may not include surface rights and there can be no assurance that the Company will be successful in negotiating long term surface rights access agreements in respect of the properties. Failure to obtain surface rights could have an adverse impact on the Company's future operations

Political Risk

All of the Company's properties are located in Canada and the United States of America. Accordingly, the Company is subject to risks normally associated with exploration for and development of mineral properties in these countries. The Company's mineral exploration activities could be affected in varying degrees by such political instability, aboriginal land claims and government regulation relating to foreign investment and the mining business. Operations may also be affected in varying degrees by terrorism, military conflict or repression, crime, extreme fluctuations in currency rates and high inflation.

Acquisition

The Company uses its best judgment to acquire mining properties for exploration and development. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable agreements, including arrangements to finance the acquisitions and development, or integrate such opportunity and their personnel with the Company. The Company cannot assure that it can complete any acquisition that it pursues or is currently pursuing, on favourable terms, or that any acquisition completed will ultimately benefit the Company.

Key personnel

The success of the Company depends to a large extent upon its abilities to retain the services of its senior management and key personnel. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its directors, officers or other qualified personnel required to operate its business.

Segregation of duties

Segregation of duties is a basic, key internal control and one of the most difficult to achieve in a small company. It is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business. Due to the Company's small size and limited resources, a complete segregation of duties within the Company's accounting group cannot be fully achieved. The



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result is that the Company is highly reliant on the performance of mitigating procedures during the process of closing its financial statements in order to ensure the financial statements are presented fairly in all material respects. Management will identify and hire additional accounting resources where cost effective and when required. Where it is not cost effective to obtain additional accounting resources, management will review existing mitigating controls and, if appropriate, implement changes to its internal control processes whereby more effective mitigating controls will be adopted.

Competition

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than the Company. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospectus for mineral exploration in the future.

Additional disclosure for venture issuers without significant revenue

Exploration and evaluation expenditures for the year ended December 31, 2014 together with comparative expenditures for the year ended December 31, 2013, and cumulative numbers to date are detailed by significant property as follows:

	Year ended		Cumulative to date
	December 31, 2014	December 31, 2013	
	\$	\$	\$
Rare earth projects:			
Gallinas Mountains, NM	32,923	83,560	1,031,418
	32,923	83,560	1,031,418
Uranium projects:			
Baca, NM	-	-	246,944
	-	-	246,944
Other projects:			
Other CDN projects	2,830	-	81,636
Other US projects ¹	-	-	4,650
	2,830	-	86,286
Exploration and evaluation expenditures	35,753	83,560	1,364,648



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Subsequent events

On January 16, 2015, the Company consolidated its common shares on a basis of one new share for fifteen old shares.

Disclosure of outstanding share information

The following table sets forth information concerning the outstanding securities of the Company as at April 30, 2015:

	Number
Common shares	4,866,576
Warrants	-
Options	-

At the 2014 Annual General Meeting, shareholders voted to discontinue the rolling incentive stock option plan. As such, any and all options outstanding were cancelled with immediacy.