CLIFFMONT RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

(Expressed in Canadian dollars unless otherwise stated)

Introduction

The following management discussion and analysis ("MD&A"), prepared as at February 14, 2018, should be read in conjunction with the audited consolidated financial statements and the accompanying notes for the years ended September 30, 2016 and September 30, 2015 of Cliffmont Resources Ltd. (the "Company", "Cliffmont"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

Company Overview and Going Concern

Cliffmont Resources Ltd. is a junior resource company currently engaged in the acquisition and exploration of mineral interests in Colombia. The Company is listed on the TSX Venture Exchange ("TSXV"), having a symbol CMO.V, as a Tier 2 mining issuer. In July 2015, trading of the Company's shares on the TSX venture Exchange was suspended due to the current financial condition of the Company.

The Company was in the process of exploring and evaluating its exploration and evaluation assets. During the year ended September 30, 2014 the Company made the decision to write-down its San Luis and San Jorge properties to $Nil due to the prolonged downturn in the mineral resource sector and its current inability to raise additional funds for exploration and to progress the properties for the foreseeable future.

The Company's audited consolidated financial statements for the year ended September 30, 2016 include the Company's wholly owned subsidiaries, CMO Panama Inc. and Tarana Resources S.A. ("Tarana"), both incorporated under the laws of Panama, CMO Colombia S.A.S., a Colombian subsidiary and CMO Panama Inc. Sucursal Colombia, a Colombian branch.

In November 2016, the Company closed an agreement ("Settlement Agreement") to settle the legal actions with the original vendors ("Vendors") of Tarana and the San Luis mineral exploration license. Pursuant to the Settlement Agreement, the Company transferred ownership of the Company's Colombian subsidiary, CMO Colombia S.A.S (the "Transfer") to the Vendors. The Company's current debt of $920,000 owing to the Vendors formed part of the consideration received for the Transfer. Additional consideration for the Transfer included the Vendors being held liable for all debts of CMO Colombia S.A.S. Concurrent with the sale of CMO Colombia S.A.S and Tarana Resources S.A., the Company abandoned its Colombian branch, CMO Panama Inc. Sucursal Colombia and its Panamanian subsidiary CMO Panama Inc.

As at September 30, 2016, the Company had a working capital deficiency of $2,064,264 (September 30, 2015 – $1,983,895) and a deficit of $35,512,161 (September 30, 2015 - $35,431,792). At present the Company has no producing properties and consequently has no current operating income or cash flows. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

The Company expects to generate the necessary financial resources through the issuance of debt or equity. 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. Accordingly, these financial statements do not give effect to adjustments, if any, which 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 which may differ from those shown in the consolidated financial statements.

Mineral Properties

San Luis Property

Historical

On February 28, 2012 the Company closed its acquisition of all of the issued and outstanding shares of Tarana Resources S.A. ("Tarana"). Tarana is the indirect owner of a mineral exploration license located in Palermo, Huila in Colombia. As consideration for the acquisition of Tarana, the Company issued 10,000,000 common shares to the vendors valued at $10,700,000.

In addition, the Company agreed to make cash payments to the vendors of an aggregate of $2,000,000 over a period of two years, of which $1,080,000 (2014 - $1,080,000) has been paid to September 30, 2015, and incur cumulative expenditures of $2,000,000 on the San Luis Property over a two year period. The balance owing to the vendors at September 30, 2015 was $920,000 and was due in February 2014.

Exploration and Evaluation Work

The Company did not have the funds to continue with exploration on the San Luis property.

Land Agreement

The Company entered into a land purchase agreement in fiscal 2012. The land purchase agreement was for approximately $278,000, of which $111,500 was paid on signing and a further $7,990 of interest was paid in fiscal 2013. During the year ended September 30, 2015, the land purchase agreement was terminated and previous obligation totalling $129,360 ($294,000,000 Colombian pesos) were reversed by the Company.

Selected Financial Data - Summary of Annual Results

The following selected financial information is derived from the audited consolidated financial statements of the Company prepared in accordance with IFRS for the years ended September 30:

	2016 $	2015 $	2014 $
Revenues - interest and other income	6	15	76
Exploration and evaluation expenses	-	20,726	321,160
General and administrative expenses	76,584	291,431	371,906
Loss and comprehensive loss	80,369	103,503	14,459,921

	2016 $	2015 $	2014 $
Basic and diluted loss per share	0.00	0.00	0.37
Working capital deficiency	2,064,264	1,983,895	1,880,392
Total assets	5,771	7,188	7,611
Non-current liabilities	-	-	-

Results of Operations

Year Ended September 30, 2016 Compared to Year Ended September 30, 2015

For the year ended September 30, 2016, ("fiscal 2016") the Company reported a net and comprehensive loss of $80,369 ($0.00 loss per share) compared to a net and comprehensive loss of $103,503 ($0.00 loss per share) for the year ended September 30, 2015 ("fiscal 2015"). In fiscal 2016, the Company paid $Nil (2015 - $20,726) in exploration and evaluation expenses for warehouse rent in camp.

In fiscal 2016, the Company expensed $45,626 (2015 - $47,283) in professional fees; $Nil (2015 - $201,464) in consulting fees; $14,507 (2015 - $12,823) in interest on convertible loans; and $10,725 (2015 - $7,821) in interest on short-term loans.

General and Administrative Expenses

In fiscal 2016, the Company's general and administrative expenses totaled $76,584 compared to $291,431 in fiscal 2015. The Company's general and administration expenses decreased by $214,847 when comparing fiscal 2016 to fiscal 2015.

Other Items

In fiscal 2016, the Company recorded $Nil (2015 - $129,360) for reversal of obligations related to the termination of land purchase agreements and a loss of $3,791 (2015 – $79,279 gain) on foreign exchange.

Selected Financial Data - Summary of Quarterly Results

The following selected financial information is derived from the unaudited condensed consolidated interim financial statements prepared in accordance with IFRS.

	Sep 30, 2016 $	**Jun 30, 2016 $**	**Mar 31, 2016 $**	**Dec 31, 2015 $**
Revenues - interest and other income	-	-	3	3
General and administrative expenses	53,116	6,340	7,529	9,599
Loss and comprehensive loss	51,450	13,239	5,061	10,619
Basic and diluted loss per share	0.00	0.00	0.00	0.00
Working capital deficiency	2,064,264	2,009,821	1,996,582	1,997,520
Total assets	5,771	5,703	5,723	5,807
Non-current liabilities	-	-	-	-

	Sep 30, 2015 $	**Jun 30, 2015 $**	**Mar 31, 2015 $**	**Dec 31, 2014 $**
Revenues - interest and other income	4	5	1	5
Exploration and evaluation expenses	4,825	9,789	-	6,112
General and administrative expenses	73,599	56,626	87,178	74,028
Loss and comprehensive loss	57,833	(76,431)	93,679	28,422
Basic and diluted loss per share	0.00	0.00	0.00	0.01
Working capital (deficiency)	(1,983,895)	(1,926,062)	(2,002,493)	(1,908,814)
Total assets	7,188	8,279	9,672	5,764
Non-current liabilities	-	-	-	-

Three Months Ended September 30, 2016 Compared to Three Months Ended September 30, 2015

During the three months ended September 30, 2016, (the "2016 Quarter") the Company incurred a net loss of $51,450 compared to a net loss of $57,833 for the three months ended September 30, 2015 (the "2015 Quarter"). In the 2016 Quarter the most significant expenses incurred related to legal expenses of $45,626 (2015 - $Nil).

Financial Condition / Capital Resources

At September 30, 2016, the Company had a net working capital deficiency of $2,064,264 (September 30, 2015 – $1,983,895), cash of $2,360 (September 30, 2015 - $2,644), current liabilities of $2,070,035 (September 30, 2015 - $1,991,083) and had a deficit of $35,512,161 (2015 - $35,431,792). The Company expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to identify and evaluate potential property or business acquisitions, generate future profitable operations and obtain the necessary financing to fund any commitments or obligations arising from any future mineral property or business acquisitions, meet its obligations and repay its liabilities arising from normal business operations when they come due.

Cash Flows

Net cash used in operating activities during the year ended September 30, 2016 was $284 (2015 – $23,691). The cash used in operating activities for the current period consists primarily of the operating loss and a change in non-cash working capital.

During the year ended September 30, 2016, financing activities provided $Nil (2015 - $20,644). In fiscal 2016, the Company received proceeds of $Nil (2015 - $9,632) from short-term loans and $Nil (2015 - $11,012) from a convertible loan.

Financings and Related

During the year ended September 30, 2016 and 2015, the Company did not complete any financings.

Subsequent to the year ended September 30, 2015, the Company received subscription proceeds of $37,500 towards a future issuance of units at a price of $0.005 per unit ("Unit"). Each Unit consists of one common share and one share purchase warrant with each warrant exercisable into one common share at a price of $0.01 per share for a period of two years.

Short-term loans

Short-term loans consist of two separate non-revolving credit facilities in the amount of $43,943 (2015 - $43,943) and US$50,000 (2015 – US$50,000). Both credit facilities are secured by general security agreements and earn interest at Bank of Montreal prime +2%. During the year ended September 30, 2016 the Company accrued $10,725 (2015 - $7,821) for interest expense relating to the above credit facilities. The credit facilities were due July 2015 and March 2015, respectively, and since bears interest at Bank of Montreal prime +7%. The credit facilities are to be repaid from the first equity financing in excess of $500,000.

Related Party Transactions

During the year ended September 30, 2016 and 2015, the Company paid or accrued the following:

	September 30	
	2016 **$**	**2015** **$**
Key management	-	156,200
Consulting fees paid to directors	-	11,000
	-	167,200

As at September 30, 2016, $390,222 (2015 - $390,222) is payable to current directors and officers of the Company or private corporations owned by the individuals and is included in accounts payable and accrued liabilities. As at September 30, 2016, included in the San Luis property acquisition payable is $117,000 (2015 - $117,000) owing to a director of the Company.

Convertible loans

During the year ended September 30, 2014, the President and Chief Executive Officer loaned the Company $140,000 which is secured by a general security agreement and earns interest at Bank of Montreal prime +2%. During the year ended September 30, 2015 the President and Chief Executive Officer loaned the Company an additional $11,012. The loan and any accrued interest is convertible, at the option of the lender, into shares of the Company at $0.05 per share. During the year ended September 30, 2016 the Company accrued $14,507 (2015 - $12,823) for interest expense relating to the Loan. The Loan is due one year from the date that the first draw was made and if unpaid will bear interest at Bank of Montreal prime +7%.

The Loan is a compound instrument and the proceeds are required to be bifurcated to record the fair value of the separate debt and equity components. The fair value of the debt was determined using a discounted cash flow model using an estimated market rate for equivalent debt of 15%.

The initial fair value of the debt was calculated to be $127,826 with the residual portion of $12,174 allocated to equity.

	September 30	
	2016	**2015**
	$	**$**
Principal amount	151,012	151,012
Equity component of convertible loan	(12,174)	(12,174)
Accretion	12,174	12,174
Accrued interest	31,289	16,782
	182,301	167,794

Escrowed Shares

As at September 30, 2016, September 30, 2015 and the date of this report there were Nil common shares held in escrow.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Accounting Standards and Interpretations Issued but Not yet Applied

On June 20, 2016, the IASB issued amendments to IFRS 2 clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for: the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments apply for annual periods beginning on or after January 1, 2018.
As a practical simplification, the amendments can be applied prospectively, retrospectively, or early application is permitted if information is available without the use of hindsight. The Company intends to adopt the amendments to IFRS 2 in its consolidated financial statements for the annual period beginning on January 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

The final version of IFRS 9, *Financial Instruments,* was issued by the IASB in July 2014 and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle-based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however, is available for early adoption. In addition, the elements of IFRS 9 related to presentation of gains from changes in an entity's own credit risk can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of IFRS 9 on its consolidated financial statements.

The IASB issued IFRS 15, *Revenue Recognition*, in June 2014. The objective of IFRS 15 is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognized. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. It also contains new disclosure requirements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is in the process of assessing the impact of IFRS 15 on its consolidated financial statements.

The IASB issued IFRS 16, *Leases*, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted, but only in conjunction with IFRS 15. The Company is in the process of assessing the impact of IFRS 16 on its consolidated financial statements.

Financial Instruments

Fair Value Hierarchy

Financial assets are classified into one of four categories:

- fair value through profit or loss ("FVTPL");
- held-to-maturity ("HTM");
- available-for-sale ("AFS"); and
- loans and receivables.

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

(i) FVTPL financial assets

Financial assets classified as FVTPL are stated at fair value with any resultant change in fair value recognized in profit or loss. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company classifies its cash as FVTPL.

(ii) HTM investments

HTM investments are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method. The Company does not have any assets classified as HTM investments.

(iii) AFS financial assets

Short-term investments and other assets not otherwise designated are classified as AFS and stated at fair value on the date of acquisition and each subsequent reporting date. Any change in fair value is recognized in profit or loss. The Company does not have any assets classified as AFS financial assets.

(iv) 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. The Company classifies its receivables 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 period end. Bad debts are written off during the year in which they are identified.

The Company classifies its financial liabilities into one of two categories as follows:

(i) Fair value through profit or loss

This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

(ii) Other financial liabilities

This category consists of liabilities carried at amortized cost using the effective interest method. The Company classifies its accounts payable and accrued liabilities, property payables, short-term loans and convertible loan as other financial liabilities.

The inputs used in making fair value measurements are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market date.

The carrying values for accounts payable and accrued liabilities, property payables, short-term loans and convertible loan approximate their fair value due to their short-term nature. Cash is measured at fair value using Level 1 inputs.

The Company's risk exposure and the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of potential loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. Cash is held in large Canadian and Colombian financial institutions. Receivables consist primarily of Goods and Services Tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to cash and receivables is low. The Company currently has limited credit risk from operations.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due. The Company prepares expenditure budgets which are regularly monitored and updated as considered necessary. To facilitate its exploration program and ongoing corporate, general and administrative overhead, the Company raises funds through private equity placements, public offerings and option agreements with third parties. As at September 30, 2016 the Company had cash of $2,360 (2015 - $2,644) to settle current liabilities of $2,070,035 (2015 - $1,991,083).

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There is limited interest rate risk due to the short-term nature of the Company's financial instruments.

Foreign Currency Risk

The Company is exposed to foreign currency fluctuations to the extent that the Company's mineral properties are located in Colombia and many of its expenditures and obligations are denominated in Colombian pesos. As such, the Company's results of operations are subject to currency fluctuation risks and such fluctuations may adversely affect the financial position and operating results of the Company. At September 30, 2016, 1 Canadian dollar was equal to approximately 2,222 Colombian Pesos and 0.76 US dollars.

Based on the net exposures as of September 30, 2016, and assuming that all other variables remain constant, a 10% fluctuation on the Canadian dollar against the Colombian Peso and US Dollar would result in the Company's net loss being approximately $30,000 higher (or lower). The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported revenues and expenses during the period. Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, functional currency, valuation of share-based payments and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

<u>Economic recoverability and probability of future economic benefits of exploration and evaluation acquisition costs</u>

Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including geologic and metallurgic information, history of conversion of mineral deposits to proven and probable reserves, scoping and feasibility studies, accessible facilities, existing permits and life of mine plans.

<u>Functional Currency</u>

Management is required to assess the functional currency of each entity of the Company. In concluding that the Canadian dollar is the functional currency of the parent and its subsidiary companies, management considered the currency that mainly influences the cost of providing goods and services in each jurisdiction in which the company operates. As no single currency was clearly dominant the Company also considered secondary factors including the currency in which funds from financing activities are denominated and the currency in which funds are retained.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

<u>Valuation of share-based payments</u>

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, expected life and forfeiture rate.

Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Investor Relations Activities

The Company does not have any investor relations arrangements.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares with no par value and unlimited preferred shares.

As at September 30, 2016, there were 39,540,787 (2015 – 39,540,787) issued common shares, 30,000 (2015 – 30,000) stock options outstanding at an exercise price of $0.72 per share and Nil (2015 - Nil) warrants outstanding.

As at the date of this report there were 39,540,787 issued common shares, Nil stock options outstanding and Nil warrants outstanding.

Subsequent Events

In November 2016, the Company closed an agreement ("Settlement Agreement") to settle the legal actions with the original vendors ("Vendors") of Tarana and the San Luis mineral exploration license. Pursuant to the Settlement Agreement, the Company transferred ownership of the Company's Colombian subsidiary, CMO Colombia S.A.S (the "Transfer") to the Vendors. The Company's current debt of $920,000 owing to the Vendors formed part of the consideration received for the Transfer. Additional consideration for the Transfer included the Vendors being held liable for all debts of CMO Colombia S.A.S.

Concurrent with the sale of CMO Colombia S.A.S and Tarana Resources S.A.., the Company abandoned its Colombian branch, CMO Panama Inc. Sucursal Colombia and its Panamanian subsidiary CMO Panama Inc.

Subsequent to the year ended September 30, 2016, the Company received subscription proceeds of $37,500 towards a future issuance of units at a price of $0.005 per unit ("Unit"). Each Unit consists of one common share and one share purchase warrant with each warrant exercisable into one common share at a price of $0.01 per share for a period of two years.

Corporate Governance

The Company's Board and its committees substantially follow the recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The current Board is comprised of 3 individuals, 2 of whom are neither executive officers nor employees of the Company and are unrelated in that they are independent of management. The Audit Committee is comprised of 3 directors, 2 of whom are independent of management.

Risk Factors

Exploration and Mining Risks

The Company is engaged in mineral exploration and development activities. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. The long-term profitability of our operations will be in part directly related to the cost and success of our exploration programs, which may be affected by a number of factors beyond our control. Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral resources, any of which could result in work stoppages, damage to property, and possible environmental damage.

Hazards such as unusual or unexpected formations and other conditions such as formation pressures, fire, power outages, labor disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable machinery, equipment or labor are involved in mineral exploration, development and operation. We may become subject to liability for pollution, cave-ins or hazards against which we cannot insure or against which we may elect not to insure. The payment of such liabilities may have a material, adverse effect on our financial position.

The Company relies upon consultants and others for exploration and development expertise. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis.

The economics of developing mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, allowable production, importing and exporting of minerals and environmental protection.

Financing Risks

The Company is limited in both financial resources, and sources of operating cash flow and has no assurance that additional funding will be available to us for further exploration and development of our projects or to fulfill our obligations under any applicable agreements. There can be no assurance that we will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of our projects with the possible loss of such properties.

Regulatory Requirements

Even if our mineral properties are proven to host economic reserves of mineral resources, factors such as governmental expropriation or regulation may prevent or restrict mining of any such deposits or repatriation of profits. The Company may acquire other properties in other jurisdictions or countries. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect our business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, and expropriation of property, environmental legislation and mine safety.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company has currently decided not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

No Assurance of Titles

It is possible that any of our properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.

Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that such licenses and permits as may be required to carry out exploration, development and mining operations at our projects will be granted.

Competition

The mineral industry is intensely competitive in all its phases. We compete with many companies possessing greater financial resources and technical facilities than the Company for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees. In addition, there is no assurance that a ready market will exist for the sale of commercial quantities of ore. Factors beyond the control of the Company may affect the marketability of any substances discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or losing our investment capital.

Environmental Regulations

Our operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution.

A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect our operations.

Stage of Development

The Company is in the business of exploring for, with the ultimate goal of producing, mineral resources from our mineral exploration properties. None of our properties have commenced commercial production and we have no history or earnings or cash flow from our operations. As a result of the foregoing, there can be no assurance that we will be able to develop any of our properties profitably or that our activities will generate positive cash flow. A prospective investor in the Company must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of our management in all aspects of the development and implementation of our business activities.

Markets for Securities

There can be no assurance that an active trading market in our securities will be established and sustained. The market price for our securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of our peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the mining sector, which have often been unrelated to the operating performance of particular companies.

Reliance on Key Individuals

Our success depends to a certain degree upon certain key members of the management. It is expected that these individuals will be a significant factor in our growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Company.

Geopolitical Risks

The Company may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on future exploitation and production, price controls, export controls, currency availability, income taxes, delays in obtaining or the inability to obtain necessary permits, opposition to mining from environmental and other non-governmental organizations, expropriation of property, ownership of assets, environmental legislation, labor relations, limitations on mineral exports, increased financing costs, and site safety. In addition, legislative enactments may be delayed or announced without being enacted and future political action that may adversely affect the Company cannot be predicted.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this MD&A are forward-looking statements or forward-looking information (collectively "forward-looking statements") within the meaning of applicable securities legislation. We are hereby providing cautionary statements identifying important factors that could cause the actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes" or the negatives thereof or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking statements in this MD&A may include, but are not limited to, statements with respect to: (i) the estimation of inferred and indicated mineral resources; (ii) the registration of the concession agreements comprising the San Luis and San Jorge Properties; (iii) the market and future price of gold or gold equivalent; (iv) the timing, cost and success of future exploration activities, including, but not limited to, the Company's proposed work program and the advancement of the San Luis and San Jorge Properties (v) currency fluctuations; (vi) requirements for additional capital; (vii) the Company's ability to continue as a going concern; and (viii) increases in mineral resource estimates.

Forward-looking statements are based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. The Company believes that the assumptions and expectations reflected in such forward-looking information are reasonable.

Assumptions have been made regarding, among other things, the estimation of mineral resources, the realization of resource estimates, gold and other metal prices, the timing and amount of future exploration and development expenditures, the estimation of initial and sustaining capital requirements, the availability of necessary financing and materials to continue to explore and develop the Company's San Luis and San Jorge properties in the short and long-term, the progress of development and exploration activities, and assumptions with respect to currency fluctuations, environmental risks, title disputes or claims, and other similar matters. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed.

The risks, uncertainties and other factors, many of which are beyond the control of the Company, that could influence actual results include, but are not limited to: risks inherent in the exploration and development of mineral deposits, including risks relating to changes in project parameters as plans continue to be redefined, risks relating to variations in ore reserves, grade or recovery rates resulting from current exploration and development activities, risks relating to changes in the price of gold, silver and copper and the worldwide demand for and supply of such metals, risks related to current global financial conditions, uncertainties inherent in the estimation of mineral resources, access and supply risks, reliance on key personnel, risks inherent in the conduct of mining activities, including the risk of accidents, labour disputes, increases in capital and the risk of delays or increased costs that might be encountered during the development process, regulatory risks, including risks relating to the acquisition of the necessary licenses and permits, financing, capitalization and liquidity risks, including the risk that the financing necessary to fund the exploration and development activities at the Company's projects may not be available on satisfactory terms, or at all, risks related to disputes concerning property titles and interest, and environmental risks.

Readers are cautioned that the foregoing lists of factors are not exhaustive.

The forward-looking statements in this MD&A are based on the reasonable beliefs, expectations and opinions of management on the date of this MD&A. Although we have attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended.

There is no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Except as required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking statements contained in this MD&A.