

# BAROYECA GOLD & SILVER INC.

## MANAGEMENT DISCUSSION & ANALYSIS

For the Nine Months Ended February 28, 2015

### Background

The following discussion and analysis, prepared as of April 28, 2015, should be read together with the unaudited condensed interim consolidated financial statements for the nine months ended February 28, 2015 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards. All amounts are stated in Canadian dollars unless otherwise indicated.

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Boroyeca Gold & Silver de Mexico S.A. de C.V., Tombstone Gold & Silver Inc. and Tombstone Resources Inc. Tombstone Gold & Silver Inc. and Tombstone Resources Inc. are both Arizona, USA companies. All inter-company transactions and balances have been eliminated.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

### Overview

Baroyeca Gold & Silver Inc. (the "Company") was incorporated on February 17, 2006 and commenced business at that time. The Company is a mineral exploration and evaluation company with no revenue generating operations, other than some incidental revenue from the sale of gravel from its Tombstone Properties which is reported as a recovery of costs incurred on those properties. Accordingly, any funds raised for the Company's operations are through the sale of shares in its capital stock or from debt financing. The Company's fiscal year end is May 31.

The Company completed its initial prospectus offering ("IPO") on December 15, 2010 and was listed on the TSX Venture Exchange under the symbol **BGS**. The Company raised net proceeds \$2,564,484 through its prospectus offering and then in the first part of 2011 carried out the work program on its Mexican properties that was recommended in the technical report (the "Technical Report") described in its prospectus. Following that program the Company's consulting geologist recommended a further work program, including drilling, on the Mexican property that was undertaken during the 2012 fiscal year (for further information on its properties and the work carried out, see "Results of Operations - *Description of Properties*" below).

Copies of the Technical Report and the Company's prospectus for its IPO are both available for review under the Company's disclosure documents at [www.sedar.com](http://www.sedar.com).

During the 2012 fiscal year, the Company reviewed and acquired additional mineral property interests, consisting of certain patented mineral claims and unpatented lode claims situated near Tombstone, Arizona, U.S.A. (the "Tombstone Property").

## **Results of Operations**

### *Description of Properties*

#### The Mexican Properties

The Company holds an interest in one mineral property situated in the Municipality of Quiriego, Sonora State, Mexico having forfeited its interest in a second property, referred to as the Option Property, at the end of its last fiscal year. The remaining property, referred to herein as the Baroyeca 4 Property was acquired by the Company through staking.

The Company incorporated its own Mexican subsidiary, Boroyeca Gold & Silver de Mexico S.A. de C.V., through which it carries out its exploration activities in Mexico.

#### *Baroyeca 4 Property*

During June 2007, the Company engaged the services of Francisco Garcia Garcia, a resident Mexican citizen, to stake and make application for the Baroyeca 4 concession, comprising 7,697 hectares, contiguous with and to the north and east of the Option Property. Subsequently, the concession was granted to Francisco Garcia Garcia by the Mexican Ministry of Mines and assigned to Boroyeca Gold & Silver de Mexico S.A. de C.V., the Company's subsidiary.

As the Baroyeca 4 concession is situated within the area of interest, the Company issued a notice to the Syndicate as provided in the Option Agreement. The Syndicate did not elect within the 30 day time frame provided in the Option Agreement to have the Baroyeca 4 Property become part of the property subject to the Option Agreement. Accordingly, it remains wholly-owned by the Company.

As at May 31, 2010, the Company had only completed preliminary surface geology including mapping and sampling over the Baroyeca 4 Property all at a cost of \$247,554. In the fall of 2009, the Company conducted a program of line-cutting and mapping to establish a grid over the property in preparation for carrying-out the programs of airborne and ground geophysics recommended as part of the Phase I work program in the Technical Report. Results of the sampling conducted on the Baroyeca 4 Property are set out under Section 10.0 Exploration of the Technical Report (available at [www.sedar.com](http://www.sedar.com)). The preliminary prospecting and sampling on the Baroyeca 4 Property were encouraging and, accordingly, the Technical Report recommended a Phase I program including trenching, sampling, prospecting, mapping and airborne and ground geophysics at an estimated cost of \$700,000 focused on the Baroyeca 4 Property. Based on results of the Phase I program, the Technical Report recommended a Phase II drilling program on the Baroyeca 4 Property at an estimated cost of \$500,000. This recommended work was carried out during the second half of 2011 fiscal year - see "Expenditures" below for further particulars.

In the six month period ended November 30, 2011 the Company wrapped-up the Phase I and Phase II programs undertaken in the winter and spring of 2011. The Company's independent consulting geologist, Linda Caron, M.Sc., P. Eng., provided a summary of the results of the work programs which the Company reported in its news release dated June 15, 2011 which is available for review under the Company's disclosure on SEDAR at [www.sedar.com](http://www.sedar.com). The company's geologist also continued to review and obtain interpretations of the results received, including submitting a number of samples for re-assaying to assist in the interpretation. As a result of this analysis it was decided that the 2012 work program would commence with additional geophysical surveys with an expanded grid to increase the area of the Property surveyed to be followed by a drill program of in the order of 5,000 metres.

During the six months ended May 31, 2012, the Company incurred an additional \$893,841 in expenditures on its Mexican properties in preparing for and carrying out its 2012 work program. This program included geophysical programs of ground gravity and IP surveys to extend the area of the Property surveyed in the previous year, which was followed by a drilling program of combined reverse circulation and diamond that was targeted for 5,000 metres of drilling. The preparatory work was carried in January and February and the drilling commenced in early March. The Company completed in the order of ten drill holes, however, due to the difficult financial markets for junior venture companies, the Company was not able to raise all the funds it had planned in its private placement carried out during this period. Accordingly, the Company has not been able to receive all of the assay results from drill program and its consultants have not been able to analyze and interpret the results of the drilling program. Should the Company be able to raise sufficient funds, the assay results for the last part of the drill program will be acquired and the results compiled, analysed, modelled and interpreted by the Company's geological consultants. The results will be published on receiving a report from the geological consultant. Given the uncertain financial markets, there is no certainty as to when the Company may have the funds to carry this out.

Also due to the shortage of available funds, the Company is delinquent in the payment of property taxes due on the concessions in Mexico. Should the Company continue to be unable to pay the Mexican property taxes, the Company is at risk of having the concessions cancelled by the Mexican government.

#### *Write-down of Book Values*

Due to a shortage of funds, the Company has been unable to carry out any work programs on the Mexican Property over the past two years, has no formal plan to carry out work during the ensuing year, nor the funds with which to do so. In these circumstances, with the Optioned Property having been forfeited and no identified mineral resource on the Baroyeca 4 Property, at May 31, 2014, the Company wrote-off \$3,300,761 in exploration and evaluation costs that had been capitalized in the Company's financial statements with respect to the Mexican Property. During the nine month period ended February 28, 2015, the Company wrote off further exploration and evaluation costs of \$2,175 to operations.

#### The Tombstone Properties

Pursuant to the terms of a purchase and sale and option agreement dated as of May 16, 2011, (the "Tombstone Option Agreement") entered into with Tombstone Development Company, of Tucson, Arizona, Dale Turner, its principal, and several affiliated companies (collectively, the "Vendor"), the Company, through its wholly-owned Arizona subsidiary, Tombstone Gold & Silver Inc, acquired a parcel of historic patented mining claims comprising in the order of 200 acres, and was granted options to acquire two additional parcels of claims contiguous to the group acquired comprising respectively an additional 135 and 150 acres. The three parcels contain the bulk of the historic patented claims on the hill just south of the town of Tombstone, Arizona. The price for the first parcel of claims was US\$250,000 in cash and the price for the two optioned parcels, also all cash, is US\$180,000 and US\$250,000 respectively. The Company and its subsidiaries had until September 17, 2011 to exercise the first option, which was exercised by Tombstone Gold & Silver Inc. ("TGSI") and Tombstone Resources Inc. ("TRI") with closing occurring on September 30, 2011. Accordingly, the Company and its subsidiaries had until November 29, 2011 to exercise the second option. On November 29, 2011, the Company and the Vendor amended the Tombstone Option Agreement to extend the exercise date for the second option to February 29, 2012. In consideration of this amendment, the Company paid US\$40,000 of the exercise price to the Vendor which the Company will forfeit if the second option is not exercised. By further amendments to the Tombstone Option Agreement agreed to with the Vendor, the closing date for the second option was

extended to June 30, 2012 in consideration of which the Company paid the Vendor an additional US\$50,000 and agreed to issue the Vendor 100,000 shares in the capital of the Company at closing. The Company was unable to pay the remaining balance due of US\$160,000 by June 30, 2012 and has since received a notice of default pursuant to which the Company was to make the payment by October 19, 2012. Due to the very difficult market conditions for junior resource companies, at October 19, 2012, the Company was still without sufficient funds to complete the purchase and spoke with the Vendor who verbally agreed, due to the market conditions, to extend the deadline generally for the payment of the balance of the exercise price.

The first parcel of claims acquired by Tombstone Gold & Silver Inc. comprise, amongst others, the former Tombstone Contention Mine and the Grand Central Mine, previously operated principally as silver mines. The Company is exploring the potential for re-opening mining on these properties.

In addition to the patented claims that are acquired or optioned to be acquired, the Company has staked approximately 900 acres of claims in several packages, some contiguous and some adjacent, to the purchased and optioned properties, increasing the Company's holdings on completing the two option purchases to approximately 1,400 acres.

In conjunction with the purchase of the group of claims, the Company agreed to purchase a number of pieces of equipment and an office facility located on the properties that had been used in operations carried out by the vendor for a total of US\$176,000 which has now been fully paid.

The Company engaged an independent geological consultant to conduct a site visit to the property and to carry out a review of the geology and history of the property. Following the review, the consultant has recommended a two phase program of work to evaluate the potential of the property at an estimated cost of \$2,100,000.

Phase I would include detailed geological mapping of the property and in particular the Contention pit; representative rock chip sampling in the pit to improve the understanding of grade distribution and control; and a program of twinned reverse circulation ("RC") and core ("DD") drilling in three fences (at the north end, middle and south end of the Contention pit) with each fence being comprised of a fan of three holes each of RC and DD drill holes. This drilling will compare the merits of each method of drilling and test the mineralization along the Contention dyke trend below the existing pit floor. Phase I is estimated to cost \$600,000.

Based on the results of the Phase I program, Phase II is budgeted for \$1,500,000 to consist principally of drilling to better define the Contention pit area and provide information for a preliminary resource estimate, subject to Phase I identifying a resource in the pit area.

In addition to the mineral potential of the purchased claims, the property contains a quantity of stockpiled construction aggregate material created as a by-product of previous mining operations. The previous owner was able to negotiate sales of the construction aggregate from the property to purchasers such as Cochise County for road work and other uses. In the current economic circumstances, the Company does not anticipate having funds to undertake the recommended programs for the Tombstone Property but will be concentrating on extracting, and building the sales of, aggregate from the property as a source of cash flow for the Company.

In June 2013, the Company acquired a crushing machine to allow it to offer a broader range of aggregate products to the market. The Company was also successful in submitting a bid to Cochise County for the supply of aggregate for County projects. The crushing machine was acquired with the proceeds of a debt financing that the Company was able to arrange. The financing is secured against the assets of the Tombstone subsidiaries.

The former owners of the claims acquired had made an application to the Arizona Department of Environmental Quality ("ADEQ") for closure of the Tombstone Contention Mine on the properties based on their decision that, at that time, the best use of the property was real estate development. Tombstone Gold & Silver Inc. ("TGS") has agreed with the vendor to carry out the requirements of the ADEQ with respect to that closure application, or otherwise resolve the matter. The Company has met with the ADEQ to discuss the conditions on the property and to develop a process to satisfy the requirements of an Aquifer Protection Plan. Such discussions are ongoing.

### ***Expenditures***

#### ***Mexican Properties***

Due to the shortage of working capital available to the Company for exploration programs in Mexico, during the nine months ended February 28, 2015, no work was carried out on the Mexican Properties.

#### ***Tombstone Properties***

During the year ended May 31, 2013, the Company engaged a party to monitor the property and to negotiate and supervise, as needed from time to time, the sale and loading and weighing of aggregate from the property for use in roads and playgrounds. The Company received \$190,385 in sales of aggregate during the year, which was offset in the financial statements against the expenses incurred on the property.

In June 2013, the Company acquired a crushing plant for use in its aggregate operations in order to be able to provide a broader variety of product to the market. In the same month, the Company successfully bid to be accepted as a supplier of aggregate to Cochise County, Arizona. Unfortunately, the County activities were slower than anticipated during the year ended May 31, 2014 with sales amounting to a total of only \$214,124 during that year. Sales were a little stronger during the nine months ended February 28, 2015, amounting to a total of \$244,642, but no significant orders have yet been received, up to the date of this management discussion, from the County. The sales of aggregate for the nine months ended February 28, 2015 have been offset in the financial statements against expenses incurred on the property.

Details of the expenditures for the nine months ended February 28, 2015 can be seen in Note 5 to the Company's unaudited condensed interim consolidated financial statements for the nine months ended February 28, 2015.

### **SELECTED FINANCIAL DATA**

The following table presents audited selected financial information for the years indicated.

	Nine Months Ended		Years Ended May 31		
	February 28	February 28	2014	2013	2012
	2015	2014			
	\$	\$	\$	\$	\$
<b>OPERATIONS:</b>					
Revenue	Nil	Nil	Nil	Nil	Nil
Net Loss for the Period	205,823	276,435	3,633,664	302,623	748,558
Comprehensive Loss for the Period	198,648	276,435	3,600,821	302,623	748,558
Basic and diluted loss per share	(0.00)	(0.00)	(0.08)	(0.01)	(0.02)
<b>BALANCE SHEET:</b>					
Working capital (deficit)	(1,509,730)	(1,088,765)	(1,208,667)	(1,034,029)	(606,312)
Total assets	1,291,954	4,414,174	1,252,511	4,336,273	4,233,147
Total exploration and evaluation assets	1,015,077	4,090,231	887,511	4,003,343	3,958,106

The financial information presented in the table above is from the Company's financial statements prepared in accordance with International Financial Reporting Standards. The reporting currency for all periods is Canadian dollars.

## General and Administrative

### *Discussion of Operating Results –nine months ended February 28, 2015*

During the nine months ended February 28, 2015, the Company incurred a net loss of \$205,823 as compared to a net loss of \$276,435 for the nine months ended February 28, 2014. The decreased loss of \$70,612 in 2015 as compared with 2014 is primarily due to: a decrease of \$92,753 in foreign exchange loss charged to operations in the 2015 period due to fluctuations in the exchange rate between the Canadian and U.S. dollars during the period; a decrease of \$10,349 in rent during the 2015 period due to the closing of the Vancouver office in the period; and decreases of \$1,972 in telephone expense and \$1,577 in office and miscellaneous expense also associated with the closing of the Vancouver office; as offset by: an increase of \$22,442 in finance costs associated with the loan to acquire equipment for the Arizona gravel operations and provide working capital entered into at the beginning of the 2014 fiscal year and an additional line of credit facility provided during the 2015 period; an increase of \$7,885 in depreciation principally due to the depreciation claimed on the crushing equipment acquired at the beginning of fiscal 2014; an increase of \$1,919 in travel and promotion expenses reflecting additional costs in trips to oversee the Arizona operations; an increase of \$1,737 in transfer agent and filing fees in the 2015 period; an increase of \$2,175 in impairment loss in the current period representing a one-time write-down of a late received charge to the Mexican operations that have been discontinued; and a minor increases of \$165 professional fees.

## SUMMARY OF QUARTERLY RESULTS

The following table presents unaudited selected financial information for each of the last eight quarters ended February 28, 2015.

	Feb. 28 2015 \$	Nov. 30 2014 \$	Aug. 31 2014 \$	May 31 2014 \$	Feb. 28 2014 \$	Nov. 30 2013 \$	Aug. 31 2013 \$	May 31 2013 \$
Total Revenues	-	-	-	-	-	-	-	-
Net Loss	53,002	78,140	74,682	3,357,229	110,709	100,417	65,308	78,745
Basic and Diluted (Income)Loss/Share	0.00	0.00	0.00	0.07	0.00	0.00	0.00	0.00

The financial information presented in the table above is from the Company's financial statements prepared in accordance with International Financial Reporting Standards.

### *Discussion of Operating Results –three months ended February 28, 2015*

During the three months ended February 28, 2015, the Company incurred a net loss of \$53,002 as compared to a net loss of \$110,709 for the three months ended February 28, 2014. The decreased loss of \$57,707 in 2015 as compared with 2014 is primarily due to: a decrease of \$57,171 in foreign exchange loss charged to operations in the 2015 period due to fluctuations in the exchange rate between the

Canadian and U.S. dollars during the period; decreases of \$3,653 in rent, \$2,271 in office and miscellaneous expenses and \$760 in telephone expense during the 2015 period due to the closing of the Vancouver office in the period; and miscellaneous decreases of \$884 (transfer agent and filing fees), \$338 (professional fees) and \$182 (bank charges); as offset by: an increase of \$3,060 in finance costs associated with the loan to acquire equipment for the Arizona gravel operations and provide working capital entered into at the beginning of the 2014 fiscal year and an additional line of credit facility provided during the 2015 period; an increase of \$2,609 in depreciation principally due to the depreciation claimed on the crushing equipment acquired at the beginning of fiscal 2014; an increase of \$1,883 in travel and promotion expenses in the 2015 period associated with trips to oversees the Arizona operations..

***Discussion of Operating Results –three months ended November 30, 2014***

During the three months ended November 30, 2014, the Company incurred a net loss of \$78,140 as compared to a net loss of \$100,417 for the three months ended November 30, 2013. The decreased loss of \$22,277 in 2014 as compared with 2013 is primarily due to: a decrease of \$22,366 in foreign exchange loss charged to operations in the 2014 period due to fluctuations in the exchange rate between the Canadian and U.S. dollars during the period; a decrease of \$3,652 in rent during the 2014 period due to the closing of the Vancouver office in the period; a decrease of \$847 in telephone expense also associated with the closing of the Vancouver office; and miscellaneous decreases of \$512 (travel and promotion), \$318 (professional fees) and \$40 (bank charges); as offset by: an increase of \$2,770 in finance costs associated with the loan to acquire equipment for the Arizona gravel operations and provide working capital entered into at the beginning of the 2014 fiscal year and an additional line of credit facility provided during the 2014 period; an increase of \$1,376 in depreciation principally due to the depreciation claimed on the crushing equipment acquired at the beginning of fiscal 2014; an increase of \$1,035 in office and miscellaneous expenses in the 2014 period; and a minor increase of \$277 in transfer agent and filing fees.

***Discussion of Operating Results –three months ended August 31, 2014***

During the three months ended August 31, 2014, the Company incurred a net loss of \$74,682 as compared to a net loss of \$65,308 for the three months ended August 31, 2013. The increased loss of \$9,374 in 2014 as compared with 2013 is primarily due to: an increase of \$16,612 in finance costs associated with the loan to acquire equipment for the Arizona gravel operations and provide working capital entered into at the beginning of the 2014 fiscal year; an increase of \$3,900 in depreciation principally due to the depreciation claimed on the crushing equipment acquired at the beginning of fiscal 2014; an increase of \$2,344 in transfer agent and filing fees in the 2014 period due to timing differences in the incurring of these expenses in the 2014 period as compared to 2013; an increase of \$2,175 in impairment loss in the current period representing a one-time write-down of a late received charge to the Mexican operations that have been discontinued; an increase of \$821 in professional fees due to a small increase in use of these services in 2014 as compared to the 2013 period; an increase of \$548 in travel and promotion expense due to travel to Arizona by management to review and plan for its aggregate operations; as offset by: a decrease of \$13,216 in foreign exchange loss charged to operations in the 2014 period due to fluctuations in the exchange rate between the Canadian and U.S. dollars during the period; and reductions of \$3,044 in rent, \$364 in telephone, and \$341 in office and miscellaneous expenses, in the 2014 period all due to the reducing the Company's head office in Vancouver.

***Discussion of Operating Results- three months ended May 31, 2014***

During the three months ended May 31, 2014, the Company incurred a net loss of \$3,357,229 as compared with a net loss of \$78,745 the same period in 2013. The increased loss in the 2014 period is

primarily due to a one-time charge of \$3,300,761 on the write-off the exploration and evaluation assets and \$10,639 on equipment that had been capitalized on the financial statements with respect to operations on the Company's Mexican Properties which operations have been discontinued and written-off at May 31, 2014. Without the one-time write-off, the Company's loss for the three months ended May 31, 2014 was \$45,829 as compared with a loss of \$78,745 in the same period in 2013. The decreased loss of \$32,916 in the 2014 period is the result of offsetting changes as follows: an increase of \$22,753 in finance costs associated with the loan to acquire equipment for the Arizona gravel operations and provide working capital entered into at the beginning of 2014; an increase of \$10,980 in professional fees in 2014 resulting from a difference in the timing when services were incurred in the year compared to 2013 as overall for the year these costs have declined; an increase of \$12,484 in depreciation due to the depreciation claimed on the crushing equipment acquired at the beginning of 2014; an increase of \$1,096 in travel and promotion expense due to travel to Arizona by management to review and plan for its aggregate operations; as offset by: a decrease of \$70,576 in the loss from foreign exchange due to fluctuations in the value of the US dollar as compared to the Canadian dollar; and reductions of \$4,412 in transfer agent and filing fees, \$1,944 in office and miscellaneous expenses, \$1,624 in interest and bank charges, \$1,165 in rent, \$412 in telephone expense and \$96 in interest income in the 2014 period all due to the reduced activity of the Company.

### **Investor Relations**

No investor relations activities were undertaken by or on behalf of the Company during the year and no investor relations arrangements or contracts were entered into by the Company during the year.

### **Liquidity and Capital Resources**

The Company has no ongoing operating revenues and finances its operations principally through the sale of shares in its capital and more recently through loans secured against its equipment and other assets. In the short-term, directors of the Company have, in the past, provided cash advances to meet urgent operating needs. At May 31, 2014, the Company had a working capital deficit of \$1,208,667.

During the nine months ended February 28, 2015, the Company expended: \$189,893 in working capital on its operating activities and incurred a net of \$127,566 in exploration and evaluation asset expenditures after realizing \$244,642 from the sale of aggregate from its properties.

As a result of the foregoing activities, amongst other things, at February 28, 2015, the Company had a working capital deficit of \$1,509,730.

The Company has an option payment due with respect to the Tombstone Properties of US\$160,000 which will complete the purchase of the third parcel of claims under the Tombstone Option Agreement discussed under the heading Tombstone Properties above. This payment is optional, however, if not paid, the Company would forfeit US\$90,000 paid toward the purchase price. Although the Vendor gave notice of default requiring the exercise of the second option to be completed by October 19, 2012, the Company had insufficient funds at that date to complete the payment as the difficult market conditions precluded the Company from carrying out an equity financing. In consideration of the difficult market conditions facing the Company, the Vendor has verbally extended the deadline generally.

The Company estimates that with contraction of its activities that have occurred due to the current shortage of operating funds, operating expenses for the balance of the fiscal year will be in the order of \$55,000.

The Company will require funds to satisfy its working capital deficit and make the payment on the third parcel of claims at the Tombstone Property.

Should the cash flow from the aggregate business not provide sufficient funds to meet the working capital needs of the Company, with the current market conditions for the Company's shares, it may be necessary for the Company to re-consider consolidating its share capital in order to be able to undertake a private placement of its securities to raise funds for its operations. There can be no assurance that the Company will be able to sell any or sufficient securities by way of private placement to raise the required working capital.

### **Off Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements.

### **Transactions with Related Parties**

The Company had the following related party transactions during the nine months ended February 28, 2015:

- a) management fees of \$45,000 were paid or accrued to Mercap Investments Inc., a private company owned 50% by Richard Wilson, President, CEO and a director of the Company;
- b) professional fees of \$16,714 were paid or accrued to a law firm of which Douglas Eacrett, a director of the Company, is principal;
- c) interest of \$16,124 was paid or accrued to a partnership of individuals including William Carr, a director of the Company, who is also the manager of the partnership, with respect to a loan advanced to the Company. Refer to Note 12 of the unaudited condensed interim consolidated financial statements for the nine months ended February 28, 2015 for particulars of the loan; and
- d) interest of \$1,450 was paid or accrued and net repayments of loan advances of \$4,235 (May 31, 2014 - \$35,129) were made to a company controlled by William Carr, a director of the Company with respect to a line of credit provided to the Company for use with respect to its exploration and evaluation assets.

### **Financial Instruments**

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities, due to related parties, loan payable and advance payable. The fair value of the Company's accounts payable and accrued liabilities, due to related parties, line of credit and loan payable, are estimated by management to approximate their carrying values based on the immediate or short-term maturity of these instruments. Cash is recorded at fair value using Level 1 quoted prices in active markets for identical assets or liabilities and, in management's opinion, the Company is not exposed to significant interest or credit risk from these financial instruments. Please refer to Note 9 of the consolidated financial statements for detailed discussion of the financial risk factors.

### **Adoption of new standards and interpretations, and recent accounting pronouncements**

Effective June 1, 2014, the Company adopted the following new and amended accounting standards without any significant impact on the financial statements:

- IAS 32 Standard amended to clarify requirements for offsetting financial assets and

- (Amendment) financial liabilities.
- IFRIC 21 Standard clarifies when to recognise a liability for a levy imposed by a government, within the scope of IAS 37, and those where the timing and amount of the levy is certain.

### **Future Accounting Pronouncements**

The following new standards, amendments to standards and interpretations have been issued but are not effective during the nine months ended February 28, 2015:

- IFRS 15 New standard establishes a new control-based revenue recognition model with could change the timing of revenue recognition. It is effective for annual periods beginning on or after January 1, 2017, with early adoption permitted
- IFRS 9 New standard that replaces IAS 39 for classification and measurement of financial instruments. IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and will be applied retrospectively. Early application is permitted.

The Company is currently in the process of reviewing the standards to determine the impact on the consolidated financial statements.

### **Particulars of Outstanding Securities of the Issuer**

As at the dates noted below, the Company had the following securities outstanding:

#### *Common Shares*

<b>Date</b>	<b>Number Outstanding</b>
February 28, 2015	46,169,938
April 29, 2015	46,169,938

#### *Share Purchase Warrants*

The Company had no share purchase warrants outstanding as of February 28, 2015 or April 29, 2015, the date of this Management Discussion.

#### *Incentive Stock Options*

The following Incentive Stock Options, each entitling the holder to acquire one previously unissued common share of the Company at the prices and for the periods of time set out in the table below are outstanding at February 28, 2015 and April 29, 2015:

<b>Number of Options Outstanding</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
900,000	\$0.15 per share	December 15, 2015
100,000	\$0.25 per share	December 21, 2015
1,400,000	\$0.15 per share	February 22, 2017
<b>2,400,000</b>		