**Form 51-102-F1**

# RED HUT METALS INC.

## MANAGEMENT DISCUSSION & ANALYSIS

For the period ended March 31, 2015

Directors and Officers as at May 26, 2015

Directors:

Robert Eadie
Gary Arca
David Gunning
Michael Sweatman

Officers:

President & Chief Executive Officer – Robert Eadie
Chief Financial Officer & Corporate Secretary – Gary Arca


| | |
|---|---|
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**Form 51-102-F1**

# RED HUT METALS INC.

## MANAGEMENT DISCUSSION & ANALYSIS
For the period ended March 31, 2015

### 1.1 Date of This Report

This Management Discussion & Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim financial statements of Red Hut Metals Inc. ("Red Hut", or the "Company") for the period ended March 31, 2015. All dollar amounts herein are expressed in Canadian Dollars unless stated otherwise.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information system, procedures and internal controls and to ensure that information used internally or disclosed externally, including financial statements and MD&A, is complete and reliable. The Company's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board of Directors' Audit Committee meets with management quarterly to review the financial statements and the MD&A and to discuss other financial, operating and internal control matters. The reader is encouraged to review the Company's statutory filings on www.sedar.com.

This MD&A is prepared as of May 26, 2015.

***This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.***

### 1.2 Overall Performance

*Description of Business*

The Company was incorporated on February 16, 2010 under the Business Corporations Act of British Columbia as 0874036 BC Ltd. It commenced operations in April, 2011 and, on December 20, 2011, changed its name to Red Hut Metals Inc. The Company is in the process of exploring and evaluating its mineral property located on Vancouver Island, British Columbia, Canada. On December 11, 2012, the Company completed its Initial Public Offering ("IPO") and began trading on the TSX Venture Exchange ("TSX-V").

## 1.3 Selected Annual Information

The highlights of financial data for the Company's three most recently completed year-ends since inception, which are calculated in accordance with International Financial Reporting Standards ("IFRS"), are as follows:

| | December 31, 2014<br>$ | December 31, 2013<br>$ | December 31, 2012<br>$ |
|---|---|---|---|
| (a) Total revenues | Nil | Nil | Nil |
| (b) Total expenses | (349,986) | (187,379) | (383,451) |
| (c) Net loss | (505,253) | (185,580) | (313,308) |
| (d) Loss per share – basic and diluted | (0.04) | (0.02) | (0.04) |
| (e) Total current assets | 1,170,150 | 447,133 | 652,504 |
| (f) Total long-term liabilities | Nil | Nil | Nil |
| (g) Cash dividends declared per-share | Nil | Nil | Nil |

## 1.4 Results of Operations

*Discussion of Acquisitions, Operations and Financial Condition*

The following should be read in conjunction with the March 31, 2015 unaudited condensed interim financial statements of the Company and notes attached thereto.

### 1.4.1 Property Activity

***Conuma Property***

On December 15, 2011, the Company acquired a 100% interest in 11 mineral claims located in the Alberni and Nanaimo Mining Divisions of British Columbia, more commonly known as the Conuma Property (the "Property") pursuant to a Letter of Agreement dated May 16, 2011 and as amended December 15, 2011 (the "Agreement"). Under the terms of the Agreement, the Company paid $5,000 and issued 100,000 common shares with a fair value of $5,000 to the Vendor.

The Company's 100% interest in the Property is subject to a net smelter royalty ("NSR") of 2% of gross revenues from the Property less certain permissible deductions, and is payable to the Vendor.

A Report on the Property was prepared for the Company by Brian Malahoff, P.Geo, who is a qualified person for the purpose of NI 43-101. The Report is available for review under the Company's profile on the SEDAR database at *www.sedar.com*. The following summary is from the Report on the Property:

*Property Description and Location*

The Conuma Property is an early stage exploration property located in central west coast Vancouver Island approximately 80 kilometres west of Campbell River, B.C. and 28 kilometres northwest of Gold River, B.C., within the Alberni Mining Division of British Columbia. The claims cover an area of 6,098 hectares centred at latitude 49° 53' N and longitude 126° 25' W within BCGS map areas 92E088, 92E089, 92E098, 92E099 and NTS Map sheet 092E16W. This includes the Norgate prospect, which is adjacent to and contiguous with the property, that was acquired by staking during the year ended 2013. The corresponding UTM coordinates (NAD 83, Zone 9) for the centre of the Conuma Property are: 684800 metres east; and 5530500 metres north. Red Hut owns a 100% interest in eleven claims that comprise the Conuma Property.

*History*

The area surrounding the Conuma Property has been historically known for hosting a number of volcanogenic massive sulphide and other mineral occurrences and deposits. The most notable deposit is the Myra Falls Mine (Volcanogenic Massive Sulphide: Zn, Pb, Cu, Ag, Au) operated by Nyrstar and is approximately 65 kilometres southeast of the Conuma Property. ***The Conuma Property is an early stage exploration property so there are no historical mineral resource or reserves estimates and no production from the Property.***

This region is known for its potential to host a volcanogenic massive sulphide deposit, for example, the Myra Falls Mine has been in production since 1966. The Myra Falls Mine formed from underwater volcanic vents on the ocean floor. The principal ore minerals include sphalerite, pyrite and chalcopyrite which occur in a zone that is more than six kilometres long and 450 metres wide. Average ore concentrations are 5.4 % Zn, 0.5% Pb, 1% Cu, 45 g/t (grams per tonne) Ag, and 1.3 g/t Au. It is classified as a polymetallic volcanogenic massive sulphide deposit characterized by massive to well layered sulphides, typically zoned vertically and laterally. Sulphides with a quartz, chert or barite gangue are common near the top of a massive sulphide deposit and disseminated stockwork and vein sulphides in the footwall (Trygve, H, 1995). Associated rock types include submarine volcanic arc rocks: rhyolite, dacite associated with andesite or basalt and marine sediments.

Sulphide mineralization identified on the Conuma Property includes, in order of abundance: pyrite, pyrrhotite, chalcopyrite, malachite, molybdenite, sphalerite and galena. Sulphide minerals are consistent with a potential polymetallic mineral system on the Conuma Property including polymetallic quartz veinlets that may underlie a volcanogenic massive sulphide lense.

Sulphide mineralization on the Conuma Property is mainly hosted within Middle to Upper Triassic Karmusten volcanic rocks (basaltic and possibly tuffaceous) as disseminations, fracture filling, and within quartz stringers and veinlets crosscutting volcanic rocks. The Karmusten volcanic rocks are noticeably iron stained and moderately to strongly gossanous near faults and dykes. Smaller gossanous zones with oxidized iron-bearing sulphides were also observed in intrusive rocks of the Early to Middle Jurassic Island Plutonic Suite and sedimentary argillites of the possible Mississippian to Lower Permian Buttle Lake Group.

*Exploration*

During 2011, the Company undertook field programs consisting of prospecting/rock sampling, reconnaissance geological mapping and silt sampling on the Conuma Property. Overall, fieldwork conducted collected seven continuous rock chip samples, seven grab rock samples from outcrop, 32 float samples and 27 silt samples. In addition, an airborne magnetic geophysical survey was also carried out in 2011.

In a 1999/2000 Prospecting Report (Efrem Specogna), mineralization was recognized by prospectors in the Conuma Valley. Rock sampling identified molybdenite, chalcopyrite and pyrrhotite within quartz veinlets/veins hosted in volcanic rocks. Lamprophyre dykes and amphibolites were recognized in outcrop. Best assays results from probable float samples were rock sample B48636 (Breccia boulder in road rubble) with 196 ppm Zn, 39 ppm Pb, 3868 ppm Cu, 4.4 ppm Ag and 95 ppb Au; and rock sample B48327 (Mo in quartz vein in volcanic) with 4158 ppm Mo.

*Geological Mapping*

Reconnaissance mapping focused on structural controls on mineralization, alteration, continuous chip sampling of mineralized outcroppings and geological contacts. Results of geological mapping determined that there are three types of structural control on the sulphide mineralization observed within the Middle to Upper Triassic Karmusten volcanic rocks on the Conuma Property:

1. Fracture controlled sulphide mineralization consisting mainly of pyrite, pyrrhotite, chalcopyrite and malachite. Less common are fractures containing trace magnetite (volcanic unit is weakly to moderately magnetic). Not all fractures are mineralized. Fractures generally trend northeast-southwest and northwest-southeast.

2. Fault controlled sulphide mineralization consisting mainly of pyrite, pyrrhotite, chalcopyrite, malachite. Oxidized iron-bearing sulphides are more intense in fault controlled zones. Two types of faulting were recognized on the Conuma Property. A strike-slip fault was mapped in the north central part of the claims within a granitic dyke. This fault is a result of shearing forces and trends northeast-southwest with a moderately steep dip to the northwest. An oblique-slip fault was mapped within volcanic rocks and displays both a strike-slip and dip-slip component. This fault results from a combination of shearing and tension produced by compressional forces and trends northeast-southwest with a moderately steep dip to the southeast. Mineralized quartz stringers and veinlets that crosscut the Karmutsen volcanic rocks occur in faulted zones. For example, a mapped mineralized quartz veinlet trends northwest-southeast with a shallow dip to the southwest.

3. Dykes usually occur in zones of weakness produced by earlier faulting and oxidized iron-bearing sulphides are more pronounced marginal to dykes. Numerous dykes up to 46 metres wide were mapped on the Conuma Property. The dykes generally trend northeast-southwest with a moderate to steep dip to the southeast and northwest. Other dykes mapped trend northwest-southeast with a steep dip to the southwest and northeast.

*Geochemical Surveys*

A total of 32 float (not from outcrop), seven continuous chip (from outcrop), seven grab (from outcrop) rock samples and 27 silt samples were collected. Results of this 2011 rock sampling program returned assays up to 1.69 g/t gold, 13.0 g/t silver, 0.72% copper, 0.04% lead and 0.21% zinc from a float sample (986262: Quartz veinlet). The highest gold/silver/copper/lead/zinc assay is related to quartz veinlets crosscutting Karmutsen volcanic rocks in the central part of the claim group. This highly anomalous rock sample is located a short distance east of the main northerly trending stream on the Conuma Property which is interpreted to be a major structural trend.

A silt sampling program in 2011 returned values up to 597.9 ppb (parts per billion) Au (Sample# 986098), 0.5 ppm (parts per million) Ag (Sample# 986098), 321.8 ppm Cu (Sample# 986181), 22.3 ppm Pb (Sample# 986097), 128 ppm Zn (Sample# 986097) and 72.1 ppm Mo from various samples (Sample# 986184). Anomalous silt samples are generally located in the central and central south parts of the Conuma claims along a main north-south trending stream. The average crustal abundances (www.webelements.com) of Au, Ag, Cu, Zn and Mo are 3.1 ppb (parts per billion) gold (Au), 0.08 ppm (parts per million) silver (Ag), 68 ppm copper (Cu), 10 ppm lead (Pb), 79 ppm zinc (Zn) and 1.1 ppm molybdenite (Mo). A total of 27 silt samples were taken and 20 returned anomalies for Au, 19 were anomalous for silver, 20 were anomalous for copper, six were anomalous for lead, five were anomalous for zinc and 16 were anomalous for molybdenite.

*Geophysical Survey*

Red Hut commissioned Aeroquest Airborne Surveys to conduct a helicopter airborne magnetic survey over a northeast region of the Conuma Property. On November 19, 2011 Aeroquest commenced a 128 line-kilometre helicopter-borne magnetic survey utilizing a stinger mounted cesium vapour magnetometer. The airborne magnetic survey lines are oriented north-south and spaced at 100 metres with tie lines at 1,000 m spacings.

The main objectives of the magnetic airborne survey are: to determine if magnetic targets are within the survey area; to determine how the magnetic targets relate to magnetic sulphide targets on adjoining claims; and, to understand the geology based on the magnetic airborne survey.

Results of the Aeroquest airborne magnetic survey display a dynamic range of approximately 2450 nT (nanotesia – unit of measure for strength of magnetic field) within the survey area. The magnetic highs correlate well with ridges and peaks of the mountain tops. The central part of the survey block displays the highest magnetic readings within the survey area. The magnetic trends display a predominate E-W strike direction although several other trend/directions can be observed (NW-SE). High frequency magnetic features (Magnetic Highs) may indicate near surface units or intrusive bodies and areas of smoother magnetic patterns are more indicative of deeper units or sedimentary units. In general, many of the magnetic highs (pink and reddish in color) could be attributed to intrusive units with the magnetic lows (bluish and green in color) mapping sedimentary units.

*Sampling Preparation, Analyses and Security*

All of the Conuma rock and silt samples were transported directly to Acme Analytical Laboratories facilities in Vancouver, where they were analyzed for 36-element ICP-MS with a Group 1DX1 (rock) and 1DX2 (Geochemical Aqua Regia Digestions) analysis. A 3B01 (fire assay) analysis was performed on all rock samples. Three blank samples were introduced into the sample stream for approximately every 15 samples.

*Recommendations*

In order to evaluate the economic potential of the Conuma Property, a $365,000 Phase 1 exploration program would include the following:

- All data that can be gathered on the Conuma Property and its immediate surroundings should be compiled in detail using a modern GIS database, so a coherent picture of the area can be obtained.
- Geological mapping, prospecting and geochemical sampling of all contact zones within bimodal volcanic rocks and overlying sedimentary rocks. Special attention should be given to those areas near faults, fractures and dyke/dykes swarms and a package of sedimentary rocks shown by Massy (Massey et al., 2005) to occur in the north central part of the Conuma claims.
- Soil grids over anomalous areas generated from the regional silt program. Quality soil samples (auger: lower B to upper C horizon) should be collected at 25 metre intervals along lines 50 to 100 metres apart.
- Silt sampling of areas not covered in the original survey.
- Pima surveys could help map alteration.
- Airborne EM (Electromagnetic) Geophysical Survey with 100 m line spacing in order to delineate conductive sulphides and, based on field observations, an expanded airborne magnetic survey to the west.

Following the above recommended studies and contingent on the results thereof, the Company will consider a second phase of work including diamond drilling of, but not restricted to, testing of the volcanogenic massive sulphide potential of the Conuma Property.

At December 31, 2014, management decided to write the costs accumulated on the Conuma property to nil as an asset impairment. While management still believes that the properties are of merit and warrant continued development, lack of activity due to market conditions warrants a write down at this time under IFRS accounting guidance. As such, the Company recorded an impairment loss of $159,364 on the Conuma property which has been charged in the statement of comprehensive loss.

Ian Webster is the Company's qualified person on the Conuma property as required under NI 43-101 and has prepared the technical information contained in the Management discussion and analysis.

*Otu Gold Ltd.*

The Company entered into a letter of intent (“LOI”) with Otu Gold Ltd. (“Otu Gold”) on July 22, 2014 whereby the Company (“Red Hut”) will acquire by way of amalgamation all of the issued and outstanding shares of Otu Gold (the “Transaction”). While the exclusivity period of the LOI has expired, the Company and Otu Gold are working in good faith towards a final agreement pursuant to the completion of the Transaction terms.

Otu Gold is a Bermuda corporation that, directly or through its Colombia based corporate subsidiaries, owns mineral rights over 80,076 hectares in the Segovia Gold Belt, in the Department of Antioquia, in northeastern Colombia (the “Property”).

The Letter of Intent (“LOI”) is intended to govern the conduct of the Company and Otu Gold in respect of the proposed Transaction and a proposed concurrent financing (the “Red Hut Financing”). The parties will continue their due diligence investigations in respect of each other, and will proceed with the negotiation and settlement of the terms of the binding Definitive Agreement in respect of the Transaction, including the Red Hut Financing. The parties also agree to cooperate in making application and providing all necessary information to the TSX Venture Exchange (“TSXV”) in order to obtain preclearance of the Transaction and all matters related thereto and will commence the Red Hut Financing which is contemplated to close concurrently with the Transaction.

The Transaction contemplates that the Company and Otu Gold will proceed by way of a three corner amalgamation among Otu Gold, the Otu Gold shareholders, Red Hut and a newly incorporated wholly owned subsidiary of Red Hut to be incorporated in Bermuda (“Subco”), pursuant to which (i) Otu Gold and Subco will amalgamate to form a new company (“Amalco”) under Bermuda law; (ii) Amalco will become a wholly owned subsidiary of Red Hut; and (iii) Red Hut will concurrently issue to the Otu Gold shareholders common shares of Red Hut (“Red Hut Shares”) in consideration of Otu Gold amalgamating with Subco.

As consideration for Otu Gold amalgamating with Subco, Red Hut will issue to the Otu Gold shareholders, Red Hut Shares in a number equal to the number of common shares of Red Hut outstanding after the Red Hut Financing (the “Acquisition Shares”); such that on a post-financing and post acquisition basis, the outstanding Red Hut Shares will beheld as to 50% by the Otu Gold shareholders, and (i) 27.4% by the participants in the Red Hut Financing, and 22.6% by the existing Red Hut shareholders, assuming the minimum offering of $5 million is realized; and (ii) 33% by the participants in the Red Hut Financing, and 17% by the existing Red Hut shareholders, assuming the maximum offering of $8 million is realized (See below). Additionally, issued and outstanding options and warrants of Otu Gold will be exchanged for options and warrants of Red Hut on an equal basis.

Conditions Precedent

The Transaction is subject to, among other conditions, the following:

(i) the negotiation and execution of Definitive Agreements to replace the LOI;

(ii) Red Hut completing, concurrently with the closing of the Transaction the Red Hut Financing, which is anticipated to be a non-brokered private placement to raise a minimum of $5,000,000 and a maximum of $8,000,000 through the distribution of units (“Units”) at $0.35 per Unit. Each Unit will consist of one Red Hut Share and one-half of one warrant, each warrant entitling the holder to acquire one additional Red Hut Share at $0.50 for two years (subject to acceleration should Red Hut’s shares trade at $0.75 or more for 20 consecutive trading days);

(iii) the Company will grant to the Otu Gold shareholders, for a period of three years following the date of closing the Transaction, the right to receive additional Red Hut Shares as the value of the Property is proven-up, such that Red Hut will issue 1,000,000 Red Hut Shares upon a minimum of 3,000,000 ounces of gold (determined as “inferred resource” or better, as confirmed in NI-43-101 compliant reports prepared by independent qualified persons) being confirmed within the Property, and an additional 1,000,000 Red Hut Shares upon at least 4,000,000 ounces of gold being determined;

(iv) upon the closing date of the Transaction (the “Closing Date”), certain directors and officers of the Company will resign and individuals nominated by Otu Gold will be appointed. The directors of Red Hut will also be the directors of Amalco; and

(v) the Company will change its name to such name as may be approved by the parties and as acceptable to the TSXV.

Reverse Takeover

The Transaction was negotiated at arm's length. The Transaction will be a reverse take-over (RTO) under TSXV policies, and as a result (i) the Transaction will require approval of the Exchange and the Company's shareholders; (ii) the Acquisition Shares held by new "principals" will be subject to such escrow requirements as may be imposed by the Exchange (expected to be three years pursuant to a Value Security Escrow Agreement); (iii) the Company may be required to engage a sponsor; and (iv) the Company's common shares will remain halted on the Exchange until the Transaction has closed.

The Company intends to make application to the TSXV for waiver of the condition to engage a sponsor, however, there is no assurance such waiver will be obtained.

General

Additional details of the principal shareholders of Otu Gold, and a summary of the financial statements of Otu Gold will follow in a subsequent news release. Full particulars of the Transaction will be set out in an Information Circular to be prepared, disseminated and filed on SEDAR in connection with the shareholders' meeting to be called by the Company to approve the Transaction. Subject to regulatory approval, a finder's fee of 4% of the value of the Transaction will be paid to Jordan Capital Markets Inc. ("Jordan") in respect of the Transaction, in the form of the Company's shares, which will be voluntarily restricted by Jordan for a period of one year from the date of issuance. In connection with the Red Hut Financing, subject to regulatory approval, finders will be entitled to a finder's fee of no more than 6% paid in cash and 6%finder's warrants, based on the gross proceeds of the financing.

The proposed Transaction is subject to shareholder and regulatory approval. The Company will be calling a shareholders' meeting once a definitive agreement has been executed by the parties.

## 1.4.2 Results of Operations

The expenses relating to the loss and comprehensive loss for the period ended March 31, 2015 of $97,277 and for the comparative period ended March 31, 2014 of $32,912 are as follows:

| For the period ended | | **March 31, 2015** | | March 31, 2014 |
|---|---|---|---|---|
| Interest revenue | $ | (3,089) | $ | (1,059) |
| Accounting and audit fees | | 14,250 | | 7,000 |
| Legal and corporate services | | 5,700 | | 6,488 |
| Management activities | | 38,557 | | - |
| Office, rent and administration | | 18,413 | | 15,118 |
| Pre-exploration costs | | 788 | | - |
| Shareholder communications | | 20,928 | | 3,750 |
| Transfer agent and filing fees | | 1,730 | | 1,615 |
| **Total loss and comprehensive loss for the period** | $ | 97,277 | $ | 32,912 |

Accounting and audit fees increased by $7,250 due to increased activity at the head office. Shareholder communications increased by $17,178 due to increased efforts to promote the Company. Management activity increased and resulted in a cost increase of $38,557 primarily due to higher travel cost.

*Financings, Principal Purposes & Milestones*

During the period ended March 31, 2015, the Company did not arrange any financings.

## 1.5 Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarterly periods:

| | Q1<br>31-Mar-15 | Q4<br>31-Dec-14 | Q3<br>30-Sep-14 | Q2<br>30-Jun-14 |
|---|---|---|---|---|
| Total Revenue: | $ - | $ - | $ - | $ - |
| Net Loss: | | | | |
| Total | $ 97,277 | $ 341,860 | $ 75,389 | $ 55,092 |
| Per share – basic and fully diluted loss | $ 0.01 | $ 0.03 | $ 0.01 | $ 0.00 |

| | Q1<br>31-Mar-14 | Q4<br>31-Dec-13 | Q3<br>30-Sep-13 | Q2<br>30-Jun-13 |
|---|---|---|---|---|
| Total Revenue: | $ - | $ - | $ - | $ - |
| Net Loss: | | | | |
| Total | $ 32,912 | $ 42,932 | $ 35,539 | $ 73,306 |
| Per share – basic and fully diluted loss | $ 0.00 | $ 0.00 | $ 0.00 | $ 0.01 |

*D*

*Discussion*

For the discussion of results for the period ended March 31, 2015, see Section 1.4.2 Results of Operations.

## 1.6 Liquidity and Capital Resources

In management's view, given the nature of the operations, which currently consists of its interest in certain resource properties, the most relevant financial information relates primarily to current liquidity, solvency and planned expenditures. The Company's financial success will be dependent upon the extent to which it can determine whether its resource properties contain reserves, which are economically recoverable.

Such development may take years to complete and the amount of resulting income, if any, is difficult to determine. The Company does not expect to receive significant income in the foreseeable future.

As at March 31, 2015, the Company had $45,134 in cash, $1,003,255 in short-term investments, working capital of $79,614 and no long-term debt. The Company's ability to continue as a going concern is dependent upon its existing working capital and obtaining the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. Management has estimated that the Company's existing working capital is adequate to meet corporate, development, administrative and property obligations for the coming year. If required, it is anticipated that any additional funding will be in the form of equity financing from the sale of common shares or through loans made available from related parties, however, there is no guarantee that funding from such financings will be available in amounts sufficient to meet the commitments of the Company.

## 1.7 Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

## 1.8 Transactions with Related Parties

The following is a summary of charges incurred by the Company with related parties during the period ended March 31, 2015 and 2014:

| Period ended March 31, | | **2015** | | 2014 |
|---|---|---|---|---|
| Accounting fees | **$** | **5,250** | $ | 5,250 |
| Office, rent and administration | | **15,000** | | 15,000 |
| Shareholder communications | | **3,750** | | 3,750 |
| Total | **$** | **24,000** | $ | 24,000 |

During the three months ended March 31, 2015, the Company incurred operational expenses totalling $24,000 (2014 - $24,000) from companies controlled by a director and an officer of the Company and where there are common officers with the Company.

At March 31, 2015 trade and other payables included $Nil (December 31, 2014 - $999) owed to an officer of the Company.

## 1.9 Critical Accounting Estimates

a) Exploration and Evaluation Expenditures

The application of the Company accounting policy for E&E expenditures requires judgment in determining whether it is likely that future economic benefits will follow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in the Company's profit or loss in the period the new information becomes available.

b) Title to Mineral Property Interests

Although the Company takes steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

c) Income Taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

## 1.10 First Quarter

The first quarter ended March 31, 2015 results differ from the previous quarter due to increased activity at the head office due to due to the increased activity in respect to letter of intent signed between the Company and Otu Gold. Review discussion in *Section 4.3 – Results of Operations.*

## 1.11 Financial and Other Instruments

As at March 31, 2015, the Company's financial instruments consist of cash, short-term investment, and trade and other payables.

The fair value of the Company's cash, short-term investment, and trade and other payables approximate their carrying value, which is the amount on the statements of financial position, due to their short-term maturities or ability of prompt liquidation.

a) Interest Rate Risk

The Company's cash and short-term investment earn interest at a variable interest rate. Because of the nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair values as of March 31, 2015. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Interest rate risk consists of two components:

(i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.

(ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's exposure to interest rate fluctuations is minimal.

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash and short-term investment, the balances of which at March 31, 2015 are $45,134 (December 31, 2014 - $31,115) and $1,003,255 (December 31, 2014 - $1,130,954) respectively. As at that date, cash and short-term investment were held at a chartered Canadian financial institution and the Company does not consider the risks to be significant.

c) Liquidity Risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company achieves this by maintaining sufficient cash reserves. As at March 31, 2015, the Company was holding cash and short-term investment of $45,134 (December 31, 2014 - $31,115) and $1,003,255 (December 31, 2014 - $1,130,954) respectively. The Company's trade and other payables are due in the short term.

**1.12** **Disclosure of Outstanding Share Capital as at May 26, 2015:**

| | Number | | Book Value |
|---|---|---|---|
| Common Shares | 13,900,001 | $ | 1,092,346 |

The Company has the following share purchase options outstanding:

| Number of Options Exercisable | Exercise Price | | Expiry Date | Contractual Life Remaining |
|---|---|---|---|---|
| 1,225,000 | $ | 0.15 | December 13, 2017 | 2.70 years |

The Company has no outstanding warrants.

**1.13** **Approval**

The Board of Directors, upon the recommendation of the Audit Committee, has approved the disclosure contained in this MD&A.