

PORTOFINO RESOURCES INC.

Management Discussion and Analysis

For the nine month period ended February 28, 2015

The Management Discussion and Analysis (“MD&A”), prepared April 17, 2015 should be read in conjunction with the audited financial statements and notes thereto for the year ended May 31, 2014, included in the company’s prospectus, and the notes thereto of Portofino Resources Inc.. (“Portofino”) which were prepared in accordance with International Financial Reporting Standards.

This management discussion and analysis may contain forward-looking statements in respect of various matters including upcoming events. The results or events predicted in these forward-looking statements may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

DESCRIPTION OF BUSINESS

Portofino Resources Inc. (“the Company”) was incorporated on June 14, 2011 as Crude Investments Corp. under the laws of British Columbia. On March 1, 2012, the Company changed its name to Portofino Resources Inc. The address of the Company’s corporate office and its principal place of business is 200-551 Howe Street, Vancouver, British Columbia, Canada.

The Company’s principal business activities include the acquisition and exploration of mineral property assets. As at February 28, 2015, the Company had not yet determined whether the Company’s mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the properties or realizing proceeds from their disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

EXPLORATION PROJECT

Iron Horse-Bolivar Mineral Property

	Acquisition Costs	Exploration Costs	Total
	\$	\$	\$
Balance, May 31, 2014	10,000	115,320	125,320
Acquisition cost	32,000	—	32,000
Exploration costs	—	81,625	81,625
Balance, February 28, 2015	42,000	196,945	238,945

Pursuant to an option agreement dated February 28, 2012, with Rich River Exploration Ltd. (“Rich River”) and Craig Alvin Lynes, collectively, the “Optionors”, the Company was granted an option to acquire a 100% undivided interest in the Iron Horse-Bolivar Mineral Property (the “Property”) comprised of seven mineral claims located in the Peachland region of British Columbia.

To earn the 100% interest, the Company agreed to issue 175,000 common shares of the Company to Rich River, make cash payments totaling \$100,000, and incur a total of \$1,000,000 in exploration expenditures as follows:

	Common Shares	Cash	Exploration Expenditures
	#	\$	\$
Upon execution of the agreement (paid)	-	10,000	-
On or before February 28, 2013 (incurred)	-	-	100,000
Upon listing of the Company's common shares on the TSX Venture Exchange (paid and issued)	85,000	15,000	-
On or before the first anniversary of the Listing	90,000	-	-
On or before the second anniversary of the Listing	-	15,000	200,000
On or before the third anniversary of the Listing	-	25,000	300,000
On or before the fourth anniversary of the Listing	-	35,000	400,000
Total	175,000	100,000	1,000,000

The Optionors will retain a 3% Net Smelter Returns royalty on the Property. The first 2% of the royalty may be purchased by the Company at \$500,000 for each 1%. The purchase of the remaining 1% is negotiable after commercial production commences. See note 11.

SELECTED ANNUAL INFORMATION

(\$000's except loss per share)

	<u>May 31,</u> <u>2014</u>	<u>May 31,</u> <u>2013</u>	<u>May 31,</u> <u>2012</u>
Revenue	\$ 0	\$ 0	\$ 0
Net Loss	\$ (329)	\$ (81)	\$ (166)
Basic and Diluted Loss Per Share	\$ (0.05)	\$ (0.02)	\$ (0.29)
Total Assets	\$ 222	\$ 142	\$ 48
Long-Term Debt	\$ 0	\$ 0	\$ 0
Dividends	\$ 0	\$ 0	\$ 0

OPERATIONS

Three month period ended February 28, 2015

During the three months ended February 28, 2015 the Company reported a net loss of \$45,966 (2014 - \$176,525). Included in the determination of operating loss was \$3,215 (2014 - \$1,500) spent on rent, \$17,250 (2014 - \$11,500) on management and administration, \$6,016 (2014 - \$Nil) on professional fees, \$5,000 (2013 - \$Nil) on investor communication, \$8,932 (2014 - \$Nil) on transfer agent and filing fees, and \$5,553 (2014 - \$25) on office and miscellaneous. During the period the Company also incurred a stock-based compensation charge of \$Nil (2014 - \$163,500).

Nine month period ended February 28, 2015

During the nine months ended February 28, 2015 the Company reported a net loss of \$190,452 (2014 - \$222,570). Included in the determination of operating loss was \$9,842 (2014 - \$6,750) spent on rent, \$51,750 (2013 - \$51,750) on management and administration, \$76,993 (2014 - \$Nil) on professional fees, \$6,250 (2013 - \$Nil) on investor communication, \$35,148 (2014 - \$Nil) on transfer agent and filing fees, and \$9,869 (2014 - \$70) on office and miscellaneous. During the period the Company also incurred a stock-based compensation charge of \$Nil (2014 - \$163,500).

SUMMARY OF QUARTERLY RESULTS

(\$000's except earnings per share)

	February 28, <u>2015</u>	November 30, <u>2014</u>	August 31, <u>2014</u>	May 31 <u>2014</u>
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Net loss	\$ (46)	\$ (144)	\$ (94)	\$ (107))
Basic and diluted Loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

	February 28, <u>2013</u>	November 30, <u>2013</u>	August 31, <u>2013</u>	May 31, <u>2013</u>
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
Net loss	\$ (176)	\$ (26)	\$ (20)	\$ (20))
Basic and diluted Loss per share	\$ (0.02)	\$ (0.01)	\$ (0.01)	\$ (0.005)

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents at February 28, 2015 were \$243,797 compared to \$71,815 at May 31, 2014.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The following amounts are due to related parties and have been included in accounts payable and accrued liabilities:

	February 28, 2015	May 31, 2014
	\$	\$
Accounts payable and accrued liabilities	5,695	31,789

The amounts are due to companies controlled by directors of the Company. The amounts are non-interest bearing, unsecured and are due upon demand.

The Company had the following related party transactions:

	Period ended February 28, 2015	Period ended February 28, 2014
	\$	\$
Rent	6,250	6,750
Professional fees	16,725	—
Total	22,975	5,750

Rent and professional fees are paid to companies controlled by directors of the Company.

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include the directors of the Company. The remuneration of key management is as follows:

	Period ended February 28, 2015	Period ended February 28, 2014
	\$	\$
Management fees	51,750	51,750
Share-based compensation	—	—
Total	51,750	51,750

Management services were provided by companies owned by two directors of the Company.

COMMITMENTS

The Company is committed to certain cash payments, share issuances and exploration expenditures in connection with the acquisition of its mineral property claims and participating interest in its natural gas property claims.

SUBSEQUENT EVENTS

There were no material subsequent events.

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The mandatory adoption of the following new and revised accounting standards and interpretations on June 1, 2013 had no significant impact on the Company's financial statements for the years presented:

IFRS 10 – Consolidated Financial Statements

IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 replaces SIC-12 Consolidation - Special Purpose Entities and parts of the previous IAS 27 Consolidated and Separate Financial Statements.

IFRS 11 – Joint Arrangements

IFRS 11 requires a venturer to classify its interest in a joint arrangement as a joint venture or a joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under IFRS 11, proportionate consolidation is no longer permitted.

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard carries forward existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities.

IFRS 13 – Fair Value Measurement

IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes disclosures about fair value measurement.

IAS 1 – Presentation of Financial Statements

In June 2011, the IASB issued an amendment to IAS 1, which requires entities to separately present items in other comprehensive income based on whether or not they may be reclassified to profit or loss in future periods.

IAS 27 – Separate Financial Statements

As a result of the issue of IFRS 10, IFRS 11 and IFRS 12, IAS 27 Separate Financial Statements has been reissued, as the consolidation guidance will now be included in IFRS 10. IAS 27 has been reissued to only prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.

IAS 28 – Investments in Associates and Joint Ventures

As a consequence of the issuance of IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been amended to provide accounting guidance for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The amended IAS 28 is applied by all entities that are investors with joint control of, or significant influence over, an investee.

IFRIC 20 – Production Stripping Costs

In October 2011, the IASB issued IFRIC 20, which requires the capitalization and depreciation of stripping costs in the production phase if an entity can demonstrate (i) that it is probable future economic benefits will flow to the entity, (ii) the component of the ore body for which the access has been improved is identifiable, (iii) the costs related to the stripping activity associated with that component can be reliably measured.

Amendments to other standards

In addition, there have been other amendments to existing standards, including IFRS 7 *Financial Instruments: Disclosure*, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. IAS 27 addresses accounting for subsidiaries, jointly controlled entities and associates in non-consolidated financial statements. IAS 28 has been amended to include joint ventures in its scope and to address the changes in IFRS 10 to IFRS 13.

CRITICAL ACCOUNTING POLICIES

Stock-based Compensation

The Company has a stock option plan, which is described in to the financial statements. The Company applies the fair value method to all stock-based payments and to all grants that are direct awards of stock that call for settlement in cash or other assets. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, share capital is credited for the consideration received and the related contributed surplus is decreased. The Company uses the Black Scholes option pricing model to estimate the fair value of stock based compensation.

Financial Instruments

Financial assets are classified into one of four categories:

- Fair value through profit or loss;
- Held-to-maturity;
- Available for sale and;
- Loans and receivables

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

Financial assets at fair value through profit or loss (“FVTPL”)

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if

- It has been acquired principally for the purpose of selling in the near future;
- It is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or;
- It is a derivative that is not designated and effective as a hedging instrument.

The Company’s cash and cash equivalents are classified as FVTPL assets.

Held-to-maturity (“HTM”)

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

Available-for-sale financial assets (“AFS”)

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets as at FVTPL. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. The Company classifies cash as AFS.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less and impairment losses.

Derecognition of financial assets

A financial asset is derecognized when:

- The contractual right to the asset's cash flows expire; or
- If the Company transfer the financial assets and substantially all risks and rewards of ownership to another entity.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets is directly reduced by the impairment loss. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

SHARE CAPITAL

Issued

The company has 12,550,000 shares issued and outstanding as at February 28, 2015 and April 17, 2015.

Share Purchase Options

The Company has 800,000 stock options outstanding at February 28, 2015 and April 17, 2015.

Warrants

The Company had 240,000 share purchase warrants outstanding at February 28, 2015 and April 17, 2015.

Escrow Shares

The Company has 5,031,000 shares held in escrow as at February 28, 2015 and April 17, 2015.