



## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

**For the six months ended December 31, 2014**

**February 19, 2015**

### **GENERAL**

Benton Capital Corp. (the "Company" or "Benton") is a development stage public company engaged in exploration for mineral deposits in Canada. The Company is in the early exploration stage with respect to its property.

The following discussion of the financial condition and results of operations of the Company constitutes management's review of the factors that affected the Company's financial and operating performance for the six month period ended December 31, 2014. The discussion should be read in conjunction with the condensed consolidated interim financial statements dated December 31, 2014 and the audited consolidated financial statements of the Company for the year ended June 30, 2014 and 2013, including the notes thereto.

Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars and all financial information (as derived from the Company's condensed consolidated interim financial statements) has been prepared in accordance with International Financial Reporting Standards ("IFRS").

### **FORWARD-LOOKING INFORMATION**

Certain information regarding the Company within Management's Discussion and Analysis (MD & A) may include "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD & A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, goals, expansion and growth of the Company's businesses, operations, plans and other such matters are forward-looking statements. When used in this MD & A the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements. Such statements are subject to known and unknown risks and uncertainties that may cause actual results in the future to differ materially from those anticipated in forward-looking statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

### **OVERVIEW OF BUSINESS**

The focus of the Company is to seek out and explore mineral properties of potential economic significance and advance these projects through prospecting, sampling, geological mapping and geophysical surveying, trenching, and diamond drilling in order for management to determine if further work is justified. The Company's property portfolio consists of the Goodchild project focusing on base metals and PGMs. In addition, the Company holds 1,566,623 warrants of Coro Mining Corp. (TSX: COP), a company focused on copper development and exploration in Latin America, such shares were distributed to shareholders in the subsequent period pursuant to a Plan of Arrangement – see "Investment in Coro Mining Corp."

In 2012, the Company completed a spin out transaction pursuant to a Plan of Arrangement (the "Arrangement") whereby the Company transferred all of its assets with the exception of its investment in Coro Mining Corp., its Goodchild Cu-Ni Project and \$730,000 in working capital to a newly listed issuer Benton Resources Inc. Shareholders received one new common share of the Company and one common share of Benton Resources Inc. in exchange for each Company share held prior to the closing of the Arrangement and commencement of trading of

Benton Resources Inc. (TSXV: BEX) on August 1, 2012. This discussion will focus on the remaining assets of Benton Capital Corp.

During the period, the Company was in the process of acquiring Folium Life Science Inc. (“Folium”), an applicant under Health Canada’s Marihuana for Medical Purpose Regulations (“MMPR”) to become a fully licensed producer of medical cannabis. As at the date of this MD&A, the transaction has not been completed as Folium has not yet received its Ready-to-Build letter from Health Canada, a condition of closing the transaction. Subsequent to the period ended December 31, 2014, the Company terminated its agreement to acquire Folium due to the fact that Folium had still not received its ready-to-build letter from Health Canada and the timing of receipt of such a letter remained uncertain.

Subsequent to December 31, 2014, the Company announced that it will focus on the acquisition of mining royalties through various strategies including exploration, purchase, and exploration finance. The Company plans on building long-term value while taking advantage of the current difficult exploration markets. In conjunction with this new focus the Company has retained its listing on the TSX Venture Exchange and resumed trading on January 30, 2015 in conjunction with the Company’s previously approved 2 for 1 share consolidation

## **FINANCIAL & OPERATIONAL OVERVIEW**

### **Overall Performance**

Recent times have witnessed the drastic decline and continued volatility of the global financial markets. Share prices of junior exploration companies listed on the exchange, including the Company, have experienced a significant impact as a result. Equity financing activity for the junior resource sector, its primary source of capital, is currently extremely difficult to obtain as the level of these financings that occurred in this sector in the most recent quarter declined sharply.

In response to this extreme volatility and uncertainty, the Company has taken several steps to ensure that it will endure the current economic environment and position itself favourably for the recovery by preserving capital. Company management has refocused the planned project expenditures by significantly reducing expenditures directed at new project evaluation and generation.

While the Company currently holds no long-term debt and has sufficient working capital to fund current operations, the timing of the recovery of the financial markets cannot be determined. This will pose a challenge in the interim for the Company to effectively manage its capital through the down turn.

Overall, the Company feels it can effectively balance its growth opportunities with its need to conserve capital at this time. Planned project expenditures and general and administrative expenses are continually reviewed to ensure efficient and effective exploration is conducted and if needed, to reduce costs accordingly.

### **Financial Condition**

The Company’s cash balance as at December 31, 2014 was \$51,070 compared to \$161,589 at June 30, 2014. Current assets of the Company as at December 31, 2014 were \$1,298,238 compared to \$1,632,472 as at June 30, 2014. The decrease in current assets was predominantly attributable to general and administrative expenditures during the period and payment of trade payables. Total assets as at December 31, 2014 were \$1,977,010 compared to \$6,581,244 at June 30, 2014 due to the distribution of Coro Mining Corp. shares during the current period to shareholders of the Company pro-rata valued at \$4,270,000 at the time of distribution. Current liabilities as at December 31, 2014 were \$93,980 compared to \$293,573 at June 30, 2014, a decrease related to repayment of trade payables during the current period and a lower level of activity around the period end.

During the six month period ended December 31, 2014, the Company advanced to Folium \$35,000 with such funds being used to retain the option to lease the building that will accommodate Folium’s production facility once approved. In addition, the funds were used to settle certain liabilities related to the completion of Folium’s Health Canada Licensed Producer application. Due to the fact that the agreement to acquire Folium was terminated in the subsequent period, the amount is repayable immediately to the Company without interest. Thus far, no repayments have been made by Folium but the Company will continue to pursue collecting the amount in full.

## Results of Operations

The net loss and comprehensive loss for the six month period ended December 31, 2014 was \$182,061 nil loss per common share) as compared to net income and comprehensive income of \$722,158 (\$0.01 income per common share) in comparative period in the previous year. This large swing was due to a large income tax recovery received in the previous year.

Expenses incurred during the six month period ended December 31, 2014 consist of:

- i) Advertising and promotion expenses of \$12,740 (December 31, 2014 - \$3,906) (increased in current year due to additional expenses surrounding the proposed acquisition of Folium)
- ii) Share-based payments of \$47,420 (December 31, 2013 - \$27,194) (recorded upon vesting of stock options to employees, directors and officers and is dependent upon vesting levels in a given period).
- iii) General and administrative expenses of \$6,986 (December 31, 2013 - \$11,294)
- iv) Professional fees of \$41,140 (December 31, 2013 - \$36,042) (related to timing of receipt of legal services which varies).
- v) Stock exchange and filing fees of \$3,573 (December 31, 2013 - \$7,478) (low level of expenditure related to lack of activity requiring regulatory approvals and related fees).

Included in other expenses was \$80,000 of acquisition costs on abandoned transactions. During the period ended December 31, 2014, the Company executed a letter of intent (“LOI”) to acquire 100% of Island Harvest Inc. (“Island Harvest”), a private company incorporated in British Columbia carrying on business as a medical marijuana applicant under Health Canada’s MMPR program. The transaction was structured to be contingent upon first closing the Folium acquisition. Pursuant to the letter of intent, the Company paid a First Deposit to Island Harvest in the amount of \$80,000 and commenced the due diligence period as provided for in the LOI. After conducting due diligence, Benton elected not to continue with the transaction. As a result, Benton and Folium abandoned the LOI and \$80,000 was written off during the period.

The Company has seen a continual decline in the interest rates implicit on its investments in short-term fixed income instruments throughout the economic down turn. This decline as well as fewer funds on deposit as a result of the Plan of Arrangement has impacted and will continue to impact the level of interest income that can be earned on these investments as these funds mature and are reinvested.

## Cash Flows

The cash flows used in operating activities was \$347,800 for the six month period ended December 31, 2014 compared to cash used in operating activities of \$79,575 for the same period in the prior year, the large swing resulting from the large period to period change in non-cash working capital balances related to operating activities. Cash flows provided by investing activities was \$237,281 for the six months ended December 31, 2014 compared to cash flows used in investing activities in the amount of \$67,964 in the comparative period in the prior year, the change arose due to the timing of redemptions of temporary investments and varies and an investment made in Coro Mining Corp. in the comparative period.

## Investment in Coro Mining Corp.

Coro is a Latin America focused exploration and development company with prospective projects in Chile and Argentina. Coro’s strategy is to become a mid-tier producer and intends to achieve this by identifying, securing and developing resources that are located in areas with established infrastructure.

Coro’s management has significant exploration and mine development experience in Latin America, and is led by President, CEO & Director, Alan Stephens, who prior to co-founding Coro in 2005, was VP Exploration for First Quantum Minerals. Other key members of the Coro management team include Juan Carlos Roman, Senior VP and Chief Operating Officer (ex Antofagasta Minerals), Michael Philpot, Executive VP, Secretary & Director and Damian Towns, CFO, (both ex First Quantum Minerals), Angelo Peri, VP Exploration (ex Vale) and Marcelo Cortes, Environmental and Infrastructure Manager (ex Antofagasta Minerals).

**Summarized Financial Information – Coro Mining Corp. (Expressed in US Dollars)**

	December 31, 2013 \$(000's)	December 31, 2012 \$(000's)
<b>Assets:</b>		
<i>Current</i>	1,588	2,152
<i>Non-current</i>	15,307	30,446
<i>Total</i>	<u>16,895</u>	<u>32,598</u>
<b>Liabilities:</b>		
<i>Current</i>	305	297
<i>Long-term</i>	-	-
<i>Total</i>	<u>305</u>	<u>297</u>
<b>Total Revenue</b>	<u>-</u>	<u>-</u>
<b>Loss and comprehensive loss (income) for the year</b>	<u>17,897</u>	<u>8,781</u>
<b>Basic loss (earnings) per share</b>	\$0.13	\$0.06
<b>Diluted loss (earnings) per share</b>	\$0.13	\$0.06

During the year ended June 30, 2014, the Company participated in a private placement pursuant to which it acquired an additional 3,133,246 units of Coro at \$0.10 per unit for a total cost of \$313,325. Each unit consisted of one common share of Coro and one half of one common share purchase warrant (1,566,623 warrants), each warrant entitling the Company to purchase an additional common share of Coro at an exercise price of \$0.15 until December 20, 2016. The warrants will be subject to a forced exercise provision after one year in the event the volume-weighted average trading price of Coro's common shares on the Toronto Stock Exchange is equal to or above \$0.30 for 20 consecutive trading days.

During the period ended December 31, 2014, the Company completed a Plan of Arrangement, whereby it would through a return of capital transaction, distribute the 61 million common shares of Coro to shareholders of the Company on a pro-rata basis. This distribution was approved at the Company's annual general and special meeting of shareholders on July 8, 2014 and was completed on July 24, 2014 to shareholders of record on July 11, 2014 on the basis of 0.7998 shares of Coro for every one (1) share of Benton held. At this time, the shares of Coro were trading at a price of \$0.07 per share. As a result of the distribution, the Company recorded a further impairment loss of \$2,408,668 in the year ended June 30, 2014 to account for the value of the shares transferred at the time of distribution. The Company has retained the 1,566,623 warrants described above and they are carried at a nominal amount. The distribution amount of \$4,270,000 has been recorded in equity as reserves.

**EXPLORATION AND EVALUATION ASSETS**

Mineral property acquisition, exploration and development expenditures are deferred until the properties are placed into production, sold, impaired or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following commencement of production, or written-down if the properties are allowed to lapse, are impaired, or are abandoned. All projects other than the Goodchild property were transferred to Benton Resources Inc. pursuant to the plan of Arrangement that was effective July 27, 2012. Details on the projects transferred can be found in Benton Resources Inc. filings on SEDAR:

**Goodchild Cu-Ni-PGM Property**

The 100% owned Goodchild copper-nickel property was acquired by the Company by staking. The property consists of 209 claim units located 10km north of the town of Marathon, Ontario. Following the plan of arrangement completed on July 27, 2012 and as disclosed in note 2, the Goodchild property is the Company's only remaining mineral property at June 30, 2014. At June 30, 2014 the Company had deferred exploration and evaluation costs totalling \$678,772 (June 30, 2014 - \$678,772).

The Goodchild property covers a very large airborne magnetic anomaly measuring approximately 5km by 8km and represents the Goodchild ultramafic intrusion. A geophysical airborne survey flown in the late 1980's showed multiple coincidental electro-magnetic anomalies throughout the centre and along the margins of the intrusion. Early limited prospecting by the Company yielded values as high as 12.6% Ni, 2.4% Cu, 0.3% Co and 2 g/t PGE's in select grab samples.

The Company completed a 957 line km airborne VTEM survey, linecutting, geological mapping, prospecting and ground geophysics to help prioritize diamond drill targets. Diamond drilling of priority targets was completed in October of 2008. This first phase of drilling identified several areas of anomalous Nickel and Copper and a second phase drill program was completed in the spring of 2009. To date drilling has confirmed that the property has consistent anomalous zones of mineralization but additional targets need to be tested to take the property further.

Recent visual and microscopic analysis of the Company's Goodchild drill core has identified abundance of the mineral Awaruite. Awaruite is a naturally occurring stainless steel nickel-iron alloy and is the current focus of attention at the Decar property in British Columbia by partners Cliffs Natural Resources Canada Inc (an affiliate of Cliff Natural Resources Inc.) and First Point Minerals Inc. Benton has received results from 7 core samples that represent 45m of serpentinized ultramafic material sampled from historical drill hole GC08-08. The samples, sent to Activation Laboratories Ltd in Thunder Bay, Ontario, were analyzed using fusion x-ray fluorescence (XRF) followed by Davis tube magnetic separation. The XRF returned assays ranging from 0.291 to 0.314% NiO (nickel oxide) and the subsequent magnetic concentrates recovered by the Davis tube method returned nickel grades of 0.303 to 1.48% NiO equating to 0.035 to 0.105% recoverable nickel. As a comparison First Point Minerals released (see NR April 16, 2012) an inferred mineral resource for the Baptiste deposit at the Decar property of 1.197 billion tonnes with a Davis tube recoverable nickel grade of 0.113% Ni using a 0.06% Ni cut-off. The Company currently has no further exploration plans for the project given its proposed acquisition of Folium. The project will be sold, optioned or allowed to lapse.

#### SELECTED ANNUAL FINANCIAL INFORMATION

Description	Year ended June 30, 2014 \$	Year ended June 30, 2013 \$	Year ended June 30, 2012 \$
Operating expenses	541,758	629,264	5,538,372
Interest income (loss)	18,215	(4,390)	296,247
Adjustment to fair market value of held for trading investments	-	18,798	(7,588,260)
Write down of mineral properties	-	(394)	(2,597,917)
Net income (loss) being comprehensive income (loss)	(2,065,194)	(6,829,668)	(10,714,795)
Earnings (loss) per share – basic (1) (2)	(0.03)	(0.09)	(0.14)
Cumulative mineral properties and deferred development expenditures	678,772	678,772	7,488,255
Total assets	6,581,244	8,293,583	34,485,613

(1) Basic per share calculations are made using the weighted-average number of shares outstanding during the year.

(2) Earnings (loss) per share on a diluted basis is the same as the basic calculation per share as all factors are anti-dilutive.

## SUMMARY OF QUARTERLY RESULTS

Three Month Period Ending	Net Earnings/(Loss) \$	Net Earnings/(Loss) per Share Basic and Diluted (1) (2) \$
December 31, 2014	(130,933)	(0.00)
September 30, 2014	(51,128)	(0.00)
June 30, 2014	(2,699,229)	(0.04)
March 31, 2014	(88,123)	(0.00)
December 31, 2013	753,724	0.01
September 30, 2013	(31,566)	(0.00)
June 30, 2013	(5,429,474)	(0.07)
March 31, 2013	(332,649)	(0.00)

- (1) Basic loss per share calculations are made using the weighted-average number of shares outstanding during the period.

## SHARE DATA

As at February 19, 2015, the Company has 38,136,766 common shares issued and outstanding as a result of a 1 for 2 share consolidation completed on January 29, 2015 as well as: (a) stock options to purchase an aggregate of 5,380,000 common shares expiring at various dates between March 17, 2015 and February 3, 2019 and exercisable at various prices between \$0.20 and \$0.92 per share (adjusted for the effects of the abovementioned share consolidation). For additional details of share data, please refer to note 7 of the December 31, 2014 condensed consolidated interim financial statements.

## FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, temporary investments, accounts and other receivables, long-term investments, refundable security deposits and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

## LIQUIDITY AND CAPITAL RESOURCES

The Company has a net working capital as at December 31, 2014 of \$1,204,258 (\$1,338,899 as at June 30, 2014) and cash on hand of \$51,070 (\$161,589 as at June 30, 2014), Temporary investments of \$1,138,824 (\$1,376,105 as at June 30, 2014) and a deficit of \$7,504,696 (deficit of \$7,322,635 as at June 30, 2014).

Pursuant to the proposed acquisition of Folium, the Company commenced a non-brokered unit receipt offering at a price of \$0.25 per unit receipt. The funds received are held in escrow in an interest bearing account pending satisfaction of the escrow release conditions, which among other things requires Folium to receive its Ready-to-build letter from Health Canada. Due to the fact that the escrow conditions were not met satisfied by November 15, 2014, the funds were returned with interest to the underlying subscribers during the current period.

The Company's condensed consolidated interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and/or generate continued financial support in the form of equity financings. Management feels that sufficient working capital will be obtained from public share offerings to meet the Company's liabilities and commitments as they come due. The condensed consolidated interim financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

The recovery of amounts shown as exploration and evaluation assets is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain adequate financing to complete development, and upon future profitable operations from the properties or proceeds from the dispositions thereof.

The Company currently has no operations that generate cash flow and its long-term financial success is contingent upon management's ability to locate economically recoverable resources. This process can take many years to complete, cannot be guaranteed of success, and is also subject to factors beyond the control of management. Factors such as commodity prices, the health of the equity markets and the track record and experience of management all impact the Company's ability to raise funds to complete exploration and development programs.

As a result of the plan of arrangement whereby all assets except for the current working capital, the Goodchild project and the investment in Coro Mining were transferred, management feels that it has sufficient resources to sustain the Company for the foreseeable future. Conservative budgets for both exploration and operational expenditures have been established in order to maintain capital.

## **ACQUISITION OF FOLIUM LIFE SCIENCE INC.**

During the 2014 fiscal year, the Company announced that it had executed a share exchange agreement ("SEA") dated June 9, 2014 to acquire a 100% interest in Folium Life Science Inc. ("Folium"), a private company with its head office located in Abbotsford, British Columbia. At the time Folium's application to become a Licensed Producer ("LP") of medical marijuana in Canada under the Marihuana for Medical Purposes Regulations was being reviewed by Health Canada.

On July 8, 2014, the Company held its Annual General and Special Meeting of Shareholders where the acquisition of Folium was approved in addition to the Company's Plan of Arrangement transaction ("POA") to distribute the 61 million Coro Mining Corp. shares pro-rata to shareholders of record on July 11, 2014 on the basis of 0.7998 shares of Coro for every one (1) share of Benton held.

Subsequent to December 31, 2014, the Company terminated its agreement to acquire Folium as efforts by the parties to negotiate an extension to the agreement were unsuccessful.

## **CAPITAL MANAGEMENT**

The Company's objectives when managing capital are as follows:

- i) To safeguard the Company's ability to continue as a going concern;
- ii) To raise sufficient capital to finance its exploration and development activities on its mineral exploration properties;
- iii) To raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it based on the general economic conditions, its short-term working capital requirements, and its planned exploration and development program expenditure requirement. The capital structure of the Company is composed of working capital and shareholders' equity. The Company may manage its capital by issuing flow through or common shares, or by obtaining additional financing.

The Company utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the budgets underlying assumptions as necessary.

## **SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at

the date of the statement of financial position that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i. the recoverability of amounts receivable and prepayments which are included in the condensed consolidated interim statements of financial position;
- ii. the carrying amount and recoverability of exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow 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 costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available;
- iii. the inputs used in accounting for share-based payment expense in the audited consolidated statement of comprehensive loss; and
- v. the provision for (recovery of) income taxes which is included in the condensed consolidated interim statements of comprehensive loss and composition of deferred income tax assets and liabilities included in the condensed consolidated interim statements of financial position at December 31, 2014.

### Critical accounting judgments

The following accounting policies involve judgments or assessments made by management:

- The determination of categories of financial assets and financial liabilities;
- The determination of a cash-generating unit for assessing and testing impairment;
- The allocation of exploration costs to cash-generating units; and
- The determination of when an exploration and evaluation asset moves from the exploration stage to the development stage.
- The point at which management determines that the decline in value of its equity investment is other than temporary

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has not participated in any off-balance sheet or income statement arrangements.

### **RELATED PARTY TRANSACTIONS**

The Company paid or accrued the following amounts to related parties during the six month period ended December 31, 2014 and 2013:

Payee	Description of Relationship	Nature of Transaction	2014 Amount (\$)	2013 Amount (\$)
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell, Officer and former Director	Legal fees and disbursements charged/accrued during the year	34,125	30,931
Benton Resources Inc.	Company related by common directorships	Reimbursement of general and administrative expenses and management fees	-	31,059

The purchases from and fees charged by the related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.



Included in accounts payable and accrued liabilities as at December 31, 2014 is \$34,125 (December 31, 2013 - \$7,500) to Gordon J. Fretwell Law Corporation and \$46,000 (December 31, 2013 - \$581) to Benton Resources Inc. The repayment terms are similar to the repayment terms of non-related party trade payables.

Key management personnel remuneration during the period included \$nil (December 31, 2013 - \$nil) in salaries and benefits and \$40,011 (December 31, 2013 - \$22,719) in share-based payments. There were no post-retirement or other long-term benefits paid to key management personnel during the year.

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)**

### Statement of Compliance and Conversion to International Financial Reporting Standards (“IFRS”)

These condensed consolidated interim financial statements, including comparatives, have been prepared using accounting policies in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) in effect as of September 30, 2014.

## **RISKS AND UNCERTAINTIES**

### Nature of Mineral Exploration and Mining

At the present time, the Company does not hold any interest in a mining property in production. The Company’s viability and potential success lie in its ability to discover, develop, exploit and generate revenue out of mineral deposits. The exploration and development of mineral deposits involve significant financial risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mine may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the current or proposed exploration programs on exploration properties in which the Company has an interest will result in a profitable commercial mining operation.

The operations of the Company are subject to all of the hazards and risks normally incidental to exploration and development of mineral properties, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The activities of the Company may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Company has interests. Hazards, such as unusual or unexpected formation, rock bursts, pressures, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks is such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and, potentially, its financial position.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The 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.

### Fluctuating Prices

Factors beyond the control of the Company may affect the marketability of any copper, nickel, gold, platinum or any other minerals discovered. Resource prices have fluctuated widely and are affected by numerous factors beyond the Company’s control. The effect of these factors cannot accurately be predicted.

### Competition

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other

resources than the Company, in the search for and acquisition of attractive mineral properties. The ability of the Company to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable properties or prospects for mineral exploration. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects.

#### Financing Risks

The Company has limited financial resources and no current revenues. There is no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Company with the possible dilution or loss of such interests.

#### Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. The Company believes that it presently holds all necessary licenses and permits required carrying on with activities which it is currently conducting under applicable laws and regulations and the Company believes it is presently complying in all material respects with the terms of such laws and regulations. However, such laws and regulations are subject to change. There can be no assurance that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations at its projects.

#### No Assurance of Titles

The acquisition of title to mineral projects is a very detailed and time consuming process. Although the Company has taken precautions to ensure that legal title to its property interests is properly recorded in the name of the Company where possible, there can be no assurance that such title will ultimately be secured. Furthermore, there is no assurance that the interest of the Company in any of its properties may not be challenged or impugned.

#### Environmental Regulations

The operations of the Company are 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 mineral exploration and mining operations, which would result in environmental pollution. A breach of such legislation may result in the 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 means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations.

#### Conflicts of Interest

The directors and officers of the Company may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interest of the Company. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director is required by the *Business Corporations Act* (Ontario) to disclose the conflict of interest and to abstain from voting on the matter.

From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In determining whether or not the Company

will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

#### Dependence on Key Personnel

The Company is dependent on a relatively small number of key people, the loss of any of whom could have an adverse effect on its operations. Any key person insurance which the Company may have on these individuals may not adequately compensate for the loss of the value of their services.

The MD&A was reviewed and approved by the Audit Committee and Board of Directors and is effective as of February 19, 2015.

### **ADDITIONAL INFORMATION**

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