# CANUC RESOURCES CORPORATION

## MANAGEMENT'S DISCUSSION & ANALYSIS

### Three months ended March 31, 2015

The following discussion of the results of operations and financial condition of Canuc Resources Corporation ("Canuc" or "the Company") prepared as of May 27, 2015 consolidates Management's review of the factors that affected the Company's financial and operating performance for the three months ended March 31, 2015, and factors reasonably expected to impact on future operations and results. This discussion is intended to supplement and complement the Company's Condensed Interim Consolidated Financial Statements ("FS") as at and for the periods ended March 31, 2105 and 2014 and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS").

The 1st quarter FS as well as additional information is available at www.sedar.com and at the Company's website www.canucresources.ca. All amounts disclosed are in Canadian dollars, unless otherwise stated.

## COMPANY OVERVIEW

Canuc is a Canadian based exploration Company with a long term focus on the acquisition, exploration and development of natural resource projects in the Americas. Currently, the Company has oil and gas assets in Texas, USA and is actively pursuing mineral exploration assets in North America. The Company intends to continue to acquire quality natural resource projects in the Americas. Management of the Company has a proven track record in the discovery, resource expansion, permitting and development of resource projects.

The Company notes that although the exploration of its existing projects is prospective, mineral exploration in general is uncertain. As a result, the Company believes that by acquiring additional mineral properties, it is able to better minimize overall exploration risk. Risk factors to be considered in connection with the Company's search for, and acquisition of, additional mineral properties include the significant expenses required to locate and establish mineral reserves; the fact that expenditures made by the Company may not result in discoveries of commercial quantities of minerals; environmental risks; risks associated with land title; the competition faced by the Company; and the potential failure of the Company to generate adequate funding for any such acquisitions. Refer to the "Risks and Uncertainties" section for additional information.

The Company's common shares trade on the TSX Venture Exchange using the ticker symbol "CDA".

### Going Concern

The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to, continuing losses, dependence on key individuals and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully complete the Company's projects and to fund operating expenses. Development of the Company's current projects to the production stage will require significant financing. Refer to the "Risks and Uncertainties" section for additional information.

### Overview

The Company's mineral project has not commenced commercial production and, accordingly, the Company is dependent upon debt and/or equity financings and the optioning and/or sale of resource or resource-related assets for its funding. However, the Company's oil and gas assets are producing net income at this time. The recoverability of the carrying value of exploration and evaluation projects, and ultimately the Company's ability to continue as a going concern, is dependent upon this oil and gas income growing and upon exploration results which indicate the potential for the discovery of economically recoverable reserves and resources, the Company's ability to finance exploitation of its projects through debt or equity financings and the optioning and/or sale of resource or resource-related assets for its funding.

## HIGHLIGHTS

- As of March 31, 2015, there are 6 producing Thompson wells. The most recent well intersected the Iona Hickey conglomerate and commenced production in September of 2014. The well has performed admirably so far, but production has not been as strong as that of the other five Thompson wells.
- Production from the Thompson wells represented 67.5% of Canuc revenues during the period ended March 31, 2015 (March 31, 2014-75%), the Coody Morales well, represented 27% (March 31, 2014-18% and the Walker Buckler wells represented 5.5% (March 31, 2014-7%)
- The biggest issue for Midtex has been the declining natural gas prices. While the average price received for 2014 was US$4.90 per mcf of gas produced, the December average was US$3.67 per mcf. Gas prices have continued to fall during the first quarter to US$3.00 per mcf.
- In October 2014, Canuc transferred ownership of the Company's wholly owned Ecuadorian subsidiary, Compania Minera Miningandos S.A. ("**MiningAndos**"), to Mr. Jorge Guzman of Quito, Ecuador in return for a 10% royalty after stabilized production is reached.
- In May 2015, Mr. Robert Lelovic took on the Chief Financial Officer role and is also a director of the Company. Lohman, Canuc's President and CEO, resigned as an officer of the Company to focus on another project (he will remain a director) and Hubert Mockler, Canuc's Chairman, became Chairman and CEO.

## OIL AND GAS ASSETS

### Midtex Project, Texas

In July 2011, the Company completed the acquisition of Midtex Oil & Gas Corporation ("Midtex"), a private Ontario corporation, and a 100% working interest in a gas and oil well located on the leased property held by Midtex (collectively the "Midtex Assets"). An officer and 2 directors had ownership interests in Midtex and received 40% of the 3,600,000 common shares issued for the purchase of Midtex. As this was a related party transaction, an independent committee of the Board of Directors met, and upon receipt of the independent engineer's report, agreed on a valuation of $720,000 for Midtex.

The Midtex Assets included a producing gas well and undeveloped acreage located on the east half of Section 66, Block 4, T&P Ry. Co. Survey, Stephens County, Texas; north central Texas. The undeveloped acreage could accommodate an additional 3 to 4 wells, which could intersect 2 or 3 known productive gas horizons. This acreage, while having low pressure gas zones, benefited from a low pressure gas pipeline which bisects the property making the gas immediately saleable without excessive transportation charges. A second producing gas well was completed in late August 2011. Production from both wells began to decline sharply late in 2012 and 2013 production was negligible. The first well was capped and the repair work was completed in Q1 2014 on the second well. The second well is now flowing strongly again.

The Midtex project was expanded in 2012 and the Company is now an investor in two parcels of leased land in north-central Texas. The Company has a 20% working interest (16% net revenue interest) in the 2,000 acre Thompson lease located in Stephens County Texas and a 15% working interest (12% net revenue interest) in the 14,574 acre Walker Buckler lease located in Shackelford County Texas.

In February 2013, the Thompson 40 #2 well intersected the same reservoir as the initial Thompson 40 well and commenced production in March 2013. The Thompson "A" well, to the north of the Thompson 40, was drilled in March 2013 and intersected the same horizon as the Thompson 40. In July 2013, the Thompson "B" well was spudded to the east of the Thompson "A" and was successful, commencing production later in the month. In February 2014, the Thompson 40 #5 well was drilled and it was also successful, commencing production in March of 2014. Drilling was initiated on the Thompson C well in June 2014 and intersected the same horizons as the other Thompson wells and came on stream in September 2014. The Thompson C well has performed admirably so far, but production has not been as strong as that of the other Thompson wells.

In October 2012, a second well on the Walker Buckler lease, the W-B #1, was brought on stream but production declined rapidly and the zone was cemented. The intended target, the Caddo Limestone, was then perforated and on April 9, 2013, commenced current production. Early in 2013, an additional well was drilled on this lease. The flow rates were very poor and this well will need to be fracked in order generate any reasonable production. This second well was written off at year-end 2013.

In February of 2014, the Nickell lease was drilled and the hole was dry. The capital invested in drilling this well of $48,071 was written off at the end of the first quarter of 2014.

On all leases, natural gas pipelines are present facilitating the transport of gas to market.

### Outlook

Due to the continued success encountered on the Thompson lease, the operator, Marjac Oil Company Inc., has informed Canuc that additional wells are planned for the undeveloped acreage in 2015 but not until natural gas prices begin to improve.

## EXPLORATION AND EVALUATION PROJECTS

## ECUADOR PROPERTIES

### Nambija Project

In the 1990's the Company acquired 2 contiguous mining concessions and 634 mining rights within those 2 concessions which comprise approximately 85% of the total mining rights contained in the 2 contiguous mining concessions. The mining concessions are known as "Condominios Mineros Norte" with an area of 35.4 hectares, and "Condominios Mineros Sur" with an area of 33.3 hectares. The property is located in the eastern foothills of the Andes close to the Peruvian border and approximately 400 km from Quito, the capital of Ecuador.

Canuc's mining rights gave it the right to operate tunnels from which gold bearing ore could be mined on the Nambija property. Since 1998, the Company carried out various exploration programs consisting of surface and underground sampling as well as limited diamond drilling. The exploration results from work at Nambija in 2010 were positive, outlining widespread gold mineralization at surface, underground and in drill holes along the eastern El Tierrero structure in Condominios Mineros Norte.

Despite the tremendous mineral wealth of Ecuador, slow progress and the bureaucracy, as well as the inability to come to a deal with the owners of the adjacent Campanillas mill led Canuc to initiate discussions on the divestiture of the Nambija Project during the third quarter of 2014. On October 9, 2014 Canuc announced that it had signed an agreement to transfer ownership of the Company's wholly owned Ecuadorian subsidiary, MiningAndos, to Mr. Jorge Guzman of Quito, Ecuador. The agreement requires for Mr. Guzman to pay to Canuc a 10% royalty after stabilized production is reached. The Company has retained the right to acquire a 49% interest in Mr. Guzman's operations by paying 200% of his costs to achieve stabilized production, in the event that investing in Ecuador becomes more attractive.

### OUTLOOK

Management is actively pursuing a new mineral exploration opportunity and has been investigating a number of potential exploration properties in the North American arena. Currently none have met the two most important objectives set by Canuc: one, to be attractive enough to warrant further investigation; and two, to be exciting enough to attract the capital necessary to fund the exploration necessary to advance the projects to the next level.

Management will continue to seek out new mineral exploration properties that meet these two objectives.

## SELECTED QUARTERLY INFORMATION

Set forth below is a summary of selected unaudited financial information for the past eight quarters:

| Three Months Ending | Mar. 31, 2015 | Dec. 31, 2014 | Sept. 30, 2014 | June 30, 2014 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Revenue | 64,537 | 139,031 | 153,659 | 178,311 |
| Net income (loss) and comprehensive income (loss) | (54,142) | 100,205 | 50,932 | 52,782 |
| Income (loss) per share - basic and fully diluted | 0.00 | 0.00 | 0.00 | 0.00 |

| Three Months Ending | Mar. 31, 2014 | Dec. 31, 2013 | Sept. 30, 2013 | June 30, 2013 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Revenue | 171,983 | 89,806 | 116,461 | 106,262 |
| Net loss and comprehensive loss | (29,294) | (6,585) | (4,720) | (67,593) |
| Loss per share - basic and fully diluted | (0.00) | (0.00) | (0.00) | (0.00) |

### Quarter ended March 31, 2015

The Company reported oil and gas revenues of $64,537 for the quarter ended March 31, 2015 (“Q1 2015”), a decrease of 62% over the first quarter of 2014 (“Q1 2014”). While the number of strong producing wells increased from seven to eight on a period over period basis, the price of gas declined sharply coupled with low volumes due to repairs contributed to the delcline period over period. Operating oil and gas income declined from $75,276 in the prior period to a loss of 2,360 as at Q1 2105. Repair costs were substantial eroding all income.

The Company generated net loss of $54,132 for Q1 2015 compared to the net loss of $29,294 for Q1 2014. Noted below are the other significant line items.

There were two non-recurring items in Q1 2014. There was a $48,071 write-down of its investments in oil and gas interests. The loss in Q1 2014 also includes a gain of $17,211 from the sale of equipment associated with an oil and gas property that was written off at the end of 2013. There are no similar losses or gains during Q1 2015.

All comparative numbers are skewed by the deconsolidation of the MiningAndos expenses as a result of the sale of MiningAndos in 2014. Management remained prudent regarding all expenses due to the continuing poor market conditions. Management fees for Q1 2015 were $22,397 compared to $32,367 in the prior period. The reduction is a result of the CEO forgoing salary in light of the sales figures and well problems encountered during the quarter. General and administrative costs in Q1 2015 were $11,150 up 18% from $9,425 in Q1 2014, as office expenses increased. Professional fees decreased from $17,172 in Q1 2014 to $14,838 in Q1 2015. Shareholder and investor relations costs in Q1 2015 were $7,476 down from $11,533 in Q1 2014. The decrease in both Professional Fees and Shareholder and Investor relations period over period is due to the Company hosting its Annual General Meeting during Q1 of the prior period. There was a foreign exchange gain of $4,450 for Q1 2015 versus a foreign exchange gain of $3,396 in Q1 2014, as a result of a strengthening US dollar against the Canadian dollar. There was no depreciation expense in Q1 2015 as all assets are fully depreciated.

## LIQUIDITY AND CAPITAL RESOURCES

The activities of Canuc, principally the exploration and acquisition of gold and base metal properties and the acquisition and development of oil and gas properties, are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. The biggest change in the Company's position is that it is now able to fund the majority of the corporate activities from oil and gas cash flow. The Thompson C drilling, the sixth well on the Thompson Lease, was paid for with cash flow from the Company's existing interests in oil & gas wells. Natural gas prices have been declining since 2014, which will result in lower monthly averages in 2015, despite higher natural gas volumes.

In 2014, the Company did not initiate any new equity financings. During 2013, the Company completed two equity offerings for total gross proceeds of $275,000. The Company issued a total 4,500,000 common shares; 1,000,000 common share purchase warrants ("Warrants") exercisable at $0.15 per share on or before February 13, 2015; and, 3,500,000 Warrants exercisable at $0.05 per share on or before October 9, 2015 and then at $0.10 per share on or before October 9, 2017. A director of the Company was the only subscriber for these financings. Complete details of these financings can be found in Note 16 to the 2014 Financial Statements (available on SEDAR).

In mid-2013, a Director of the Company advanced a total of $114,562 to the Company to cover costs related to the Company's Midtex Assets. This loan was secured by the Company's Midtex oil & gas assets, bore interest at a rate of 12% per annum and was due on or before June 26, 2015. The Company had the option of early repayment, subject to the pre-payment of a minimum of one year's interest. In the fourth quarter of 2013, the principal, plus accrued and pre-payment interest of $15,597 was paid. While the loan was outstanding the holder was entitled to receive an assessment fee equivalent to a royalty of 27% of the net income from all of the Company's producing oil and gas wells. This resulted in an additional payment of $13,244 at the time the loan was repaid.

In the future there is no assurance that equity capital will be available to the Company in the amounts or at the times desired by the Company or on terms that are acceptable, if at all.

At December 31, 2014, trade and other payables were $222,351 as compared to $284,569 as at December 31, 2013 as a result of sale of MiningAndos. While the Company's cash position at December 31, 2014 is $11,739 and accounts receivable were $83,978 (up 13% from December 31, 2013), this is not sufficient to pay existing liabilities, the Company is managing its working capital diligently. On a more positive note, in 2014 cash generated by operating activities of $117,832 is up substantially from cash used by operating activities of $28,685 in the year ended December 31, 2013.

While the Company has growing operating revenues from oil and gas sales, it still must utilize its funds obtained from the sale of equity and other financing transactions to maintain its working capital requirements, its ongoing exploration programs and operating activities. The Company must raise additional working capital within the next twelve months and is currently investigating several financing alternatives. Refer to the "Risks and Uncertainties" section for additional information.

To the date of this MD&A, the cash resources of the Company are held in cash and its credit and interest rate risk is minimal. The Company has a $60,000 loan payable to the former President (who remains a Director of the Company). Mr. Lohman has agreed to convert the loan into equity, subject to TSX-V approval which was subsequently received. Accounts payable and accrued liabilities are primarily short-term and non-interest bearing. The Company has no liquidity risk with financial instruments as it only holds cash. In addition, accounts receivable consist primarily of oil and gas sales in Texas, USA and also of sales tax owing from government authorities in Canada. The Company's use of cash at present occurs principally in two areas, funding of its working capital and funding of its investments in oil and gas interests in Texas. Currently, the Company's operating expenses are averaging approximately $25,000 per month, excluding non-recurring items. In the future, should the Company acquire new exploration properties it will be required to raise new capital to fund the purchase of, and activities on, those properties.

While Company's working capital deficit is $108,769 at December 31, 2014, it is inclusive of the $60,000 that the former President of the Company has agreed to convert into equity. Management should be able to eliminate the reduced working capital deficit of $48,768 during 2015 by continuing to be being conservative with respect to its expenditures. If natural gas prices continue to decline or Management increases expenditures at the corporate level, additional equity and/or debt financings may be necessary.

## PROPOSED TRANSACTIONS

While the Company continues to seek and evaluate mines, mineral deposits, exploration projects and financing opportunities to advance the Company, there are no reportable transactions pending at this time.

## TRANSACTIONS WITH RELATED PARTIES

Related parties include the Board of Directors, key management personnel, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties). The following is a summary of the Company's related party transactions for the periods ended March 31, 2015 and 2014.

### Rental Payments and Receipts

In the period ended March 31, 2015 rental receipts of $2,775 (2014–nil) were received from a corporation, of which a director of Canuc is the President.

### Compensation of key management personnel and directors

The remuneration of directors and key management personnel during the three month period ended March 31, 2015 was as follows:

| For the period ended March 31, | 2015 | 2014 |
|---|---|---|
| Hubert Mockler, Chairman & CEO [1] | **$ 5,000** | $ - |
| Gary Lohman, former President & CEO [1] | **-** | 15,000 |
| James Macintosh, CFO [2] | **12,000** | 12,000 |
| John Lynch, Director [3] | **-** | 7,500 |
| | **$ 17,000** | $ 34,500 |

(1) As of September 30, 2014, Mr. Lohman resigned and Mr. Mockler became CEO.

(2) Mr. Macintosh, became CFO on August 1, 2013.

(3) Mr. Lynch, was paid a consulting fee related to the Company's Midtex Assets from July 1, 2013 to June 30, 2014.

During 2013, due to market conditions, the Company's former President (as of October 2014) agreed to write-off $120,000 of the amount that he billed to the Company during 2012 and 2013, to reduce his future consulting fee to $60,000 and to transfer $127,980 of what he was owed at December 31, 2013 from accounts payable to a long-term payable.

At year end, an agreement was reached with the Company's former President to write off a further $40,000 of the loan payable and to convert the balance of $60,000 into common shares, subject to TSX-V approval. . As a result the remaining $60,000 became a short-term loan payable. During the period ended March 31, 2015, the $60,000 short-term loan payable was converted to 1,200,000 common shares. There was $27,100 in accounts payable at March 31, 2015 (December 31, 2014 – $37,100) owed to the former President for consulting fees.

There was $nil in accounts payable at December 31, 2014 (December 31, 2013 - $2,500) owed to the Chairman and CEO.

## CRITICAL ACCOUNTING ESTIMATES

Significant assumptions about the future that management has made and 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:

- The recoverability of accounts receivable that are included in the Condensed Interim Statements of Financial Position in the March 31, 2015 financial statements;
- The recoverability of exploration and evaluation expenditures incurred on the Exploration properties. The Company capitalizes the cost of acquiring interests in mineral rights, licences, asset acquisitions and option agreements and expenses the exploration and evaluation expenditures in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss);
- The inputs used in accounting for share based payment transactions in profit or loss;
- Management assumption of no material restoration, rehabilitation and environmental, based on the facts and circumstances that existed during the year; and
- Management's position that there are no income tax considerations required within the March 31, 2015 FS.

The Company’s financial instruments are considered level 1.

*Critical accounting judgments*

The determination of categories of financial assets and financial liabilities has been identified as an accounting policy that involves judgments or assessments made by Management.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Set out below is a comparison, by category, of the carrying amounts and fair values of all of the Company financial instruments that are carried in the financial statements and how the fair value of financial instruments is measured.

*Fair values*

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of the financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

The following provides an analysis of the financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (derived from prices)
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of all the Company's financial instruments approximate the carrying value due to the short term nature of the financial instrument.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (currency fluctuations, interest rates and commodity prices). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

*Risks*

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (currency fluctuations, interest rates and commodity prices). The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

*Credit Risk*

Credit risk is the risk of a financial loss to the Company if a customer is unable to meet its contractual obligations and arises principally from the Company's accounts receivable. The Company currently does not have any revenue producing mineral assets, but does have revenues from oil and gas sales. The Company's receivables are primarily revenues from oil and gas sales and also refundable sales taxes issued by the government of Canada. The Company has not experienced any credit losses in the collection of its receivables.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company has established a standard of ensuring that it has enough resources available to withstand any downturn in the industry. As the natural resource industry is very capital intensive, the majority of our spending is related to capital programs. The Company prepares periodic capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. The Company's goal is to prudently spend its capital while maintaining its credit reputation amongst its suppliers. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

*Interest rate risk*

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in certificates of deposit issued by a Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of the Canadian chartered bank.

*Foreign exchange risk*

The Company engages in transactions and activities in currencies other than its reported currency. The Company's exploration activities are primarily in Ecuador and ongoing exploration expenses, assets and liabilities are exposed to foreign exchange fluctuations. Almost all of the transactions are related to ongoing expenses and foreign currency risk is minimal.

*Commodity and equity risk*

The Company is exposed to price risk with respect to commodity and equity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. Equity price risk is defined as the potential adverse impact on the Company's comprehensive earnings due to movements in individual equity prices or general movements in the level of the stock market. The Company closely monitors commodity prices, as they relate to precious and base metals and oil and gas, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depend upon the world market price of precious and base metals. Precious and base metals have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious and base metals are produced in the future, a profitable market will exist for them.

*Sensitivity analysis*

Based on Management's knowledge and experience of the financial markets, the Company believes the following assumptions are reasonable for the year ended December 31, 2014: (i), while cash and cash equivalents are subject to floating interest rates, a plus or minus one percentage point change in interest rates would not have a material impact on the Company's reported net income (loss) and comprehensive income (loss); (ii), if the US dollar appreciated/depreciated by 10%, the Company's net income(loss) would decrease/increase by approximately $12,000 and total net assets would increase/decrease by approximately the same amount; and (iii), if the gas price appreciated/depreciated by 10%, the Company's net loss would decrease/increase by approximately $1,900 and total net assets would increase/decrease by approximately the same amount.

## CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying petroleum and natural gas assets. The Company's objective is met by retaining adequate equity to guard against the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements.

The Company considers its capital structure to include cash, cash equivalents and working capital. The Company has a working capital deficit of $91,227 as at March 31, 2015. In order to maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected debt levels. To assess capital and operating efficiency and financial strength, the Company continually monitors its net cash and working capital.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## OUTSTANDING SHARE DATA

As at March 31, 2015 the Company had 68,870,998 issued and outstanding common shares; 3,500,000 common share purchase warrants outstanding; and, had 400,000 stock options outstanding.

### Warrants Outstanding

| Expiry Date | Exercise Price | Warrants |
|---|---|---|
| October 9, 2017 (1) | $0.05/0.10 | 3,500,000 |
| | | **3,500,000** |

(1) These warrants are exercisable at $0.05 until October 9, 2015 and thereafter at $0.10 until October 9, 2017.

### Stock Options Outstanding

| Expiry Date | Exercise Price | Options Granted | Options Vested |
|---|---|---|---|
| October 21, 2018 | $0.05 | 400,000 | 400,000 |
| | | **400,000** | **400,000** |

## MANAGEMENT'S RESPONSIBILITY

Management is responsible for all information contained in this report. The March 31, 215 unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS) and include amounts based on management's informed judgments and estimates. The financial and operating information included in this report is consistent with that contained in the year end audited consolidated financial statements in all material aspects.

## INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited consolidated financial statements; and (ii) the audited financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## RISKS AND UNCERTAINTIES

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Only investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment should undertake such investment. Prospective investors should carefully consider the risk and uncertainties that have affected, and which in the future are reasonably expected to affect, the Company and its financial position.

### FORWARD-LOOKING STATEMENTS

Certain statements contained in this discussion, including information as to future activities, events and financial or operating performance of the Company and its projects, constitute forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties that could cause actual events or results to, differ materially from estimated or anticipated activities, events or results implied or expressed in such forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies.

Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "believes", or variations of such words and phrases. Forward-looking information may also be identified in statements where certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made.

Many factors could cause actual activities and events and the Company's actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, the Company. These include metal prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions.

These forward-looking statements are made as of the date hereof and the Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise. Investors are cautioned that forward-looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainly therein.

May 27, 2015

*Hubert Mockler*
Hubert Mockler
Chairman and Chief Executive Officer

*Robert Lelovic*
Robert Lelovic
Chief Financial Officer