FALCO RESOURCES LTD.

(FORMERLY "FALCO PACIFIC RESOURCE GROUP INC.")

Management's Discussion & Analysis

For the Year Ended June 30, 2014

This Management Discussion and Analysis ("MD&A") of Falco Resources Ltd. (formerly Falco Pacific Resource Group Inc.) ("Falco" or the "Company") provides analysis of the Company's financial results for the year ended June 30, 2014. The following information should be read in conjunction with the Company's audited financial statements and the notes thereto for the year ended June 30, 2014, which have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"). This MD&A is prepared as of October 20, 2014. All dollar figures stated herein are in Canadian dollars, unless otherwise specified.

For further details regarding the Horne 5 Deposit Project (as defined herein), please refer to the NI 43-101 technical report dated April 16, 2014 and entitled "Technical Report and Mineral Resource Estimate for the Horne 5 Deposit" (the "Technical Report") available on SEDAR at www.sedar.com.

Forward-Looking Information

This MD&A contains "forward-looking statements" and "forward-looking information" within the meaning of applicable Canadian securities legislation, including information about our projects, plans and future performance. All statements, other than statements of historical fact, are forward-looking statements. The words "expect", "believe", "anticipate", "will", "intend", "estimate", "forecast", "budget", "schedule" and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of factors and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to: changes to current estimates of mineral reserves and resources; labour availability; litigation; availability of and increased costs associated with contractors and exploration equipment; the speculative nature of mineral exploration and development, including the risks of obtaining necessary licenses and permits; contests over title to properties; uncertainty with the Company's ability to secure capital to execute its business plans; changes in national and local government legislation in Canada; risk of loss due to sabotage and civil disturbances; risks arising from holding derivative instruments; and business opportunities that may be pursued by the company. Many of these uncertainties and contingencies can affect our actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, us. Readers are cautioned that forward-looking statements are not guarantees of future performance. The Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable law.

Nature of Business

Falco Resources Ltd. is listed on the TSX Venture Exchange (the "TSX-V" or "Exchange") under the symbol FPC. The Company is one of the largest claim holders in the Province of Quebec, with extensive land holdings in the Abitibi Greenstone Belt. Falco owns approximately 72,800 hectares of land in the Rouyn-Noranda mining camp, including 14 former gold and base metal mine sites.

Falco's principal property is the Horne Mine Complex, which was operated by Noranda from 1927 to 1976 and produced approximately 11.6 million ounces of gold and 2.5 billion pounds of copper. Falco's Technical Report contained a maiden 43-101 mineral resource estimate for the Horne 5 deposit delineating an initial inferred resource 25.3 million tonnes grading 2.64 g/t Au, 0.23% Cu and 0.7% Zn, for 2.2 Moz Au.

The Company was originally incorporated as Druk Capital Partners Inc. under the British Columbia *Business Corporations Act* on March 16, 2010 as a Capital Pool Company ("CPC"), as defined in Policy 2.4 of the. As a CPC, the Company's principal business was to identify, evaluate and acquire assets, properties or businesses which would constitute a Qualifying Transaction ("QT") in accordance with Policy 2.4 of the Exchange.

On August 10, 2010 the Company filed a prospectus with the British Columbia and Alberta Securities Commissions offering 2,000,000 common shares at $0.10 per share as an initial public offering ("IPO"). The IPO was completed on August 30, 2010.

To satisfy the QT requirements, the Company signed a purchase agreement on September 12, 2012 with QMX Gold Corporation ("QMX"), a company incorporated in Ontario and listed on the TSX-V, to acquire 100% of QMX's right, title and interest in the Rouyn-Noranda Project (the "Project") in the Canadian province of Quebec. To finance the transaction, the Company raised gross proceeds of $6,570,500 by issuing 26,282,000 subscription receipts at $0.25 each, which were converted into common shares of the Company upon completion of the QT. On September 24, 2012, the Company completed the QT by paying QMX $5,000,000 and issuing QMX 7,000,000 common shares in its capital stock at an issue price of $0.25 per share. On September 25, 2012, the Company changes its name to Falco Pacific Resource Group Inc. and began trading as a Tier 2 Mining Issuer on the TSX-V under the symbol "FPC". As a result of the QT, the Company is now in the business of exploration and evaluation of these and potentially other exploration assets to determine whether or not these properties contain mineral resources/reserves that are economically recoverable.

On July 24, 2014 the Company changed its name to Falco Resources Ltd.

Overall Performance

For the current fiscal year, the significant highlight was the completion of a NI 43-101 technical report for the Horne 5 Deposit dated April 16, 2014 and entitled “Technical Report and Mineral Resource Estimate for the Horne 5 Deposit” (the “Technical Report”), a copy of which is available on SEDAR at www.sedar.com. The independent Technical Report was the result of compilation and digitization of historic exploration and production records that were compiled by Noranda up until the closure of the Horne Mine in 1976. Compilation and digitization of historic records from the Horne Complex and across the Rouyn-Noranda mining camp is ongoing and will assist Falco management with planning follow up exploration activities for the upcoming fiscal year.

Recent Developments

- On October 2, 2014, the Company announced that it had agreed with a syndicate of agents led by Scotia Capital Inc. to offer 5,555,600 common shares at a price of $0.45 per common share and 14,423,100 flow-through shares at a price of $0.52 per flow-through share for aggregate gross proceeds of approximately $10 million.
- On September 12, 2014, Falco announced the appointment of Mr. Sean Roosen as a Director and Chairman of the Board. The appointment followed an announcement by Osisko Gold Royalties Ltd. on August 29, 2014 that it intends to increase its ownership interest in Falco to 14.99%. Mr. Darin Wagner resigned as Chairman and as a member of the Board of Directors of Falco on August 26, 2014 so that he may focus his efforts on his duties as President and CEO of another exploration company.
- On September 8, 2014, the Company announced that it has signed a 5-year option agreement with the City of Rouyn-Noranda to acquire surface rights to land above the Horne 5 deposit and immediately adjacent to the Horne smelter. The agreement provides the Company with a 5-year option to purchase additional of land in the Horne Complex. The total purchase price is $2,900,000, of which a $1,000,000 non-refundable deposit was paid upon transfer of the property.
- On August 25, 2014, Falco completed the acceleration of certain callable common share purchase warrants for gross proceeds of $1,026,000. The proceeds were applied to the land option agreement announced September 8, 2014.
- On July 14, 2014, Falco announced that its Board of Directors has adopted a new shareholder rights plan.
- On July 10, 2014, Falco announced that ongoing compilation and evaluation efforts in proximity to Falco's Horne 5 gold deposit have outlined 11 nearby, partially delineated, gold zones and several other gold targets.

- On July 2, 2014, Falco announce the appointment of Mr. Trent Mell as President, Chief Executive Officer and Director.

Rouyn-Noranda Mining District

The Company's principal asset is its 100% interest in approximately 728 square kilometers of mineral claims in the historic Rouyn-Noranda Mining Camp. Management believes that this represents approximately 70% of the entire mining district. The Company's holdings include 14 former producing gold and base metal mines. As an established mining camp in the Province of Quebec, Rouyn-Noranda has the necessary infrastructure in place for exploration and mine development.

Rouyn-Noranda has had a long history of mining and exploration. Since the Horne deposit discovery in the 1920's, the area has been host to 50 past-producers, including 20 base metal mines and 30 gold mines. A number of copper-zinc volcanogenic massive sulphide ("VMS") deposits in the camp contain gold grades well in excess of those associated with typical VMS deposits which along with several mesothermal vein type deposits have accounted for more than 13 million ounces of historic gold production from the camp as a whole.

In addition to the acquisition of the mining claims comprising the Rouyn-Noranda Project, the Company acquired an extensive database accumulated by Xstrata and its predecessors, consisting of detailed GoCad 3D computerized models of area geology, mine infrastructure, geophysics and lithogeochemistry, as well as results from over four million metres of surface and underground drilling. The Company continues to analyze the data package to identify exploration targets. Included in this process is the identification and selective construction of geological models for highly prospective targets, including the Horne 5 gold-silver-copper-zinc deposit ("Horne 5 Deposit").

Horne 5 Deposit

In March of 2013, the Company retained InnovExplo Inc. of Val d'Or, Quebec to complete a digital model of the Horne 5 Deposit. Over 4,300 drill holes, 370 level plans, 620 cross sections, 99 longitudinal sections and over 150,000 assay results were incorporated into the model. Modeling also incorporated over 55,000 meters of underground development on 22 levels and 18 sublevels completed by Noranda in the exploration of the Horne 5 Deposit between 1931 and 1976.

Following completion of the digital model, InnovExplo was retained to prepare the Company's Technical Report for the Horne 5 Deposit.

The Horne 5 Deposit sits immediately below the former producing Horne Mine, which was operated by Noranda Inc. from 1926 to 1976 and produced approximately 2.5 billion pounds of copper and 11.5 million ounces of gold.

Horne Mine Complex Area

In addition to the work on the Horne 5 Deposit, the Company continues to incorporate additional historic data into the digital model in an area surrounding the Horne 5 Deposit that is known as the Horne Complex. This includes the areas immediately adjacent to the former producing Horne, Remnor, Quemont, Joliet and Chadbourne mines and exploration targets in the Horne area, including Horne West and Gatehouse.

The data compilation exercise has identified an additional 6,600 historic drill holes (460,000 metres of historic drilling) in the Horne Complex. A significant number of these holes were drilled in areas not previously mined and include areas adjacent to the Horne 5 Deposit. Ongoing digitization and compilation of these drill holes is expanding the scope of the proprietary Horne model and is providing additional exploration targets in proximity to the Horne 5 Deposit.

On January 21 2014, the Company retained the services of Mr. Paul-Henri Girard as Senior Mining Advisor to oversee the advancement of the next phase of the Horne Mine Complex project. Mr. Girard was most recently Vice-President of Canadian Operations for Agnico Eagle Mines Limited ("Agnico"). During his 25 years at Agnico, Mr. Girard was instrumental in the development of its flagship LaRonde mine and in the advancement of the Goldex and Lapa mines in Quebec. On May 14, 2014, Mr. Girard was appointed a Director of the Company.

On April 29, 2014, Mr. Claude Léveillée was retained as Falco's Community Relations representative in Rouyn-Noranda. Mr. Léveillée was previously Human Resources and Organizational Corporate Director with Agnico-Eagle and played a critical role in developing policies and procedures for Agnico's local and international operations. He also served as the company's representative and spokesperson at both the regional and provincial levels.

Regional Exploration Activities

On June 5, 2014, Falco announced the commencement of a $2.2 million field exploration program, covering its mineral properties outside the Horne Complex. During the first phase of this campaign, the Company completed assessment work required to keep 33 different properties in good standing. Phase one also included work on certain high-priority targets, such as the Rivière Mouilleuse ("Rimo") and the Duprat Rhyolite properties. The second phase of the exploration program is now underway and includes follow up work on phase one activities as well as exploration of new targets. An update on the results of these activities is anticipated in the coming weeks.

Investor Relations Activities

The Company has retained third parties to assist it with certain marketing and investor relations activities. In particular, the Company had retained the services of Contact Financial and Torrey Hills Capital Inc. to provide investor relation services in Canada and the U.S. respectively. More recently, Falco has benefited from a growing interest in its story, resulting in marketing with a number of banks and institutions at no cost to the Company.

Financial Overview

The Company ended the fiscal 2014 year with $4,862,081 of current assets and net working capital equal to $3,924,101 including a flow-through premium of $217,877. During the year the Company's net loss before other income was $3,191,113 which included $1,060,667 in consulting costs and salaries. The Company was active on its exploration and evaluation assets and spent $129,138 on acquisition costs and $2,169,292 in exploration, compilation, and evaluation on its Rouyn-Noranda Project.

Beauchastel Option Agreement

On August 15, 2013, the Company finalized an Option Agreement to acquire a 100% interest in the Beauchastel Gold property. The Beauchastel Gold property is located in the Flavrian portion of the Project area contiguous with claims held by the Company.

The Company received TSX-V approval for the Option Agreement on September 3, 2013, and under the terms of the Option Agreement the Company paid $25,000 and issued 50,000 common shares to Société d'Exploration Minière Vior Inc. ("Vior).

On May 22, 2014, the Company completed the exercise of the Option by making the final option payment of $25,000 and issuing 125,000 common shares to Vior. In addition, under the terms of the Option Agreement, Vior will retain a net smelter return ("NSR") royalty of 2% on the Beauchastel Gold property. The Company has the right to buy back up to 1% of the NSR for $1 million at any time and has been granted a right of first refusal on the sale of the remaining 1% NSR royalty.

Surface Rights Option Agreement

On September 8, 2014, the Company announced that it had signed an option agreement with the City of Rouyn-Noranda to acquire surface rights to land above the Horne 5 deposit and immediately adjacent to the Horne smelter. The agreement provides the Company with a 5-year option to purchase additional hectares of land in the Horne Complex. The total purchase price is $2,900,000, of which a $1,000,000 non-refundable was paid upon transfer of the property. The remaining $1,900,000 is payable by August 1, 2019.

Selected Financial Information

A summary of selected financial information for the last three years ended June 30, is as follows:

	Year ended June 30, 2014 (IFRS)	Year ended June 30, 2013 (IFRS)	Year ended June 30, 2012 (IFRS)
Total revenue	-	-	-
Net loss for the year	$ 2,922,457	$ 1,732,022	$ 497,268
Basic and diluted loss per share	$ 0.05	$ 0.05	$ 0.09
Total assets	$ 15,301,391	$ 11,754,855	$ 1,981,160
Total non-current financial liabilities	-	-	-
Cash dividends	-	-	-

Results of Operations

The Company had a comprehensive loss of $2,922,457 for the year ended June 30, 2014 compared to a net loss of $1,732,022 for the year ended June 30, 2013. The increase in net and comprehensive loss over the previous year is due to the Company becoming more active in all parts of the business.

For the year ended June 30, 2014 expenses consisted of travel of $292,362 (2013 – $108,061). Travel increased significantly from 2013 to 2014 as management travelled numerous times to the property in Quebec to meet with consultants and also attended more conferences and met with investors. Consulting and compensation of $1,060,667 (2013 – $732,899) increased from 2013 to 2014 as consultants were added to help grow the Company. Increases resulted from increased salaries, bonuses and severance payments. There were increases in professional fees, which totalled $236,244 (2013 – $187,052) and share based compensation of $799,569 (2013 - $335,807). Filing and transfer agent fees of $28,435 (2013 - $40,160) decreased for the year. During the year the Company undertook a more aggressive marketing strategy which included attending numerous conferences in Canada around the world; these promotion and shareholder relations expenses totaled $339,767 (2013 - $Nil). Office expense and miscellaneous expenses totalled $323,864 (2013 - $260,602). Corporate G&A has increased year-over-year in tandem with the increase in the level of activity. However, the Company continually monitors its costs with a view to identifying opportunities to decrease or eliminate unnecessary expenditures.

Summary of Quarterly Results

A summary of selected financial information for the last eight quarters is as follows:

	Three Months Ended June 30, 2014	Three Months Ended March 31, 2014	Three Months Ended December 31, 2013	Three Months Ended September 30, 2013
Total Revenue	Nil	Nil	Nil	Nil
Net loss	$1,047,036(1)	$683,319(2)	$843,657(3)	$348,445(4)
Net loss per share	$0.02	$0.01	$0.015	$0.005
Total assets	$15,301,391	$15,773,257	$15,718,252	$11,352,057
Total liabilities	$937,980	$675,451	$587,612	$469,259

	Three Months Ended June 30, 2013	Three Months Ended March 31, 2013	Three Months Ended December 31, 2012	Three Months Ended September 30, 2012
Total Revenue	Nil	Nil	Nil	Nil
Net loss	$338,537	$546,634	$484,699	$362,152(5)
Net loss per share	$0.01	$0.02	$0.02	$0.01
Total assets	$11,754,855	$9,768,392	$10,293,262	$10,284,848
Total liabilities	$588,687	$616,302	$668,038	$248,259

(1) The net loss for the three months ended June 30, 2014 includes share based compensation of $221,016
(2) The net loss for the three months ended March 31, 2014 includes share based compensation of $190,135
(3) The net loss for the three months ended December 31, 2013 includes share based compensation of $358,843
(4) The net loss for the three months ended September 30, 2013 includes share based compensation of $29,575
(5) The net loss for the three months ended September 30, 2012 includes share based compensation of $335,807

The Company had a comprehensive loss of $2,922,457 for the year ended June 30, 2014 compared to a net loss of $1,732,022 for the year ended June 30, 2013. The June 30, 2014 comprehensive loss includes share based compensation of $799,569 (2013 - $335,807).

Falco had a comprehensive loss of $1,147,036 for the three months ended June 30, 2014 compared to a net loss of $367,620 for the three months ended June 30, 2013. The fourth quarter (three months ended June 30, 2014) was an extremely busy one for the Company as its regional exploration program supplemented ongoing activities at the Horne Complex. During the three months ended June 30, 2014 an amount of $1,138,055 was spent on furthering the Company's exploration and evaluation assets (2013 - $297,945). In addition, the Company was more active in all areas of the business, resulting in higher expenses for the fourth quarter. For the three months ended June 30, 2014 expenses consisted of travel of $90,749 (2013 – $14,891) and consulting and compensation of $421,912 (2013 – $195,773). The Company also had professional fees of $115,426 (2013 – $56,580), filing and transfer agent fees of $1,721 (2013 - $9,673), promotion costs of $156,234 (2013 - $Nil), investor relations costs of $36,049 (2013 - $30,227) and office expense, insurance, and miscellaneous of $103,327 (2013 - $54,188). There were also “non-cash share based compensation” of $221,016 (2013 - $Nil) and non-cash “other income – flow through premium” of $115,156 (2013 - $29,083) for the three months ended June 30, 2014.

Liquidity and Capital Resources

As at June 30, 2014, the Company had working capital of $3,924,101 and an adjusted net working capital (excluding flow-through premium) of $4,141,978 (June 30, 2013 - $2,552,915; $2,790,882), an accumulated deficit of $5,305,979 (June 30, 2013 - $2,383,522) and cash and cash equivalents on hand of $3,833,365 (June 30, 2013 - $2,802,127. During the year ended June 30, 2014, operating activities used cash of $2,600,637 (June 30, 2013 – $1,472,120). No cash has been classified as restricted at June 30, 2014.

On September 2, 2014, subsequent to the end of its fiscal year, Falco announced that it had agreed with a syndicate of agents led by Scotia Capital Inc. to offer 5,555,600 common shares at a price of $0.45 per common share and 14,423,100 flow-through shares at a price of $0.52 per flow-through share for aggregate gross proceeds of approximately $10 million. The transaction is expected to close on October 22, 2014.

Financing transactions completed over the past eighteen months consisted of the following:

- On June 17, 2013, the Company completed a non-brokered private placement (the "Private Placement") of an aggregate of 6,800,000 units at a price of $0.25 per unit ("Unit") for total gross proceeds of $1,700,000. Each Unit consisted of one common share and one-half of one common share purchase warrant in the Company. Each warrant entitles the holder thereof to purchase one additional common share at a price of $0.45 per common share for a period of 18 months from the closing date, subject to an acceleration clause. Acceleration can occur if the shares trade at a volume-weighted price greater than $0.60 for a period of 15 consecutive trading days. On July 24, 2014, Falco announced that it has elected to accelerate the expiry date of the common share purchase warrants, which resulted in all the remaining 2,280,000 warrants being exercised for gross proceeds of $1,026,000.
- On November 14, 2013, the Company completed a non-brokered private placement (the "Private Placement") of an aggregate of 12,045,999 units at a price of $0.30 per unit ("Unit") and 4,142,770 flow through common shares at a price of $0.36 ("FT Shares") for total gross proceeds of $5,105,197. Each Unit consisted of one common share and one-half of one common share

purchase warrant in the Company. Each warrant entitles the holder thereof to purchase one additional common share at a price of $0.60 per common share for a period of 24 months from the closing date, subject to an acceleration clause. Acceleration can occur if the shares trade at a volume-weighted price greater than $1.00 for a period of 20 consecutive trading days.

Although Falco has sufficient capital resources to meet current operations and short-term plans, the Company does not generate cash flow therefore additional capital will be required in the longer term. The ability to raise additional funds may be impaired or such financing may not be available on favourable terms, due to conditions beyond the control of the Company, such as continued uncertainty in the capital markets and depressed commodity markets.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that are likely to have or are reasonably likely to have a material current or future effect on the Company’s financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that have not been disclosed in the Company’s financial statements.

Financial Instruments

The Company’s financial instruments include cash and cash equivalents and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their short term nature. The Company is not exposed to significant interest, credit or currency risk arising from these financial instruments.

See Note 12 in the June 30, 2014 audited financial statements for further information on the Company’s financial instruments.

Related Party Transactions

During the year ended June 30, 2014, $857,235 (2013 - $299,078) was paid in consulting fees and benefits to directors, officers and companies controlled by directors and officers. In addition, 1,455,000 (2013 – 1,165,000) stock options were issued to directors and officers of the Company during the year. The fair value of stock based compensation that was recognized as an expense in the Company’s financial statements for officers and directors during the year ended June 30, 2014 was $434,393 (2013 - $97,800).

Outstanding Share Data

a) Authorized and issued share capital:

As at June 30, 2014, there were 71,280,458 common shares outstanding.

As at October 20, 2014, there were 73,762,541 common shares issued and outstanding.

b) Escrow shares:

Upon incorporation on March 16, 2010, the Company issued 3,500,000 common shares at $0.05 per share for gross proceeds of $175,000. Upon completion of the QT, 26,282,000 common shares were issued at a price of $0.25 per share, of which 19,060,000 were placed in escrow as they were issued to insiders, QMX and to Osisko Mining Corporation. 10% of the escrowed shares were released upon issuance of a Final Exchange Bulletin by the TSX-V and the remainder is to be released in six equal tranches of 15% every six months thereafter for a period of 36 months. As of October 20, 2014, the Company had 5,718,000 common shares held in escrow. As of October 20, 2014, there are a total of 68,044,541 free trading common shares.

c) Stock options:

June 30, 2014

Number of Options Outstanding	Number Exercisable	Exercise Price	Expiry Date
200,000	200,000	$0.10	August 30, 2015
300,000	187,500	$0.70	March 5, 2017
1,575,000	1,535,000	$0.30	September 24, 2017
95,000	87,500	$0.50	December 5, 2017
200,000	200,000	$0.73	January 6, 2018
1,480,000	1,143,333	$0.40	November 19, 2018
635,000	605,000	$0.45	May 13, 2019
4,485,000	3,958,333		

As at June 30, 2014, there were 4,485,000 stock options issued and outstanding with 3,958,333 being exercisable.

Between July 1, 2014 and time of writing, October 20, 2014 there were 100,000 share purchase options exercised at a price of $0.10 and 10,000 share purchase options exercised at a price of $0.40 for proceeds of $14,000, and the Company granted 1,100,000 share purchase options to an Officer of the Company at an exercise price of $0.57 per share purchase option.

As at October 20, 2014, there were 5,475,000 stock options issued and outstanding with 4,249,167 being exercisable.

d) Summary of warrants outstanding

As at June 30, 2014, there were 9,276,507 warrants outstanding. There are 2,999,688 warrants at a price of $0.45 and 6,276,819 warrants at a price of $0.60.

As at October 20, 2014, there were 6,904,424 warrants outstanding. There are 636,355 warrants at a price of $0.45 and 6,268,069 warrants at a price of $0.60.

Internal Control Disclosure

On November 23, 2007, the British Columbia Securities Commission exempted Venture Issuers such as the Company, from certifying disclosure controls and procedures, as well as internal controls over financial reporting as of December 31, 2007 and thereafter. The Company is required to file basic certificates. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at December 31, 2010.

Changes in Accounting Standards

New standards, interpretations and amendments adopted

As of July 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Company has adopted these new and amended standards without any significant effect on its financial statements.

IFRS 7, *Financial Instruments*: Disclosures, was amended to enhance disclosure requirements related to offsetting of financial assets and financial liabilities.

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 *Consolidated and Separate Financial Statements* that dealt with consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 changes the definition of control such that an investor controls 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. To meet the definition of control in IFRS 10, all three criteria must be met, including:

(a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

IFRS 11 Joint Arrangements and IAS 28 Investment in Associates and Joint Ventures

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities — Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture under IFRS 11 must be accounted for using the equity method.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

IFRS 13 Fair Value Measurement

IFRS 13 is a comprehensive standard for all 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 additional disclosures regarding fair value measurements.

IAS 1, Presentation of Items of Other Comprehensive Income ("OCI") ("IAS 1"), was revised to change the disclosure of items presented in OCI, including a requirement to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss in the future.

IAS 27, Separate Financial Statements, was amended as a result of IFRS 10, IFRS 11, and IFRS 12. IAS27 deals solely with separate financial statements, and has had no impact on the consolidated statements of the Company.

IAS 28, Investments in Associates and Joint Ventures, has been amended and provides accounting and disclosure guidance for investments in associates and joint ventures. The Company does not have any investment in associates and as a result the adoption of the standard did not have any impact on these consolidated financial statements.

New standards not yet adopted

The following new standards, amendments to standards and interpretations have been issued and will be effective for the year ended June 30, 2015:

▪ IAS 32 (Amendment)	New standard that clarifies requirements for offsetting financial assets and financial liabilities.
▪ IAS 36 (Amendment)	This amendment addresses the disclosure of information regarding the recoverable amount of impairment assets as the amount is based on fair value less costs of disposal.
▪ IFRIC 21	This is an interpretation of IAS 37, *Provisions, contingent liabilities and contingent assets*. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event, known as an obligating event. The interpretation clarifies that the obligation event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

The Company anticipates that the application of these standards, amendments and interpretations will not have a material impact on the results and financial position of the Company.

- IFRS 7, Financial Instruments: Disclosures, will be amended to require additional disclosures on transition from IAS 39 and IFRS 9, and is effective for annual periods beginning on or after January 1, 2015.
- IFRS 9 *Financial Instruments (Revised)*
- IFRS 9 was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing derecognition requirements from IAS 39 *Financial instruments: recognition and measurement*. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Company's financial instruments has not yet been determined.

Risk Factors

An investment in the Company will involve a number of risks. The reader should carefully consider the following risks and uncertainties in addition to other information in this MD&A in evaluating the Company and its business before making any investment decision in regards to the Shares. The Company's business, operating and financial condition could be harmed due to any of the following risks. The risks described below are not the only ones facing the Company. Additional risks not presently known to the Company may also impair its business operations.

Exploration and Development Risks

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks associated with exploration, development and production.

Insurance

The Company's involvement in the exploration for natural resources may result in the Company becoming subject to liability for pollution, property damage, personal injury or other hazards and any insurance the Company may have may not be sufficient to cover the full extent of such liabilities.

Prices, Markets and Marketing of Gold and Metal Prices

World prices for commodities fluctuate and are affected by numerous factors including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumptive patterns, speculative activities and increased production due to new mine developments and improved mining and production methods. The effect of these factors on the price of commodities, and therefore an economic downturn could have a negative impact on the Company.

Liquidity and Capital Requirements

Management anticipates that, subject to financing, it will make substantial capital expenditures towards developing the Companies mineral property. However, there is no assurance that the Company will operate profitably or will generate positive cash flow in the future. The Company may require additional financing in order to proceed with the exploration and development of their property and to sustain its business operations if it is not successful in earning revenues. The Company may also need further financing if it decides to obtain additional mineral properties. The Company's future may be dependent upon its ability to obtain financing. If the Company does not obtain such financing, if required, its business could fail and investors could lose their entire investment.

Environmental Risks

All phases of the mineral exploration and development business present environmental risks and hazards and are subject to environmental regulations. Compliance with such legislation/regulations can require significant expenditures and a breach could result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner which may lead to stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. No assurance can be given that the application of environmental laws to the business and operations of the Company will not result in a curtailment of exploration or production, a material increase in the costs of production, development or exploration activities, or otherwise adversely affect the Company’s financial condition, results of operations or prospects.

Government Regulation

The natural resource exploration industry is subject to controls and regulations imposed by various levels of government. It is not expected that any of these controls or regulations will affect the operations of the Company in a manner materially different than they would affect other natural resource exploration companies of similar size. The current legislation is a matter of public record and the Company is unable to predict what additional legislation or amendments may be enacted.

Markets for Securities

There can be no assurance that an active trading market in the Shares will be established and sustained. The market price for the Shares could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of its peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the Shares.

Reliance on Key Individuals

The Company’s success depends to a certain degree upon certain key members of the management. It is expected that these individuals will be a significant factor in the Company’s growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Company. On April 23, 2014, Kelly Klatik resigned his position as President, CEO and Director of the Company. He was replaced on an interim basis by Jim Davidson and on July 2, 2014 Trent Mell was named the permanent replacement taking on the roles of President, CEO and Director. On May 14, 2014, Mr. Paul Henri Girard was appointed as a Director of the Company.

Additional Information

Additional information relating to the Company has been filed on SEDAR and is available at www.sedar.com.