RIVERSIDE RESOURCES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

INTRODUCTION

The management's discussion and analysis of the financial condition and results of operations ("MD&A") focuses upon the activities, results of operations, liquidity and capital resources of Riverside Resources Inc. (the "Company" or "Riverside") for the year ended September 30, 2014. In order to better understand the MD&A it should be read in conjunction with the audited financial statements and related notes for the year ended September 30, 2014. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and filed with appropriate regulatory authorities in Canada. This MD&A is current to January 27, 2015 and in Canadian dollars unless otherwise stated.

Additional information relating to the Company, including its Information Circular for the financial year ended September 30, 2014, is available under the Company's profile on SEDAR at www.sedar.com.

Forward-Looking Statements

Information set forth in this MD&A may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation; statements about the size and timing of future exploration on and the development of the Company's properties are forward-looking statements. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following risks: the need for additional financing; operational risks associated with mineral exploration; fluctuations in commodity prices; title matters; environmental liability claims and insurance; reliance on key personnel; the volatility of our common share price and volume and other reports and filings with the TSX Venture Exchange and applicable Canadian securities regulations. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company's documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies the Company is bound. Investors are cautioned against attributing undue certainty to forward-looking statements.

The users of this information, including but not limited to investors and prospective investors, should read it in conjunction with all other disclosure documents provided including but not limited to all documents filed on SEDAR (www.SEDAR.com).

CORPORATE OVERVIEW

The Company is a mineral exploration and development company listed on the TSX Venture Exchange under the symbol "RRI" and is engaged in the acquisition, exploration and development of exploration and evaluation assets in the Americas including Canada, the United States and Mexico where the technical team collectively has more than 100 years of exploration experience and has been part of more than five discoveries that have found mineral resources and gone into production.

The Company combines the experience of mine discoverers John-Mark Staude (President, CEO, Director) and Greg Myers (Vice President of Exploration) with the financing and business management expertise of Rob Scott (CFO), Brian Groves (Director), James Clare (Director), Michael Doggett (Director) and William Lee (Director). The management of the Company has experience developing significant shareholder value and has assembled a team that can build a valuable and successful organization.

CAPITAL STOCK

As at September 30, 2014, the Company had $20,902,978 in capital stock and 37,011,778 common shares outstanding.

Options and Performance Bonus Shares

Stock option and performance bonus share activity for the year included the following:

(a) 105,000 bonus shares were issued at a value of $35,175 to certain executive officers as a performance bonus for 2013.

(b) 25,000 common shares were issued on the exercise of options for proceeds of $9,750.

(c) 860,000 options were re-priced from $0.98 to $0.50 and 715,000 options from $0.94 to $0.50.

(d) 657,500 options expired unexercised and 25,000 options were cancelled.

Subsequent to the year-end:

(e) 40,000 bonus shares were issued at a value of $14,000 to an executive officer as a performance bonus for 2014.

(f) 200,000 options expired unexercised.

(g) 1,087,000 options, exercisable at a price of $0.27 per common share were granted for a period of 5 years.

Warrants

There was no share purchase warrant activity for the year. As of September 30, 2014, the Company had no warrants outstanding (2013 – nil).

OPERATIONS

Mexico

The Company's exploration team is actively focused on generative exploration and acquisition in Mexico where it believes it can continue to cost effectively build, and progress toward discovery, a portfolio of exploration and evaluation assets that will sustain its operations and allow it to benefit from the current and future gold, silver and copper prices. The Company continues to focus on NW Mexico where it has multiple exploration partners funding programs focused on gold and copper.

<u>Tajitos Gold Project, Sonora, Mexico</u>

The Tajitos Gold Project consists of three blocks of concessions: Tajitos, El Tejo and Cortez. The Tajitos Project hosts an extensive and well mineralized gold system in northwestern Mexico. The project was identified using a combination of the Company's Mexico mineral databases, local geologic knowledge, historic production data, and extensive personal networks. Previous drilling by the Fresnillo Mining Company intersected gold quartz veins and found mineralization extending beyond the veins into the wall rock zones on ground currently optioned by the Company. This style of disseminated gold mineralization on the Tajitos Project can be compared to what Timmins Gold Corp. is mining at the San Francisco Mine and AuRico Mining (formerly Capital Gold) is mining at the Chanate Mine less than 150 km away from Tajitos.

The Company continues to take steps toward identifying a large orogenic gold body with similar geologic structures, surface mineralization, and age of host rocks to nearby open-pit mines like the ones at Chanate, Herradura, and Noche Buena mines.

The Company completed a ground magnetic survey which shows favourable indications that the prospective trend of gold-rich Mesozoic volcanosedimentary mineralization extends to the southeast under shallow post-mineralization cover. The Company has since completed further follow up on the more than 10 known small workings on the Tejo and Cortez concessions generating new and expanding existing target areas for future drill testing. Subsequent to the year-end, a mapping and sampling program has commenced in the old workings at Tajitos. The program will help Riverside better understand controls on mineralization and will build on all of the past surface sampling and mapping.

Peñoles Project, Durango, Mexico

The Company owns 100% of the Peñoles Project subject to a 2% NSR, which can be reduced to 1.5% by making a one-time payment of US$500,000 to the underlying concession holder on or before January 31, 2016.

On January 23, 2014 Morro Bay Resources Ltd. ("Morro Bay") completed a transaction whereby it acquired from Sierra Madre Developments Inc. ("Sierra Madre") an option to earn an initial 51% and up to 65% interest in the Company's Peñoles Project. At the close of the transaction between Morro Bay and Sierra Madre, the Company received cash payments of $8,542 from Sierra Madre and $82,957 from Morro Bay, as well as 3,705,974 Morro Bay common shares with a fair value of $0.10, and 1,852,987 Morro Bay warrants with a fair value of $nil, each exercisable into one common share at a price of $0.25 before the expiry date January 22, 2015.

On June 9, 2014 the Company announced new drill results from the Jesus Maria Silver Mine area at the Peñoles Project in Durango, Mexico. Twenty three HQ sized core holes were drilled on the property, for a total of 2,143 metres. The program discovered a new zone of mineralization and structural preparation (referred to as the "Jesus Maria South Zone") intersecting and trending southwest from the Jesus Maria Vein. The Jesus Maria South Zone had not been systematically tested and apparently never worked by previous mining. The first two drill holes that intersected the new zone, (JM DDH 14-10 and JM DDH 14-24) returned the best near surface intervals of silver mineralization intersected at the Peñoles Property since Riverside acquired the property in 2007.

The first hole drilled (JM DDH 14-10) was a 30 metre step out, south from the final hole (JM DDH 13-9 "Hole 9") of the 2013 program). This drill hole, (JM DDH 14-10) intersected an approximately 41 metre wide near-surface mineralized interval averaging 123.9 g/t silver and more than 0.5 g/t gold, including a 4.25 metre interval that assayed 732.2 g/t silver and 1.20 g/t gold. The second hole, JM DDH 14-24, confirmed significant widths of mineralization, with 70.8 metre interval averaging 147.8 g/t silver including a 22.7 m interval that returned 388.4 g/t silver.

On June 23, 2014 the Company announced the results from an additional six drill holes that were completed at the recently discovered Jesus Maria South Zone at the Peñoles Project in Durango, Mexico. The Company believes that these results confirm the continuity and extent of the near surface Zone away from areas of historic mining.

The assay results included the following highlighted intervals:
- 9.5 m interval averaging 251.2 g/t silver and 0.79 g/t gold (JM DDH 14-27)
- 15.85 m interval averaging 123.7 g/t silver and 0.22 g/t gold (JM DDH 14-25)
- 6.25 m interval averaging 304.6 g/t silver and 0.17 g/t gold (JM DDH 14-26)

On June 30, 2014, the Company extended the option for Morro Bay to earn an initial 51% interest in the Peñoles Project. In order to extend the option, Morro Bay agreed to (1) incur additional expenditures of $500,000 on the exploration and development of the Project by October 31, 2014 with the program to be managed by Riverside, (2) pay to Riverside one-half of the $1,500,000 payment on or before July 15, 2014, which is payable in cash or Morro Bay shares as outlined in the amended and restated option agreement, and (3) pay to Riverside $100,000 and US$1,250,000 in cash, and issue $750,000 in Morro Bay shares (or cash at Morro Bay's election) by December 31, 2014 (see Riverside's press releases dated October 22, 2013 and January 23, 2014).

As part of the additional $500,000 expenditure, drilling commenced in late August at the San Rafael target. Results were announced on October 21, 2014, subsequent to year end. The drilling focused on stepping out beyond the already known gold body at El Capitan and the high-grade silver vein system at Jesus Maria. The first ever drill holes completed at San Rafael included (DDH-14-01) 3.08 metres of 1.19 g/t gold and 79.2 g/t silver and (DDH-14-05) 8.9 metres of 0.63 g/t gold and 101 g/t silver. The drilling intersected key mineralized structural veins and starts to confirm strike and depth continuity of the mineralization with further drilling warranted to expand on the initial results.

On January 15, 2015, subsequent to the year-end, the Company extended the option agreement exercise date with Morro Bay from December 31, 2014 to March 31, 2015. The final payment of $750,000 (payable in cash or shares at Morro Bay's election provided Morro Bay shares are valued at $0.05 or greater) was also extended from December 31, 2014 to March 31, 2015. The US$1,250,000 and $100,000 cash payments previously required to be paid by December 31, 2014 will now be applied as a credit for Riverside towards initial joint venture expenditures under the joint venture to be formed upon Morro Bay earning into the Peñoles Project (the "Joint Venture"). Morro Bay will be required to incur a minimum of $750,000 in joint venture expenditures for each of the first three years of the Joint Venture. In the event that Morro Bay fails to meet the minimum required joint venture expenditures, Riverside will have the right to take back 100% ownership of the Project, subject to returning 80% of the common shares issued by Morro Bay to Riverside under the option agreement, and granting Morro Bay a 0.75% NSR, which can be purchased by Riverside for $750,000 at any time.

Please visit the Company's website for further information on all of the previously completed exploration and drill programs at the Peñoles Property.

<u>Hochschild Exploration Alliance, Sonora, Mexico</u>

On April 9, 2013 the Company signed a three-year, US$2,250,000 strategic exploration alliance (the "Hochschild Alliance") with Hochschild Mining Holdings Limited ("Hochschild"), for generative exploration throughout the Mega-shear Gold Belt in western Sonora, Mexico. The Hochschild Alliance will focus on identifying potential new large precious metal deposits using the Company's technical knowledge and experience in Sonora.

Cajon Gold Project

On February 3, 2014 the Company announced that it signed a Definitive Agreement with a private Mexican company to acquire an undivided 100% interest in the Cajon Gold Project (the "Cajon Project"). The 94 km² Cajon Project is located approximately 7 km east of the Cerro Colorado Mine and approximately 55 km west of the San Francisco Mine, within the Sonora Megashear Gold Belt, and in the source area of the Boludo placer gold fields, one of northern Mexico's most productive placer districts. Recent exploration work completed by the private company, and its past option partner, demonstrates excellent potential with a number of historically sampled high-grade mineralized systems covering 10 separate target areas.

San Blas is an open-pit style gold target, comprising a N-S-trending zone of numerous high-grade samples over an area ~600 m x ~3 km in extent. Previous exploration work in this area consisted of 336 rock chip and float samples with 96 samples in the range of 0.3 – 175 g/t Au, including 47 samples of more than 1 g/t Au. Alliance sampling of the target has expanded the extents and grades in rock samples.

On July 21, 2014 the Company announced results from the recent exploration program and continuing plans at the Cajon Project. Riverside conducted an exploration program consisting of detailed rock sampling and structural, geologic, and short-wave infrared (SWIR) alteration mapping. At Cajon, the initial target area of San Blas has been the primary focus so far with very promising results from rock samples taken to date. A total of 294 rock samples were collected, averaging 0.51 g/t gold (Au), including 20 samples with grades above 1 g/t Au and two samples of 37.9 and 19.11 g/t Au. Next steps are expected to include trenching. Subsequent to year-end, trenching was completed and project continues.

Riverside and Hochschild can acquire a 100% interest in the Cajon Project for:

1) $15,000 payment upon signing a definitive agreement (paid);
2) Paying 2013 mineral concession taxes within 30 days of signing the definitive agreement (paid);
3) $20,000 in cash or Riverside shares within three (3) years of signing definitive agreement; and
4) $25,000 in cash or Riverside shares within four (4) years of signing the definitive agreement.

Once the Option has been exercised, the underlying private owner will hold a 1.5% Net Smelter Return (NSR) royalty, with each 0.5% increment purchasable for $500,000 at any time. Hochschild will have the opportunity to earn a 65% interest in the Project by incurring $5,000,000 in exploration expenditures over four years. Further exploration was carried out during 2014 to refine target areas and reduce the land package to trim go-forward carrying costs.

Additional Hochschild Alliance Prospects

Riverside acquired three gold prospects from Argonaut Gold in 2013 and continues to turn over new opportunities and prospects as the Company works to generate a portfolio of high quality gold projects for the Alliance to evaluate and advance. Riverside expects to reach decision points on the previously acquired Bohemia and Cien projects and anticipates acquiring additional properties in 2015.

Further information on the Hochschild Alliance and the properties being advanced can be found on the Company's website and by reviewing the Company's press releases.

Antofagasta Exploration Alliance, Sonora, Mexico

On July 18, 2013 the Company signed a three-year, US$1,800,000 strategic exploration alliance (the "Antofagasta Mexico Alliance") with Antofagasta Investment Company Limited ("AICL") for generative exploration throughout the southern extension of the Laramide Copper Belt in eastern Sonora, and western Chihuahua, Mexico. The Antofagasta Mexico Alliance will focus on identifying potential new large porphyry-copper deposits using the Company's locally based technical knowledge and experience in Sonora.

The Company is currently reviewing potential projects for acquisition and expects to add additional projects into the Antofagasta Mexico Alliance during 2015.

Coatan, Chiapas, Mexico

The Company has a 100% interest in the Huixtla concession which comprises the Coatan Property. On December 19, 2013, the Company signed an option agreement with Paget Southern Resources S. de R.L. de C.V. ("Paget") whereby Paget could acquire up to a 100% interest in the Coatan Property. To earn an initial 70% interest, Paget is required to pay to the Company a total of US$27,460 and incur exploration expenditures of US$1,800,000 on the property within four years of the agreement. Upon exercise of the initial option, Paget can earn the remaining 30% interest, subject to a 2% NSR, by paying US$1,500,000 to the Company on or before the first anniversary of the initial option exercise date.

By way of a third party transaction completed in 2014, the Company's new option partner for the Coatan Property is now Millrock Resources Inc.

Other Mexico Properties

The Company has additional exploration projects in Mexico (including: Clemente and Sierra Salada) with brief summaries available on the Company's website. In an effort to minimize carrying costs, the Company has dropped or reduced claim sizes and will continue exploring opportunities to further upgrade the portfolio while market conditions challenge other companies with limited capital.

The scientific and technical data contained in the property descriptions pertaining to the Company's Mexico portfolio were reviewed by Riverside's VP Exploration, Greg Myers, PhD, P.Geo, a non-independent qualified person to Riverside Resources, who is responsible for ensuring that the geologic information provided in this section of the Management Discussion and Analysis is accurate and acts as a "qualified person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects.

USA

Sugarloaf Peak Project, Arizona, USA

The Sugarloaf Peak Project ("Sugarloaf") was advanced with approximately $3,000,000 in partner funded drilling and exploration over the past three years. Sugarloaf has the potential to host a large, low-grade, bulk-tonnage gold deposit with additional porphyry copper-gold targets recently discovered. The Company owns 100% of the Sugarloaf Peak Project subject to a 1.5% NSR, and is looking to advance Sugarloaf towards a compliant resource with a major partner funding the work. One percent (1%) of the underlying NSR can be repurchased for $1,000,000.

On December 17, 2014, subsequent to year end, Riverside signed an option agreement with a private company Croesus Gold Corp. ("Croesus") whereby Croesus can acquire a 100% interest in Sugarloaf. In order to exercise the option, Croesus must incur $5,000,000 in aggregate exploration expenditures, pay Riverside $3,000,000 in cash ($1,500,000 payable in Croesus shares at Croesus' election) and issue Riverside a minimum of 2,500,000 Croesus shares, with Riverside retaining a 2% NSR. Croesus can purchase half (1%) of the NSR for $3,000,000 if completed within six (6) years of the effective date of the agreement. Beyond the sixth anniversary, Croesus can purchase a quarter of the NSR (0.5%) for $2,000,000 at any time pre-production. If Croesus is not publicly listed within 18 months from the effective date, penalty share payments are payable to Riverside. Share payments are also subject to a minimum target price of $0.30. In the event Croesus completes a public listing at a share price below $0.30, Riverside will be compensated with additional Croesus shares to make up the difference.

For additional information on the agreement and the Sugarloaf Peak Project please visit the Company's website.

The scientific and technical data contained in the property descriptions pertaining to the Company's Sugarloaf Peak Project were reviewed by Riverside'sVP Exploration, Greg Myers, PhD, P.Geo, a non-independent qualified person to Riverside Resources, who is responsible for ensuring that the geologic information provided in this section of the Management Discussion and Analysis is accurate and acts as a "qualified person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects.

Canada

Antofagasta Exploration Alliance, British Columbia

The generative exploration funding concluded in July 2014, with Riverside and Antofagasta's partnership in British Columbia focused solely on the Swift Katie Project.

Swift Katie Project

On April 3, 2014 the Company announced that it had signed a definitive agreement with Valterra Resource Corporation ("Valterra"), for the exclusive right and option to acquire an undivided 80% interest in the Swift Katie Property ("Swift Katie"). This agreement will be undertaken as part of the Antofagasta BC Alliance. The 80km² advanced copper-gold-silver porphyry property is located seven kilometres southwest of the town of Salmo, BC, in the Nelson Mining District. Swift Katie has more than 70 drill holes (~20,000 metres), completed between 1987 and 2008, into a system that currently measures approximately 1,900 metres of strike length by 900 metres width and 600 metres depth with several directions remaining open. Historic drilling at the Katie occurrence covers an approximately 2 km x 1 km area with several untested soil, IP, magnetic and resistivity anomalies in close proximity to known mineralization.

On May 27, 2014 the Company announced that spring exploration work began at the Swift Katie Project located in south-eastern BC, with drilling to follow later in the summer. The first phase of the program has been designed with the goal of identifying new targets, as well as to advance known targets generated through the 2013 exploration program within the 11km x 3km target corridor of favourable geology, geochemistry and geophysics. Of particular focus for the 2014 program is a newly identified, high priority target located 2km south of the historically defined Katie copper-gold porphyry deposit. The newly identified "Swift" porphyry target is characterized by a 2km by 2km multi-element soil anomaly underlain by a favourable geophysical signature. This area has limited outcrop but porphyritic intrusive rocks and altered volcanic rocks were recognized by Riverside geologists within and adjacent to the target area.

On September 2, 2014, Riverside announced that drilling commenced at Swift Katie with a 1,150 metre four (4) hole program planned. On December 22, 2014, subsequent to year end, Riverside announced results from five (5) holes, which included 23.4 g/t gold, 0.62% copper and 435 g/t silver over 1.5 m as well as 5.69 g/t gold, 0.13% copper and 26.6 g/t silver over 2 m (both intervals from SK14-002).

Subsequent to the year end, on December 17th, 2014, Antofagasta informed the Company it would not be retaining any interest in the Swift Katie designated property and as a result the Company terminated the option with the underlying concession holder, Valterra, immediately with no further obligation with respect to the Swift Katie designated property.

The scientific and technical data contained in this section of the MD&A pertaining to the Swift Katie Project was reviewed by Danette Schwab, P.Geo, Project Manager, a non-independent qualified person to Riverside Resources, who is responsible for ensuring that the geologic information provided in this section of the MD&A is accurate and acts as a "qualified person" under National Instrument 43-101 Standards of Disclosure for Mineral Projects.

CORPORATE

Officers

On August 1, 2014, Dr. Greg Myers was appointed Vice President of Exploration for the Company as Howard Davies resigned from the position. Dr. Myers holds a Ph.D. from Washington State University and is a professional geologist with over 35 years of experience in the mining industry. Prior to joining the Company, Dr. Myers was President and CEO of Caza Gold Corp. His earlier roles included Vice President/Business Development for Pacific Northwest Capital Corp., President of Mystery Creek Resources Inc. and Project Manager/Consulting Geologist for Fire River Gold Corp. Dr. Myers was the manager of mine exploration for BHP Billiton Ltd. at the Tintaya mine in Peru. During his 3 year tenure the mine reserve increased from 48 million tonnes to more than 170 million tonnes.

SELECTED ANNUAL INFORMATION

The following table sets forth selected consolidated information of the Company at September 30, 2014 and for each of the prior two fiscal years prepared in accordance with IFRS. The selected consolidated financial information should be read in conjunction with the audited consolidated financial statements of the Company.

Canadian Dollars	**2014**	**2013**	**2012**
Finance, property and other income	331,857	321,193	867,311
Net loss	(2,241,817)	(2,067,520)	(4,265,975)
Net loss per share, basic and fully diluted	(0.06)	(0.06)	(0.12)
Cash and short-term investments	6,277,611	6,491,733	8,996,787
Total assets	10,857,453	12,126,486	13,685,894
Long term debt	-	-	-
Dividends	-	-	-

The Company is in the exploration stage. Aside from finance income, the Company earned other income as a result of renting exploration equipment and vehicles to the alliance programs while acting as the operator on various exploration programs during the year of 2014, and accruing interest on a loan lent to a private company.

The net loss in 2014 was primarily due to the ongoing costs of the business, an unrealized loss on the held-for-trading securities that the Company received through option agreements with partners on various properties, and write-down of exploration and evaluation assets, other receivables, and short-term investments. The significantly higher loss in 2012 was due to a realized loss on the held-for-trading securities that the Company returned to a partner as a result of the termination of an option agreement.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Year ended September 30

For the year ended September 30, 2014, the Company incurred a net loss of $2,241,817, resulting in a loss per share of $0.06. The loss was attributable to operating expenses of $1,250,242 before considering the effect of the foreign exchange gain of $10,702, an unrealized loss on short-term investments of $369,007*, write-down of exploration and evaluation assets of $627,891, write-down of other receivables of $202,574, and write-down of short-term investments of $134,662, which were offset by finance income of $79,348, and other income of $252,509.

For the year ended September 30, 2013, the Company had a net loss of $2,067,520, resulting in a loss per share of $0.06. The loss was attributable to operating expenses of $1,467,966 before considering the effect of the foreign exchange gain of $24,744, a loss on short-term investments of $105,116, an unrealized loss on short-term investments of $556,508*, and write-down of exploration and evaluation assets of $283,867, which were offset by finance income of $79,443, and other income of $241,750.

Fourth quarter ended September 30

For the quarter ended September 30, 2014, the Company incurred a net loss of $1,082,711, resulting in a loss per share of $0.03. The loss was attributable to operating expenses of $283,884 before considering the effect of the foreign exchange gain of $4,815, an unrealized loss on short-term investments of $316,312*, written-down of exploration and evaluation assets of $268,792, write-down of other receivables of $202,574, and write-down of short-term investments of $134,662, which were offset by finance income of $21,246, other income of $97,452.

For the quarter ended September 30, 2013, the Company incurred a net loss of $549,388, resulting in a loss per share of $0.02. The loss was attributable to operating expenses of $275,315 before considering the effect of the foreign exchange gain of $7,009, a loss on short-term investments of $46,627 and an unrealized loss on short-term investments of $290,756*, and write-down of exploration and evaluation assets of $16,918, which were offset by finance income of $12,364, and other income of $60,855.

*Marketable securities included in short-term investments consist of shares received as property option payments from the Company's farm-out partners. The unrealized gain or loss on short-term investments changed significantly when compared to the prior years due to the volatile market conditions.

Exploration

The Company capitalizes all exploration costs relating to its resource interests whereas pre-exploration costs are expensed as incurred. During the year ended September 30, 2014, the Company recorded $687,920 in acquisition and exploration of its properties as follows:

- US
  - Sugarloaf Peak $ 109,046
- Mexico
  - Peñoles $ 224,154
  - Cerro Azul $ 32,235
  - El Pedernal $ 31,784
  - Tajitos $ 160,889
  - Clemente $ 50,615
  - La Catrina $ 16,448
  - La Escondida $ 5,053
  - Coatan $ 22,305
  - Sierra Salada $ 32,409
- Canada
  - Flute $ 2,825
  - Lennac $ 157

The Company recovered $1,299,984 of the acquisition and exploration expenditures through option agreements with partners on various properties during the year ended September 30, 2014, which reduced the cumulative exploration costs. In addition, $627,891 was written-off to operations in regards to the Cerro Azul, El Pedernal, La Catrina, and La Escondida properties.

During the year ended September 30, 2013, the Company recorded $2,548,706 in acquisition and exploration of its properties as follows:

- US
  - Sugarloaf Peak $ 93,169
- Mexico
  - Chapalota $ 24,761
  - Peñoles $ 1,373,040
  - Cerro Azul $ 114,775
  - El Pedernal $ 62,335

○ Tajitos	$	554,916
○ Clemente	$	114,262
○ Coatan	$	20,372
○ Sierra Salada	$	52,487
○ La Catrina	$	43,532
○ La Escondida	$	37,529
○ El Indio	$	10,850
○ Cerritos	$	3,102
○ Huacana	$	43,576

The Company recovered $464,348 of the exploration expenditures through option agreements with partners on its various properties during the year ended September 30, 2013, which reduced the cumulative exploration costs. In addition, $283,867 was written off to operations in regards to the Chapalota, El Indio, Cerritos, and Huacana properties.

Full particulars of the deferred exploration costs are shown in Note 11 to the Financial Statements.

Recoveries and Other Income

During the year ended September 30, 2014, the Company received the following, which were recorded as a reduction to the capitalized cost of exploration and evaluation assets:

- $24,656 with respect to the option agreement and the reimbursement of concession fees on the Coatan Property,
- $8,057 with respect to the reimbursement of concession fees on the Clemente Property,
- $146,674 with respect to the reorganization agreement and the reimbursement of concession fees on the Penoles Property, and
- 13,841,109 Morro Bay shares valued at $1,120,597 and 1,852,987 Morro Bay warrants with a fair value at $nil with respect to the option agreement on the Penoles Property.

Finance income and other income for the year ended September 30, 2014 were $79,348 and $252,509 respectively.

During the year ended September 30, 2013, the Company received a gross amount of $75,500 and 8,000,000 Sierra Madre shares valued at $320,000 with respect to their option on the Peñoles Project, which were recorded as a reduction to the capitalized cost of exploration and evaluation assets. In addition, the Company received expenditure reimbursements of $25,000 from Guerrero Exploration, $20,000 from Sierra Madre, and $26,658 from Cliffs. Finance income and other income were $79,443 and $241,750.

Other income consists of revenues from exploration equipment and vehicle rentals to the alliance programs while acting as the operator on various exploration programs, and the interest from a loan to a private company.

Expenses

During the year ended September 30, 2014, the Company incurred $61,257 in depreciation, $121,809 in consulting fees, $48,000 in directors' fees, $128,877 in investor relations fees, $140,250 in professional fees, $89,936 in property investigation and evaluation expenses, $236,644 in share-based compensation, $53,112 in travel, $370,357 in general and administrative expenses. In addition, the Company incurred $369,007 in an unrealized loss on short-term investments, $627,891 in exploration asset write-down, $202,574 in other receivables write-down, and $134,662 in short-term investments write-down. The Company earned $79,348 in finance income, $252,509 in other income, and $10,702 in foreign exchange gain.

During the year ended September 30, 2013, the Company incurred $56,767 in depreciation, $189,900 in consulting fees, $48,000 in directors' fees, $145,613 in investor relations fees, $130,421 in professional fees, $180,368 in property investigation and evaluation expenses, $316,697 in share-based compensation, $57,192 in travel, and $343,008 in general and administrative expenses. In addition, the Company incurred $105,116 in a realized loss on short-term investments, $556,508 in an unrealized loss on short-term investments, and $283,867 in exploration asset write-down. The Company earned $79,443 in finance income, $241,750 in other income and $24,744 in foreign exchange gain.

Compared to the previous year, investor relations and travel expenses were lower due to reduced marketing activity in response to challenging market conditions. Professional fees increased as the Company had legal counsel review a larger volume of documents pertaining to mining concession ownership. Property investigation and evaluation was lower due to focus on explorations in alliance programs. Consulting fees were lower as a result of recoveries from various alliance operator fees. The increase in rent was due to additional space for the expansion in Mexico. The decrease in the share-based compensation was due to the front-loading feature of the graded vesting method used in the recognition of share-based awards.

General and administrative expenses consist of filing fees, directors fees, general office expenses and administrative services related to maintaining the Company's exchange listing and complying with securities regulations. General and administrative expenses also include other office expenses for our subsidiaries in Mexico and the United States.

RISKS AND UNCERTAINTIES

In conducting its business the Company faces a number of risks and uncertainties related to the mineral exploration industry. Some of these risk factors include risks associated with land titles, exploration and development, government and environmental regulations, permits and licenses, competition, dependence on key personnel, fluctuating mineral and metal prices, the requirement and ability to raise additional capital through future financings and price volatility of publicly traded securities.

Property Risks

Title to exploration and evaluation asset interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history of many mineral claims. The Company has investigated title to all of its exploration and evaluation asset interests and, to the best of its knowledge, title to all of its interests are in good standing. The exploration and evaluation asset interests in which the Company has committed to earn an interest are located in Canada, Mexico and the United States.

Title Risks

Although the Company has exercised due diligence with respect to determining title to the properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company's interests, and the permits or tenures may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. If a title defect exists, it is possible that the Company may lose all or part of its interest in the properties to which such defects relate.

Exploration and Development

Resource exploration and development is a highly speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. Substantial expenses are required to establish reserves by drilling, sampling and other techniques and to design and construct mining and processing facilities. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection). The effect of these factors or a combination thereof cannot be accurately predicted but could have an adverse impact on the Company.

Environmental Regulations, Permits and Licenses

The Company's operations may be 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 mining industry operations, such as seepage from tailings disposal areas that 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 that means standards are stricter, and enforcement, fines and penalties for noncompliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. We intend to comply fully with all environmental regulations.

The current or future operations of the Company, including development activities and commencement of production on our properties, require permits from various federal, state or territorial and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Such operations and exploration activities are also subject to substantial regulation under applicable laws by governmental agencies that may require that we obtain permits from various governmental agencies. There can be no assurance, however, that all permits that the Company may require for the operations and exploration activities will be obtainable on reasonable terms or on a timely basis or that such laws and regulations will not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations and, in particular, environmental laws.

Competition

The mining industry is intensely competitive in all its phases, and the Company competes with other companies that have greater financial and technical resources. Competition could adversely affect the Company’s ability to acquire suitable properties or prospects in the future.

Dependence on Key Personnel

The success of the Company is currently largely dependent on the performance of the directors and officers. There is no assurance that the Company will be able to maintain the services of the directors and officers or other qualified personnel required to operate its business. The loss of the services of these persons could have a material adverse effect on the Company and the prospects.

Fluctuating Mineral and Metal Prices

Factors beyond our control may affect the marketability of metals discovered, if any. Metal prices have fluctuated widely, particularly in recent years. The effect of these factors on the exploration activities cannot be predicted. For example, gold prices are affected by numerous factors beyond the Company’s control, including central bank sales, producer hedging activities, the relative exchange rate of the U.S. dollar with other major currencies, global and regional demand and political and economic conditions. Worldwide gold production levels also affect gold prices. In addition, the price of gold has on occasion been subject to rapid short-term changes due to speculative activities.

Future Financings

The Company’s continued operation will be dependent upon the ability to generate operating revenues and to procure additional financing. There can be no assurance that any such revenues can be generated or that other financing can be obtained on acceptable terms. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in some or all of the properties or joint ventures, or reduce or terminate some or all of the operations.

Price Volatility of Publicly Traded Securities

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price that have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in price will not occur. It may be anticipated that any quoted market for the Common Shares will be subject to market trends and conditions generally, notwithstanding any potential success of the Corporation in creating revenues, cash flows or earnings. The value of securities distributed hereunder will be affected by market volatility.

SUMMARY OF QUARTERLY RESULTS

The following table sets forth selected quarterly consolidated financial information for each of the last eight quarters with the figures for each quarter in Canadian dollars.

Quarter ended	Finance income	Property and other income	Unrealized gain/(loss) on short-term investments	Realized loss on short-term investments	Net loss	Loss per share (basic & fully diluted)
30-Sep-14	21,246	97,452	(316,311)	-	(1,082,711)	(0.03)
30-Jun-14	19,459	43,095	92,069	-	(271,536)	(0.01)
31-Mar-14	18,062	39,264	(190,775)	-	(600,549)	(0.02)
31-Dec-13	20,581	72,698	46,010	-	(287,021)	(0.01)
30-Sep-13	12,364	60,855	(290,757)	(46,627)	(549,388)	(0.02)
30-Jun-13	25,619	26,748	23,498	(58,489)	(619,983)	(0.02)
31-Mar-13	20,331	111,857	(45,322)	-	(380,926)	(0.01)
31-Dec-12	21,129	42,290	(243,927)	-	(517,223)	(0.01)

Other than the ongoing costs of the business, the net loss for the quarter ended September 30, 2014 was mainly due to the write-down of El Pedernal and La Catrina projects, write-down of other receivables as the collection is uncertain, and write-down of the carrying value of shares in short-term investments for those companies that are currently cease traded on TSX Venture Exchange. The increased net loss for the quarter ended March 31, 2014 compared to the succeeding and the immediately preceding quarter was due to the incremental fair value of the re-priced stock options and an unrealized loss on the marketable securities that the Company received through option agreements with partners on various properties.

LIQUIDITY AND CAPITAL RESOURCES

The Company relies on equity financings and exploration alliances for its working capital requirements and to fund its planned exploration and development activities. Management ensures the Company has sufficient cash in its treasury to maintain underlying option payments and keep claims in good standing. Increase in cash for the year ended September 30, 2014 was $1,134,128 and short-term investments decreased by $1,348,250. Working capital as at September 30, 2014 was $5,604,860. The Company has sufficient funds to meet ongoing corporate activities and planned exploration programs for the ensuing year.

Increase in cash for the year ended September 30, 2013 was $397,240 and short-term investments decreased by $2,902,294. Working capital as at September 30, 2013 was $6,315,595.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no undisclosed off-balance sheet arrangements or off-balance sheet financing structures in place.

TRANSACTIONS WITH RELATED PARTIES

Related party transactions are in the normal course of operations and are recorded at their exchange amount which is the price agreed to between the Company and the directors and officers.

The Company entered into the following transactions with related parties:

Payee	Nature of transactions	Year ending September 30	Fees ($)	Shares ($)	Amount payable at year end ($)
Arriva Management Inc.	Management and consulting fees	2014 2013	284,992 245,792	16,750 20,000	54,829 5,648
GSBC Financial Management Inc.	Management and consulting fees	2014 2013	210,004 210,004	27,400 16,000	nil nil
Talpa Geoscience Ltd.	Consulting fees	2014 2013	153,333 172,333	5,025 6,000	nil 11,185
Dorado Minerals	Consulting fees	2014 2013	28,000 nil	nil nil	16,472 nil
Michael Doggett	Director fees	2014 2013	12,000 12,000	nil nil	nil 1,584
William Lee	Director fees	2014 2013	12,000 12,000	nil nil	nil 1,584
Brian Groves	Director fees	2014 2013	12,000 12,000	nil nil	nil 1,584
James Clare	Director fees	2014 2013	12,000 12,000	nil nil	nil 1,584

The Company made a loan to a private company with a related officer/director. At September 30, 2014, the amount outstanding including interest and fees was $150,000 (2013 - $150,000).

The Company paid or accrued expenses reimbursement of $112,319 (2013 - $20,319) to Corex Management Inc. ("Corex"), a private management company controlled by an officer of the Company. At September 30, 2014, the amount payable to Corex was $6,737 (2013 - $nil).

CONTRACTUAL AND OTHER OBLIGATIONS

The Company entered into an office lease agreement with a third party for the office in Vancouver, Canada for a 5-year term from March 1, 2013 to February 28, 2018. Total office lease commitments are as follows: $166,377 in 2015; $172,001 in 2016; $177,625 in 2017; and $74,987 in 2018.

PROPOSED TRANSACTIONS

At the present time, there are no proposed transactions that should be disclosed.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's accounting policies are described in Note 4 to the consolidated financial statements for the year ended September 30, 2014. Management considers the following to be the most critical in understanding the judgments that are involved in preparing the Company's financial statements and the uncertainties that could impact its results of operations, financial condition and future cash flow.

Exploration and Evaluation Assets

Pre-exploration costs are expensed as incurred. The Company records exploration and evaluation asset interests, which consist of the right to explore for mineral deposits, at cost. The Company records deferred exploration costs, which consist of costs attributable to the exploration of exploration and evaluation asset interests, at cost. All direct and indirect costs relating to the acquisition and exploration of these exploration and evaluation asset interests are capitalized on the basis of specific claim blocks until the exploration and evaluation asset interests to which they relate are placed into production, disposed of through sale, or where management has determined there to be an impairment. If an exploration and evaluation asset interest is abandoned, the exploration and evaluation asset interests and deferred exploration costs will be written off to operations in the period of abandonment.

On an on-going basis, the capitalized costs are reviewed on a property-by-property basis to consider if there is any impairment on the subject property. Management's determination for impairment is based on: 1) whether the Company's exploration programs have significantly changed, such that previously identified resource targets are no longer being pursued; 2) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future; or 3) whether remaining lease terms are insufficient to conduct necessary studies or exploration work.

The recorded cost of exploration and evaluation asset interests is based on cash paid and the assigned value of share consideration issued (where shares are issued) for exploration and evaluation asset interest acquisitions and exploration costs incurred. The recorded amount may not reflect the recoverable value, as this will be dependent on future development programs, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Property option payments received from its farm-out partners are recorded as a reduction to the capitalized cost of exploration and evaluation assets. Once the capitalized cost is recovered, they are recorded as property income. Management fees received pursuant to exploration alliance arrangements are recorded as a reduction in consulting fees.

Impairment of Long-Lived Assets

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Critical Accounting Estimates, Judgments, and Assumptions

The preparation of these consolidated financial statements in conformity with IFRS often requires management to make estimates about and apply assumptions or subjective judgment to future events and other matters that affect the reported amounts of the Company's assets, liabilities, expenses, and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company's consolidated financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgments in order to ensure that the consolidated financial statements are presented fairly and in accordance with IFRS. Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment.

Management considers the following areas to be those where critical accounting policies affect the significant judgments and estimates used in the preparation of the Company's consolidated financial statements:

<u>Carrying value and recoverability of exploration and evaluation assets</u>

The carrying amount of Company's exploration and evaluation assets properties does not necessarily represent present or future values, and the Company's exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's exploration and evaluation assets properties.

To the extent that any of management's assumptions change, there could be a significant impact on the Company's future financial position, operating results and cash flows.

Functional currencies

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. That of the Company and its subsidiaries was determined by conducting an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Fair value of stock options and warrants

Determining the fair value of warrants and stock options requires judgments related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or on other components of shareholders' equity.

Income taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

Share-based compensation

The stock option plan allows Company employees, directors and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payments expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from contributed reserves to share capital.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the statement of operations.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for- sale. They are carried at fair value with changes in fair value recognized directly in accumulated other comprehensive loss. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of operations.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of operations.

Other financial liabilities: This category includes accounts payables and accrued liabilities, which are recognized at amortized cost.

The Company has classified its cash and short-term investments as fair value through profit and loss. The Company’s taxes receivable, loans, exploration bonds, and other receivables are classified as loans and receivables. The Company’s accounts payable and accrued liabilities are classified as other financial liabilities.

New standards adopted during the year

Effective October 1, 2013, the following standards were adopted but have had no material impact on the consolidated financial statements:

- IAS 1 (Amendment): This standard is amended 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.
- IFRS 7 (Amendment): This standard is amended to enhance disclosure requirements related to offsetting of financial assets and financial liabilities.
- IFRS 10: New standard to establish principles for the presentation and preparation of consolidated financial statements.
- IFRS 11: New standard to account for the rights and obligations in accordance with a joint agreement.
- IFRS 12: New standard for the disclosure of interests in other entities not within the scope of IFRS 9 / IAS 39.
- IFRS 13: New standard on the measurement and disclosure of fair value.

- IAS 27 (Amendment): As a result of the issue of IFRS 10, IFRS 11 and IFRS 12. IAS 27 deals solely with separate financial statements.
- IAS 28 (Amendment): New standard issued that supersedes IAS 28 (2003) to prescribe the application of the equity method to investments in associates and joint ventures.

New standards and interpretations not yet adopted

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IAS 32 (Amendment): Standard amended to clarify requirements for offsetting financial assets and financial liabilities, effective for annual periods beginning on or after January 1, 2015.
- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2018.
- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
- IFRS 10 Investment Entities – Amendment: effective for periods beginning on or after January 1, 2014.
- IFRIC 21 Levies: effective for periods beginning on or after January 1, 2014.

FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's loans, taxes receivable, other receivables and accounts payable and accrued liabilities approximate carrying value, which is the amount recorded on the statements of financial position. The fair value of the Company's other financial instruments, cash, and short-term investments, under the fair value hierarchy are based on level 1 quoted prices in active markets for identical assets and liabilities.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Taxes receivable consist of tax refunds from the Federal Government of Canada and Mexico. Loans consist of principal and interest lent to a private company with a related officer/director of which the Company believes is collectible in full. The Company believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2014, the Company had a cash balance of $3,360,889 and short-term investments of $2,916,722 to settle current liabilities of $818,290. As at September 30, 2013, the Company had a cash balance of $2,226,761 and short-term investments of $4,264,972 to settle current liabilities of $456,325. The Company believes it has sufficient funds to meet its current liabilities as they become due.

Interest rate risk

The Company has cash balances and interest-bearing investments. The interest earned on the investments approximates fair value rates, and the Company is not at a significant risk to fluctuating interest rates. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As of September 30, 2014, the Company had investments in short-term deposit certificates of $2,080,021 (September 30, 2013 - $4,045,199).

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, taxes receivable, other receivables, and accounts payable and accrued liabilities that are denominated in US dollars (US) and Mexican pesos.

Price risk

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

The Company currently maintains short-term investments, which include marketable securities. There can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of these securities.

Sensitivity analysis

The Company operates in Mexico and is exposed to risk from changes in the US dollar and the Mexican peso. A simultaneous 10% fluctuation in the US dollar and Mexican peso against the Canadian dollar would affect accumulated other comprehensive income (loss) for the year by approximately $90,680.

The Company holds marketable securities and is exposed to risk from changes in the share price of the marketable securities. A simultaneous 10% fluctuation in the share price would affect short-term investments for the year by approximately $83,670.

OUTSTANDING SHARE DATA

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares. No preferred shares have been issued to date. An aggregate of 37,051,778 common shares were issued and outstanding as of the date of this MD&A.

The Company has no share purchase warrants outstanding as of the date of this MD&A.

The following summarizes information about the stock options outstanding as of the date of this MD&A:

Number of Options	Option Exercise Price	Expiry Date
860,000	$0.50	06-Jan-2016
605,000	$0.50	08-Sep-2016
687,500	$0.65	14-Dec-2017
1,087,000	$0.27	14-Nov-2019
3,239,500		