Peruvian Precious Metals Corp.

Management's Discussion and Analysis of Financial Condition and Results of Operation

For the three months ended December 31, 2014

This Management's Discussion and Analysis ("MD&A") is dated March 2, 2015 and is management's assessment of the operations and the financial results together with future prospects of Peruvian Precious Metals Corp. ("Peruvian Precious Metals" or the "Company"). The Company changed its name from Sienna Gold Inc. and its stock symbol to PPX on July 2, 2013. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three months ended December 31, 2014 (the "December 2014 Interim Financial Statements"). The December 2014 Interim Financial Statements have been prepared in conformity with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using the same accounting policies as detailed in the Company's audited consolidated financial statements for the year ended September 30, 2014. The December 2014 Interim Financial Statements do not include all the information required for complete annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and therefore should be read together with the audited annual financial statements for the year ended September 30, 2014 and the related MD&A for the year then ended. Additional information relevant to the Company's activities, including the Company's press releases can be found on SEDAR at www.sedar.com and on the Company's website at (www.peruvianpmc.com).

All references to "dollars" or "$" are in Canadian dollars unless noted otherwise.

This Management's Discussion and Analysis includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the mining industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of Peruvian Precious Metals to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of the Company to fund the capital and operating expenses necessary to achieve the business objectives of the Company, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by the Company. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of Peruvian Precious Metals should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this document are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

1. Company Highlights and Outlook

Peruvian Precious Metals is focused on exploring and developing the Igor property, located in Peru, South America.

Igor is the Company's main project with a Canadian National Instrument 43-101 Inferred resource estimate (the Callanquitas resource estimate) of 730,500 gold equivalent "Au Eq" ounces consisting of 7.2 million tonnes grading 1.9 grams per tonne (g/t) gold and 71.8 g/t silver; which equates to 3.16 Au Eq g/t using a cut-off grade of 1.5 Au Eq g/t. This represents 448,500 ounces of gold and 16,600,000 ounces of silver. The report can be viewed on SEDAR at ww.sedar.com or on the Company's web site at www.peruvianpmc.com.

The Company's objective is to continue to expand and upgrade the known gold and silver resources on the Igor Project and explore other targets along the approximately eight kilometres of undrilled gold and silver mineralized structure for further potentially economically mineralized areas. The Company also intends to conduct test mining and bulk sampling of a portion of the known Callanquitas resource. In August 2014, the Company signed an agreement with Proyectos La Patagonia S.A.C. ("Patagonia"), a wholly-owned subsidiary of the

Explora Peru Mining Group, Peru to conduct underground bulk sampling and test mining in order to develop mining cost profiles, evaluate precious metal recoveries and validate the resource model. The Company's ability to complete this program and to continue to advance the Igor project on the short and longer term is dependent on additional funding, retaining suitable qualified and professional personnel and maintaining costs appropriate for the Company's level of development.

On October 9, 2014, the Company announced that it has signed a Memorandum of Understanding ("AMM MOU") with AM Mining SAC ("AMM") of Lima, Peru, that outlines the terms and conditions under which AMM will construct and operate on behalf of the Company a 350 metric tonne per day ("350 mt/d") gold and silver processing plant, utilizing CIP/CIL and Merrill-Crowe precious metal recovery, capable of producing precious metal dore at the Company's Igor project in northern Peru. AMM, in conjunction with sister company Fundición Callao, SAC ("Fundición"), has over 60 years of mining, mineral processing and plant construction experience, with a hemisphere-wide client and project resume. The AMM MOU will form the basis for a series of definitive construction and operational agreements ("Agreements") that the Company anticipates will be completed shortly. The Company and AMM will utilize data gathered during on-going metallurgical testing and the previously announced underground bulk sampling program (please see press release dated September 2, 2014) to develop a detailed process flow-sheet for the proposed precious metal processing plant. Should the underground bulk-sampling program produce positive results, validated through a prefeasibility process, having a company-owned processing facility at the Igor project site could provide a significant economic benefit to the Company.

On December 9, 2014, the Company's shareholders approved all matters submitted by management for their consideration at the annual general meeting ("AGM") held in Lima, Peru. Shareholders approved setting the number of directors at four and re-elected Mr. Jorge Benavides, Mr. Brian Maher, Mr. Brian Imrie and Mr. Luis-Felipe Arizmendi to the Board of Directors for the ensuing year. Shareholders also passed resolutions approving the appointment of MacKay LLP, Chartered Accountants as auditors of the Company for the ensuing year and the Company's 2014 Stock Option Plan as described in the information circular mailed to shareholders with the notice of the meeting.

Complete details of the Company's activities can be found in the sections entitled "Exploration and Evaluation Assets" and "Corporate and Financing" of the MD&A below.

2. Results of Operations

Summary of Quarterly Information

The following table sets out selected quarterly financial data from the Company's unaudited quarterly financial statements. There were no significant revenues reported in any of the periods reflected below.

	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
	$	$	$	$
Total revenue	**Nil**	Nil	Nil	Nil
Net Loss	**866,570**	3,060,202	754,673	631,256
Loss per share	**0.00**	0.03	0.00	0.00
	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
		$	$	$
Total revenue	**Nil**	Nil	Nil	Nil
Net Loss	**891,358**	22,890,189	713,855	1,053,942
Loss per share	**0.01**	0.19	0.01	0.01

The following are the operational results for the three months ended December 31, 2014 and 2013:

	Three Months Ended December 31	
	2014	2013
	$	$
Communication and regulatory	**29,404**	379
Depreciation	**2,667**	-
Foreign exchange loss (gain)	**106,444**	(354)
Consulting fees, salaries and benefits	**184,081**	395,977
Professional fees	**96,663**	82,492
Travel and promotions	**24,263**	70,030
Office and miscellaneous	**37,138**	49,632
Premises	**14,037**	15,341
Share-based payments	**563,974**	110,106
Write-down of exploration and evaluation assets	**110,523**	165,438
Interest income	**(19,834)**	(6,163)
Interest expense	**121,751**	8,480
Change in fair value of derivative liability	**(404,541)**	-
	866,570	891,358

The most significant changes were:

- Communication and regulatory expenditure increased during the period as a result of increased regulatory filings due to the increased financing activity.
- Consulting, salaries and benefits in the current period have decreased significantly compared with the three months ended December 31, 2013. During the three months ended December 31, 2013, the Company accrued severance pay for the former Chief Financial Officer.
- Professional fees increased during the period as a result of legal fees incurred to complete the private placements.
- Share-based payments increased significantly as the Company issued 4,700,000 share options vesting immediately to certain directors, officers, a consultant and an employee.
- Due to the economic conditions facing the Company, mineral property interest expenditures are being written down each year until the Company has the financial resources to continue meaningful work on the Company's project.
- Interest expense increased as a result of accrued interest expense and accretion expense on the convertible debenture.

3. Exploration and Evaluation Assets

Igor Project

Peruvian Precious Metals is focused on exploring and developing the Igor property, located in Peru, South America. Igor is the Company's main project with a National Instrument 43-101 resource estimate (the Callanquitas resource estimate) with an inferred resource of 730,500 gold equivalent "Au Eq" ounces consisting of 7.2 million tonnes grading 1.9 grams per tonne (g/t) gold and 71.8 g/t silver; which equates to 3.16 Au Eq g/t using a cut-off grade of 1.5 Au Eq g/t. This represents 448,500 ounces of gold and 16,600,000 ounces of silver. The report can be viewed on SEDAR at ww.sedar.com or on the Company's web site at www.peruvianpmc.com.

The Company's objective is to continue to expand and upgrade the known gold and silver resources on the Igor Project and explore other targets along the approximately eight kilometres of undrilled gold and silver mineralized structure for further potentially economically mineralized areas. The Company also intends to conduct test mining and bulk sampling of a portion of the known Callanquitas resource. On September 2, 2014, the Company announced that it had signed a Memorandum of Understanding ("MOU") with Proyectos La Patagonia S.A.C. ("Patagonia"), a wholly-owned subsidiary of the Explora Peru Mining Group, Peru that outlines the terms and conditions under which Patagonia will conduct underground bulk sampling, test mining and develop appropriate underground infrastructure at the Company's Igor gold and silver project in northern Peru. The work program is intended to gather specific data on underground mining costs, acquire geotechnical information, collect bulk samples for metallurgical testing including test milling, and evaluate selective mining methods. The data gathered may be utilized to complete a pre-feasibility study ("PFS") and/or a preliminary economic assessment ("PEA") in accordance with Canadian National Instrument 43-101 that will evaluate economic parameters for potential future mine development at Igor. Further details of the MOU can be found in the press release announcing the transaction.

On October 9, 2014, the Company announced that it has signed a Memorandum of Understanding ("AMM MOU") with AM Mining SAC ("AMM") of Lima, Peru, that outlines the terms and conditions under which AMM will construct and operate on behalf of the Company a 350 metric tonne per day ("350 mt/d") gold and silver processing plant, utilizing CIP/CIL and Merrill-Crowe precious metal recovery, capable of producing precious metal dore at the Company's Igor project in northern Peru. AMM, in conjunction with sister company Fundición Callao, SAC ("Fundición"), has over 60 years of mining, mineral processing and plant construction experience, with a hemisphere-wide client and project resume. The AMM MOU will form the basis for a series of definitive construction and operational agreements ("Agreements") that the Company anticipates will be completed shortly. The Company and AMM will utilize data gathered during on-going metallurgical testing and the previously announced underground bulk sampling program (please see press release dated

September 2, 2014) to develop a detailed process flow-sheet for the proposed precious metal processing plant. Should the underground bulk-sampling program produce positive results, validated through a prefeasibility process, having a company-owned processing facility at the Igor project site could provide a significant economic benefit to the Company.

On November 17, 2014 the Company announced that it had received a Certificado de la Inexistencia de Restos Arqueológicos ("CIRA", "Certificate of the Non-Existence of Archaeological Remains") from the Peru Ministerio de Cultura del Perú - Dirección Desconcentrada de Cultura de La Libertad (Ministry of Culture of Peru - Decentralized Culture Department of La Libertad), covering 92% (1,229.51 Ha) of its Igor project in Northern Peru. The CIRA includes areas that would be impacted by the Company's proposed test mining and underground bulk sampling program. Receipt of the CIRA allows the Company and its partner Patagonia to proceed with the permitting process and complete the Declaración de Impactos Ambientales ("DIA", "Declaration of Environmental Impacts").

Subsequent to December 31, 2014, on February 5, 2015, the Company announced that it had signed a series of agreements that put into effect the Memorandum of Understanding (MOU) with AM Mining SAC (AMM) of Lima, Peru, that was previously announced on October 9, 2014. The agreements outline the terms and conditions under which AMM will construct and operate on behalf of the Company a 350 metric tonne per day ("350 mt/d") gold and silver processing plant, utilizing CIP/CIL and Merrill-Crowe precious metal recovery, capable of producing precious metal dore at the Company's Igor project in northern Peru.

4. Corporate and Financing

Financing

On October 7, 2014 the Company announced it had closed a non-brokered private placement with Patagonia for gross proceeds of $478,588 for issuance of 5,317,644 common shares.

On November 3, 2014 the Company completed a non-brokered private placement issuing 4,949,690 units at a price of $0.13 per unit for gross proceeds of $643,460. Each unit consists of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder, on exercise thereof, to purchase one additional common share at a price of $0.18 for a period of 24 months from the completion of the private placement, provided that if the daily volume weighted average price for twenty (20) consecutive days of trading of the Company's shares on the TSX Venture Exchange ("TSX-V") (or such other stock exchange on which shares of the Company are listed) exceeds $0.24 per share, the Company will have the right to accelerate the expiry date of the Warrants by giving notice to the holders of the Warrants that the Warrants will expire on the date that is not less than thirty (30) calendar days from the date notice is given. In consideration for introducing subscribers to the private placement, the Company issued 319,555 units (the "Finder's Units") to an arm's length finder, representing 7% of the total number of units sold to subscribers introduced to the Company by the finder. Each Finder's Unit consists of one common share of the Company and one common share purchase warrant (a "Finder's Warrant") which entitles the holder, on exercise thereof, to purchase one additional common share at a price of $0.18 on or before October 31, 2016. If the daily volume weighted average price for twenty (20) consecutive days of trading of the Company's shares on the TSX-V (or such other stock exchange on which shares of the Company are listed) exceeds $0.24 per share, the Company will have the right to accelerate the expiry date of the Finder's Warrants by giving notice that the Finder's Warrants will expire on a date that is not less than thirty (30) calendar days from the date notice is given.

On December 31, 2014 the Company completed a non-brokered private placement issuing 2,223,626 units at a price of $0.13 per unit for gross proceeds of $289,071. Each unit consists of one common share of the Company and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder, on exercise thereof, to purchase one additional common share at a price of $0.18 for a period of 24 months from the completion of the private placement, provided that if the daily volume weighted average price for twenty (20) consecutive days of trading of the Company's shares on the TSX-V (or such other stock exchange on which shares of the Company are listed) exceeds $0.24 per share, the Company will have the right to accelerate the expiry date of the Warrants by giving notice to the holders of the Warrants that the Warrants will expire on the date that is not less than thirty (30) calendar days from the date notice is given. In consideration for introducing subscribers to the private placement, the Company issued 155,653 units (the "Finder's Units") to an arm's length finder, representing 7% of the total number of units sold to subscribers introduced to the Company by the finder. Each Finder's Unit consists of one common share of the Company and one common share purchase warrant (a "Finder's Warrant") which entitles the holder, on exercise thereof, to purchase one additional common share at a price of $0.18 on or before December 31, 2016. If the daily volume weighted average price for twenty (20) consecutive days of trading of the Company's shares on the TSX-V (or such other stock exchange on which shares of the Company are listed) exceeds $0.24 per share, the Company will have the right to accelerate the expiry date of the Finder's Warrants by giving notice that the Finder's Warrants will expire on a date that is not less than thirty (30) calendar days from the date notice is given.

5. Capital Resources, Capital Expenditures and Liquidity

The Company's cash and working capital deficiency were $209,279 and $3,349,292 as at December 31, 2014 (September 30, 2014 – $56,795 and $4,888,112). The Company will need to raise additional funds to settle its outstanding obligations, fund future drilling and for general and administrative expenses.

During the three months ended December 31, 2014, net cash used in operating activities was $1,595,553, net cash used in investing activities was $589,111 including $478,588 for acquisitions of property, plant and equipment, and $110,523 in deferred exploration costs on its Igor Project; and net cash provided by issuance of common shares as part of financing activities was $1,393,230.

The exploration activities of the Company will require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and development of any of the Company's properties. Furthermore, inability to meet property payments and negotiate satisfactory terms with creditors could ultimately result in the loss of the properties.

There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financings will be favorable to the Company. In addition, low commodity prices may affect the Company's ability to obtain financing.

6. Related Party Transactions

(a) Compensation of key management personnel

Certain of the Company's key management personnel render services to the Company as sole proprietors or through companies in which they are an officer or director.

	Nature of transactions
Maher Global Exploration	Consulting fees
KA Gold LLC	Consulting fees
Specialized Geological Mapping	Consulting fees

Compensation includes salaries paid to the President and Chief Executive Officer, Chief Financial Officer, Vice President of Corporate Development, Manager of Exploration and amounts paid to directors as consulting fees for their services provided to the Company outside of their capacity as a director.

		Three Months Ended December 31, 2014		Three Months Ended December 31, 2013
Consulting fees, salaries and benefits	$	126,347	$	139,893
Termination benefits		-		210,000
Share-based payment		244,834		85,130
	$	371,181	$	435,023

(b) Other related parties

Amounts due to related parties are unsecured, non-interest bearing and due on demand. Accounts payable at September 30, 2014 included $334,059 (September 30, 2014 - $672,184), which were due to individuals or companies whose officers, directors or partners were also officers or directors of the Company.

(c) Note Receivable from former Officer/Director

During the year ended September 30, 2013, the Company entered into a loan agreement with the former President/Director ("director") of the Company, whereby, the Company would provide him with a loan of $616,250 in order for him to exercise his share options to purchase 2,465,000 shares of the Company.

The terms of the loan require the former director to place the shares in trust with the Company's counsel as security for the loan. The loan accrues interest at a rate of 4% per annum with principal repayments following the below schedule:

1. $136,250 due August 31, 2014 (unpaid);
2. $175,000 due September 14, 2015; and
3. $305,000 due on November 24, 2016

Interest amounts began accruing at the inception of the loan and have been capitalized to the note receivable. No interest is to be paid during the first three years of the term.

In the event one of the following events (each, an "Event of Default") occur, namely:

(a) Sale, transfer, assignment or any other disposition of the former director's interest in the common shares, or any part thereof; or
(b) The bankruptcy or insolvency of the former director;

the Company shall, by notice in writing to the former director, declare the principal amount of the note receivable due and payable within 30 days of the notice, provided that the Company's recourse will be limited to the common shares and further provided that, in the event of the sale, transfer, assignment or other disposition of some but not all of the shares, the amount immediately due and payable by the former director shall be limited to any positive amount resulting from the principal sum less the proceeds of the sale of the common shares.

The Company's recourse for any shortfall from the former director shall be limited to the remaining common shares. If the former director does not repay the principal sum upon receipt of notice of an event of default, the former director shall pay all costs and expenses incurred by the Company in enforcing the agreement and realizing its security.

		December 31, 2014		September 30, 2014
Balance, beginning of the period / year	$	-	$	631,272
Loan		-		-
Foreign exchange		-		-
Interest		-		24,650
Allowance provided for note receivable		-		(655,922)
Balance, ending of the period / year	$	-	$	-

During the year ended September 30, 2014, management decided to write down and provide an allowance for the note receivable for accounting purposes due to the uncertainty around the collectability, as the settlement with the former director is currently in dispute.

7. Subsequent Events

On February 5, 2015 the Company announced that it had signed a series of agreements that put into effect the Memorandum of Understanding (MOU) with AM Mining SAC (AMM) of Lima, Peru, that was previously announced on October 9, 2014. The agreements outline the terms and conditions under which AMM will construct and operate on behalf of the Company a 350 metric tonne per day ("350 mt/d") gold and silver processing plant, utilizing CIP/CIL and Merrill-Crowe precious metal recovery, capable of producing precious metal dore at the Company's Igor project in northern Peru. AMM, in conjunction with sister company Fundición Callao, SAC ("Fundición"), has over 60 years of mining, mineral processing and plant construction experience, with a hemisphere-wide client and project resume. The Company and AMM will utilize data gathered during on-going metallurgical testing and the previously announced underground bulk sampling program (please see press release dated September 2, 2014) to develop a detailed process flow-sheet for the proposed precious metal processing plant.

Although the Company does not intend this press release to be interpreted as a decision to commence commercial production, it should be noted that a production decision in the absence of a feasibility study of mineral reserves that demonstrates economic and technical viability has increased uncertainty and higher risk of economic and technical failure associated with any production decision.

Important aspects of the MOU are summarized below:

- AMM anticipates that it will take up to 18 months to obtain permits, complete the final design and plant engineering, construct the milling and processing equipment, prepare necessary site infrastructure, install and commission the processing plant at the Igor Project. AMM will be responsible for all aspects of project permitting, site preparation, tailings disposal, as well as the detailed design, assembly and construction of the processing facility. AMM will utilize the engineering expertise of Fundición in the design phase as well as the Fundición fabrication facility in Lima to construct the processing equipment including all mills, tanks, etc. Fundición is highly experienced in process plant design, construction and assembly, having been contractor and sub-contractor on projects of all scales: Mina Peñasquito, Zacatecas, Mexico (Au, Ag, Zn, Pb), Goldcorp, 130,000 tpd; Mina Antapaccay, Peru (Cu, Ag, Au), Xstrata, 60,000 t/d; Minera Aurifera Retamas, Peru (Au), 1,500 t/d; Mina Lagunas Norte, Peru (Au), Barrick Gold, processing facility.
- The Company and AMM have completed preliminary engineering and design work for the processing plant based on available and on-going metallurgical test work. Pending completion of the metallurgical testing, the processing plant will consist of a crushing/grinding circuit with a process capacity of 350 mt/day. Gold and silver recovery will be accomplished with either CIP or CIL leaching, Merrill Crowe silver recovery and a conventional desorption circuit. All support facilities, including analytical laboratory, CN destruction circuit, rock and crushed material loading and feeding conveyors, etc. are included in the proposed plant which is intended to be a "turn-key" facility. The processing plant will have the capacity to produce gold and silver dore at the Igor site. Plant equipment will be procured and/or fabricated by Fundición at its factory in Lima and then transported to the Igor project site for assembly. All new components will be utilized.
- After completing the construction of the processing plant at the Igor project site, AMM will operate the plant for a period of up to 54 months, charging a fixed fee for plant supervision, environmental monitoring, safety, security and reasonable profit. AMM has the right to receive its fee in dore produced from the plant's operations. At any time after the plant's completion, the title to the processing plant can be transferred to the Company at the Company's discretion. Once the processing plant's design and engineering is finalized, projected operating costs will be available for disclosure. Following completion of the 54-

month operational period or termination of the Agreements as outlined below, the Company will assume operating control of the processing plant.

- As compensation for the design, procurement, permitting and construction of the processing facility as outlined above, Peruvian will pay AMM US$5,000,000, of whichUS$3,870,685 is payable in cash at the commencement of the contract. The balance of US$1,129,305 is payable within 12 months in cash, or at the Company's option, by the issuance of 12,344,782 shares. Any additional costs for the design, construction and assembly of the processing plant beyond the amount above will be borne by AMM. Peruvian has also agreed to a non-brokered private placement with AMM, for gross proceeds of Cdn$4,865,850. The private placement will consist of 42,311,740 common shares of Peruvian priced at Cdn$0.115 per share. The Company may pay a finder's fee in connection with the private placement of 8 per cent in shares and 8 per cent in warrants ("Broker Warrants") in accordance with the policies of the TSX Venture Exchange. Each Broker Warrant entitles the holder, on exercise thereof, to purchase one additional share at a price of $0.18 for a period of 24 months from the completion of the private placement, provided that if the daily volume weighted average price for twenty (20) consecutive days of trading of the Company's shares on the TSX Venture Exchange (or such other stock exchange on which shares of the Company are listed) exceeds $0.24 per share, the Company will have the right to accelerate the expiry date of the Warrants by giving notice to the holder of the Warrants that the Warrants will expire on the date that is not less than thirty (30) calendar days from the date notice is given.
- Combining the 18-month permitting and construction period with the 54 month period of processing plant operations, the MOU anticipates a total Agreement life of 72 months. The Company has the right to terminate the MOU and Agreements at any time by paying AMM a termination fee based on potential loss of earnings from the anticipated processing plant operations. The base termination fee is US$13,500,000. For each month that the MOU and Agreements are in effect, the termination fee is reduced by US$187,500, commencing at the end of the first month following the effective date of the MOU. The termination fee can be further reduced by applying a credit equal to 50% of any appreciation in value of the shares acquired by AMM in the private placement outlined above. AMM has the right to receive a 120-day notice in event of a termination of the MOU and/or Agreements.

On February 25, 2015, the Company announced a non-brokered private placement of a convertible debenture in the principal amount of US$200,000.00 (the "**Debenture**") to one subscriber (the "**Investor**") with the following material attributes:

Term: 1 year from closing

Interest Rate: 13% per annum, payable every four months, with the first payment due September 30, 2015.

Conversion Price: US$0.085 per share

The principal amount owing under the Debenture will be due and payable on the third anniversary of the closing date (the "**Maturity Date**"). The Investor may convert all or part of the outstanding principal amount of the Debenture into common shares of the Company (the "**Conversion Shares**") at the conversion price of US$0.085 per share (the "**Conversion Price**") at any time during the term of the Debenture. The Debenture is non-transferable unless otherwise agreed to by the Company.

8. Disclosure of Outstanding Share Data

	March 2, 2015
Voting or equity securities issued and outstanding	**170,310,072**
Securities convertible or exercisable into voting or equity share:	
Warrants	**14,890,400**
Agent warrants	**1,400,358**
Share options	**12,783,000**
Convertible debenture	**12,307,692**

9. Financial Instruments

Fair Value and Classification of Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, and convertible debenture. Cash and other receivables are designated as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are designated as other financial liabilities, which are measured at amortized cost. The convertible debenture derivative liability is measured at fair value through profit and loss using Black-Scholes option pricing model. This basis of determining fair value is a level 2 technique for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. The carrying values of the Company's financial instruments approximate their fair values due to the short-term nature of these instruments.

10. Off-Balance Sheet Arrangements

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

11. Significant Accounting Estimates and Judgments

The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

<u>Critical Accounting Estimates</u>

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the determination of environmental obligations, the recoverability of exploration and evaluation assets, the assumptions used in the determination of the fair value of share-based payment, and recoverability of accounts and note receivables.

<u>Critical Accounting Judgments</u>

Critical accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments, as follows:

- the point in time that an economic feasibility study has established the presence of proven and probable reserves;
- deferred tax assets recorded in the consolidated financial statements;
- in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of the Company is the Canadian dollar and the functional currency of the Company's wholly-owned subsidiaries is the US dollar, as they are the currencies of the primary economic environments in which the companies operate.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.