

# **MAMMOTH RESOURCES CORP.**

## **Form 51-102F1: Management's Discussion and Analysis**

For the Three and Six Months Ended July 31, 2014

(Expressed in Canadian Dollars)

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This management discussion and analysis ("MD&A") has been prepared based on information available to Mammoth Resources Corp. ("Mammoth" or the "Company") as at September 30, 2014. The MD&A of the operating results and financial condition of the Company for the three and six months ended July 31, 2014, should be read in conjunction with the Company's condensed consolidated interim financial statements (the "Financial Statements") and the related notes for the three and six months ended July 31, 2014, and the Company's audited financial statements for the year ended January 31, 2014, prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this document has also been prepared by management and is consistent with the data contained in the Financial Statements. Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) or on the Company's website at [www.mammothresources.ca](http://www.mammothresources.ca).

### **Business Overview and Overall Performance**

#### Business overview

The Company was incorporated under the provisions of the *Business Corporations Act* (British Columbia) on January 7, 2011. The head office of the Company is located at 150 York Street, Toronto, Ontario, Canada, M5H3S5. The registered and records office of the Company is located at Suite 2600, Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, Canada V6E 3X1. The Company's common shares trade on the TSX Venture Exchange under the symbol MTH.

The Company is a mineral exploration company focused on acquiring and defining precious metal resources in Mexico and other attractive mining friendly jurisdictions in the Americas. The Company has an option to acquire 100% of the Tenoriba Property located in the Sierra Madre Precious Metal Belt in southwestern Chihuahua State, Mexico. The Company continues to seek other option agreements in the Americas on other properties it deems to host above average potential for economic concentrations of precious metals mineralization.

The Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Accordingly, it does not give effect to adjustments, if any that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than in the normal course of business and at amounts that may differ from those shown in these financial statements.

For the six months ended July 31, 2014, the Company incurred a net loss of \$142,448 (2013 - \$819,135), received cash from operations of \$55,527 (2013 - used cash from operation \$99,474), and as at July 31, 2014, had an accumulated deficit of \$2,362,328 (January 31, 2014 - \$2,219,880) and a working capital deficit of \$406,524 (January 31, 2014 - \$156,559). Currently, the Company does not have sufficient cash to fund its operations, the costs of which are being funded entirely by the directors, officers, shareholders and/or creditors. Therefore, the ability to continue as a going concern in the near-term relies solely on the willingness of the directors, officers, shareholders and/or creditors to meet funding requirements, in the absence of the completion of a further financing or a strategic transaction.

In addition, the business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves and the achievement of profitable operations; or the ability of the Company to raise financing; or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

These circumstances comprise a material uncertainty which may lend significant doubt as to the ability of

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the Company to continue as a going concern. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

#### **Highlights for the six months ended July 31, 2014**

- For the six months ended July 31, 2014, the Company recorded a loss and comprehensive loss of \$142,448 or \$0.00 loss per share.
- As at July 31, 2014, the Company had total assets of \$935,058 (January 31, 2014 - \$793,847) consisting primarily of cash and exploration and evaluation assets associated with the Tenoriba Project. The Company had a working capital deficit of \$406,524 (January 31, 2014 - \$156,559).
- On July 25, 2014 the Company announced that it has signed surface rights agreements that will permit drilling on its Tenoriba project for a term of three years following which the Company has applied for a government permit to drill up to 20 holes.
- Subsequent to the period end, the Company completed a private placement unit offering raising gross proceeds of \$326,210 (see "*Subsequent events*").

#### **Tenoriba Project, Mexico**

On July 3, 2012 the Company signed a definitive agreement to option the Tenoriba gold and silver project located in southwestern Chihuahua State, Mexico (the "Agreement"). Tenoriba is comprised of three concessions, Mapy 1, Mapy 2 and Fernanda, covering a land package of approximately 8,100 hectares.

The terms of the Agreement permit the Company to acquire 100 percent of the Tenoriba property by issuing a total of 900,000 common shares and making total cash payments of US\$160,000 to the vendors over the four year option period and spending US\$1,000,000 in exploration expenditures on or before June 30, 2016. In addition, the Company has paid US\$40,000 in property back-taxes owing to the Mexican government. The Agreement also allows for a 2 percent Net Smelter Return royalty payable to the vendors upon commercial production. The royalty can be purchased by the Company at any time within a three year period from commencement of commercial production for US\$1,500,000.

#### **'Fernadad' Concession Option Details**

Pursuant to the Agreement the Company will issue 425,000 common shares and make cash payments of \$97,500 USD as follows:

1. 50,000 common shares and USD\$5,000 on or before December 30, 2012 (issued and paid);
2. 50,000 common shares and USD\$5,000 on or before June 30, 2013 (issued and paid);
3. 50,000 common shares and USD\$12,500 on or before December 30, 2013 (issued and USD\$6,250 paid subsequent to year end with the remaining US\$6,250 agreed to be paid by July 1, 2014 with interest) (not issued or paid);
4. 50,000 common shares and USD\$12,500 on or before June 30, 2014 (not issued or paid);
5. 50,000 common shares and USD\$12,500 on or before December 30, 2014;
6. 50,000 common shares and USD\$12,500 on or before June 30, 2015;
7. 62,500 common shares and USD\$18,750 on or before December 30, 2015 and;
8. 62,500 common shares and USD\$18,750 on or before June 30, 2016

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#### 'Mapy' Concession Option Details

Pursuant to the Agreement the Company will issue 475,000 common shares and make cash payments of \$62,500 USD as follows:

1. 75,000 common shares on or before December 30, 2013 (issued);
2. 75,000 common shares on or before June 30, 2014 (not issued);
3. 75,000 common shares and USD\$12,500 on or before December 30, 2014;
4. 75,000 common shares and USD\$12,500 on or before June 30, 2015;
5. 87,500 common shares and USD\$18,750 on or before December 30, 2015 and;
6. 87,500 common shares and USD\$18,750 on or before June 30, 2016

The Company has made numerous press release announcements which report on results from activities summarized in the Highlights section of this MD&A and summarized in the prior period MD&A's.

On January 16, 2014 the Company announced results of the ground geophysics survey which assisted in identifying numerous attractive geophysical structures with strike lengths of greater than 100 metres up to as much as 600 metres, where in numerous cases these features remain open along strike. The Company posted on its web site a technical report that summarizes all work performed on the property up until early in the fourth quarter 2013 and the complete geophysics technical report, plus locations of proposed drill holes to test various geophysical, geological and structural features on the property.

On February 20, 2014 the company posted a technical report summarizing historical and recent work performed on its Tenoriba Property provides a review of all known historical work performed on the property and all work performed by Mammoth Resources until the end of 2013. The report recommends drilling geophysical targets and continuing metallurgical testing of precious metal enriched cyanide leachable material on the property.

On February 20, 2014 the Company announced grab samples up to 73.4 grams per tonne gold from its outcrop grid sampling program at the Tenoriba Property together with numerous samples which assay greater than one gram per tonne gold within these large surface outcrops is pleased to announce results from its recently completed, detailed mapping and sampling program located within the Los Carneritos target area. Rocks sampled in these five areas included highly silicified, felsic volcanic and chaotic volcanic breccias with patches of vuggy silica which returned numerous high gold grades, including one exceptional sample, sample number 330952 which assayed 73.4 grams per tonne (g/t) gold from what is being called Draw Point 4 within the Carneritos area.

On April 9, 2014 the Company announced that it posted on its web site the complete geophysics report, with recommendations, various surface plans and geophysical survey cross sections from the Induced Polarization and Magnetic ground geophysics survey covering approximately one third of the large 15 square kilometre target area of gold and silver mineralization at its Tenoriba Property. The coincidence of geophysical targets with where the Company mapped attractive precious metal enriched rocks, with good assay results, was encouraging. The extension of these features at depth was what the Company was hoping for from this survey. The Company's next steps are to design a drill program to test these features at depth. We anticipate a first phase drill program consisting of 15 to 20 drill holes totalling 2,500 to 3,000 metres and expect to report on the results of this planning and the nature of these targets in the coming weeks. The company has been seeking quotations for such a program and it's likely no surprise that high drill rig availability offers terrific economies for drilling at this time. The company is also advancing the permitting process, including having consulted with those involved in the process at the state ministry office and is optimistic of receiving permits with little issue."

On April 16, 2014 the Company announced that it confirmed the position of 14 drill holes to test the depth extent of numerous geophysical features below attractive surface geology on its Tenoriba Property where targets have been selected based on a combination of the most attractive features currently observed on

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the property and where access to drilling is available with minimal surface disturbance within the large 15 square kilometre target. The Company has initiated the permit process for its planned drill program. Surface rights to the project area are governed by two ejidos, an agreement has been signed by one of the two ejidos while a similar agreement with the other ejido is pending their next general assembly meeting.

On September 18, 2014, the Company announced that it has submitted its permit application to drill the Tenoriba property. The application is for permission to drill up to 20 drill holes under an "Informe Preventivo" or "Aviso de Inicio de Actividades de Proyectos de Exploracion Minera Directa" (NOM-120-ECOL-1997) and was submitted to the SEMARNAT (Secretaria de Medio Ambiente y Recursos Naturales) office in Chihuahua, Mexico. Once the Company has received approval and subject to financing, it intends to initiate access road and drill pad construction and repair as a preliminary step to drilling. Quotes have been received from seven drill contractors on 11 different drill rig (reverse circulation or core) services with all-in estimated costs (drilling, sample analysis, travel, accommodations and labour) as low as US\$320,000.

The Company has incurred the following acquisition and deferred exploration costs on the Tenoriba Project:

<b>For the six months ended July 31, 2014</b>	<b>Tenoriba Project \$</b>
<b>Acquisition costs, January 31, 2014</b>	18,398
Additions	1,733
<b>Acquisition costs, July 31, 2014</b>	<b>20,131</b>
<b>Deferred exploration costs, January 31, 2014</b>	<b>653,652</b>
Additions for six months ended July 31, 2014	
Depreciation	6,389
Geophysics	8,066
Geology	113,827
Professional fees	1,445
Supplies	9,977
Taxes and permitting	10,675
Travel and accommodation	15,381
	165,760
<b>Deferred exploration costs, July 31, 2014</b>	<b>819,412</b>
<b>Total exploration and evaluation assets, July 31, 2014</b>	<b>839,543</b>

Richard Simpson, P. Geo., Vice-President Exploration for Mammoth Resources Corp. is Mammoth's Qualified Person, according to National Instrument 43-101 and supervised the preparation of the technical information contained in this MD&A in compliance with NI 43-101.

### Results of Operations

The following discussion and analysis of the Company's financial results of its operations should be read in conjunction with the Company's Financial Statements and related notes.

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### Six months ended July 31, 2014

For the six months ended July 31, 2014 the Company reported a loss and comprehensive loss of \$142,448 (2013 - \$819,135). Included in the 2013 loss is a write-off of exploration and evaluation assets in the amount of \$627,056.

Professional fees of \$52,087 during the period (2013 - \$36,743) include accounting, audit and legal fees. Consulting fees of \$48,943 during the period (2013 - \$51,212) include the cost of the CEO of \$33,193 and other consulting fees of \$15,750.

Share-based payments were \$24,646 for the period (2013 - \$16,082). The amount expensed in the period relates to stock options that were granted and vested during the period. The fair value of the stock options granted was determined using the Black-Scholes pricing model.

### Three months ended July 31, 2014

For the three months ended July 31, 2014 the Company reported a loss and comprehensive loss of \$50,981 (2013 - \$75,101).

Professional fees of \$38,587 during the period (2013 - \$20,482) include accounting, audit and legal fees. Consulting fees of \$16,250 during the period (2013 - \$4,823) include the cost of the CEO. Share-based payments were \$nil for the period (2013 - \$6,236). The amount expensed in the period relates to stock options that were granted and vested during the period. The fair value of the stock options granted was determined using the Black-Scholes pricing model.

## Summary of Quarterly Results

The following information is derived from the Company's unaudited quarterly financial statements for the preceding eight quarters.

	<b>July 31</b>	<b>April 30</b>	<b>January 31</b>	<b>October 31</b>
	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total assets	935,058	844,348	793,847	838,194
Shareholders' equity	407,157	464,138	496,019	633,960
Total revenues	Nil	Nil	Nil	Nil
Loss and comprehensive loss	50,981	91,467	241,139	164,371
Loss and comprehensive loss per share - basic	0.00	0.00	0.00	0.01
	<b>July 31</b>	<b>April 30</b>	<b>January 31</b>	<b>October 31</b>
	<b>2013</b>	<b>2013</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Total assets	568,084	441,791	1,152,522	1,113,975
Shareholders' equity	345,118	301,705	1,032,551	1,094,526
Total revenues	Nil	Nil	nil	nil
Loss and comprehensive loss	78,443	740,692	106,190	94,221
Loss and comprehensive loss per share - basic	0.00	0.04	0.02	0.00

Note 1: Loss and comprehensive loss for the period ended April 30, 2013 includes a write off of exploration and evaluation assets in the amount of \$623,714.

Note 2: Total assets increased in the periods ended July 31, 2014, October 31, 2013 and July 31, 2013 as the Company completed tranches of a non-brokered private placement.

## Liquidity

The Company currently has no operating revenues and relies primarily on equity financing.

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#### Subsequent events

On September 18 and 26, 2014 the Company completed a first and final tranche of a private placement unit offering (the "Units") of a total of 9,320,285 Units for gross proceeds of \$326,210 at a price of \$0.035 per Unit. Each Unit consists of one common share of the Company and one common share purchase warrant (the "Warrant"). Each Warrant will entitle the holder thereof to acquire one additional common share until two years from closing of the private placement, at an exercise price of \$0.10.

#### Capital Resources

The Company's only source of funding has been the issuance of equity securities for cash, exercise of stock options and a loan from officer. Management believes it is using best efforts to raise equity capital as required in the long term, but recognize there will be risks involved that may be beyond its control. The Company has no outstanding debt facility upon which to draw.

#### Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

#### Transactions with Related Parties

The Company defines its key management as the directors, Chief Executive Officer and Chief Financial Officer and Vice-President of Exploration. For the six months ended July 31, 2014, key management compensation was \$146,161 (for the six months ended July 31, 2013 - \$172,580) including share-based payments of \$24,646 (for the six months ended July 31, 2013 - \$16,082).

The following table summarizes information on related party transactions:

	Six months ended July 31	
	2014	2013
	\$	\$
Professional fees	15,000	18,000
Consulting fees	33,890	44,998
Rent	7,000	13,500
Geologic consulting costs included in exploration and evaluation assets	65,625	80,000
Share – based payments	24,646	16,082

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During the year ended January 31, 2014, the Company entered into a loan agreement with an officer of the Company in the amount of \$20,000, which was partially repaid during the period reducing the balance owing at July 31, 2014 to \$14,960. The loan bears interest at Canadian prime rate (3%) plus 2% and is due on demand.

At July 31, 2014 related party accounts payable was \$178,217 (January 31, 2014 - \$19,012) in connection with various services provided to the Company, including professional fees, corporate and geological consulting fees and office rent.

#### **Proposed Transactions**

There are currently no proposed transactions.

#### **Critical Accounting Estimates**

The preparation of the 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 financial statement and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impact of such estimates is pervasive throughout the 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.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

1. the recoverability of receivables;
2. whether or not an impairment has occurred in its exploration and evaluation assets;
3. the inputs used in the accounting for share-based payments;
4. the inputs used in the accounting for options, compensation options and warrants in share capital and equity reserves; and
5. the estimated useful lives of the equipment and whether or not an impairment has occurred.

#### ***Critical Accounting Judgments***

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

#### **Accounting Policies and Recent Accounting Pronouncements**

The Company's significant accounting policies are presented in Note 4 of the annual audited financial statements for the year ended January 31, 2014 as well as note 2 to the Financial Statements.

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**Outstanding Share Data**

The following describes the outstanding share data of the Company as at September 30, 2014.

	Number Outstanding
Common shares	38,450,018
Options to purchase common shares	3,165,000
Warrants to purchase common shares	21,591,685

**Financial instrument risk management**

**a) Fair value of financial instruments**

The carrying value of cash and trade and other payables approximates fair value due to the short-term nature of these financial instruments.

**b) Risk management**

Credit risk

The Company's credit risk is primarily attributable to its cash and government taxes recoverable. The risk exposure is limited to their carrying values at the statement of financial position date. Cash is held as cash deposits with counterparties that carry investment grade ratings as assessed by external rating agencies. The Company does not invest in asset-backed deposits or investments. Government taxes recoverable consists of input tax credits reimbursable to the Company.

Interest rate risk

The Company is not exposed to interest rate risk since it has no interest-bearing debt and its cash balances are not invested in interest-bearing instruments.

Liquidity risk

The Company's objective is to ensure that there is sufficient capital in order to meet annual business requirements, after taking into account administrative, property holding and exploration budgets, against cash. As at July 31, 2014, the Company has \$19,209 in cash to settle current liabilities of \$477,901, consisting of accounts payable and accrued liabilities of \$248,724 and related party accounts payable of \$178,217, a loan from a director of \$14,960 and common shares to be issued of \$36,000. As the Company does not have operating cash flow, the Company has and will continue to rely primarily on equity financing to meet its capital requirements.

Price risk

The Company is exposed to price risk with respect to commodity prices. 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 the commodity prices of precious metals and the stock market to determine the appropriate course of action to be taken by the Company.

Currency risk

The Company operates in Canada and Mexico, and is therefore exposed to foreign exchange risk arising from transactions denominated in a foreign currency.

The operating results and the financial position of the Company are reported in Canadian dollars. The fluctuations of the operating currencies in relation to the Canadian dollar will, consequently have an impact upon the reporting results of the Company and may also affect the value of the Company's assets and liabilities.

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The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Based on management's knowledge and experience of the financial markets, management does not believe that the Company's current financial instruments will be affected by interest rate risk, currency risk and credit risk.

#### **Risk Factors**

The operations of the Company are speculative due to the high risk nature of its business which includes the acquisition, financing, exploration, development and operation of mining properties. The risk factors as disclosed in the annual Management's Discussion and Analysis for the year ended January 31, 2014, could materially affect the Company's future operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

#### Going Concern

At July 31, 2014, the Company had a working capital deficit of \$406,524, has not yet achieved profitable operations and has an accumulated deficit of \$2,362,328 since its inception. The Company expects to incur further losses in the development of its business, all of which cast substantial doubt on the Company's ability to continue as a going concern. The Company will require additional financing in order to conduct its planned work programs on its exploration and evaluation assets, meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future (see Business Overview).

#### **Cautionary Note Regarding Forward-looking Information**

This document contains or refers to forward-looking information. Such forward-looking information includes, among other things, statements regarding targets, estimates and/or assumptions in respect of future production, mine development costs, unit costs, capital costs, timing of commencement of operations and future economic, market and other conditions, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to: the grade and recovery of ore which is mined varying from estimates; capital and operating costs varying significantly from estimates; inflation; changes in exchange rates; fluctuations in commodity prices; delays in the development of the any project caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; termination or revision of any debt financing; failure to raise additional funds required to finance the completion of a project; and other factors. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no responsibility to update them or revise them to reflect new events or circumstances, except as required by law.

#### **Internal Controls and Disclosure Controls over Financial Reporting**

On November 23, 2007, the British Columbia Securities Commission in which the Company is registered exempted Venture Issuers from certifying disclosure controls and procedures, as well as, Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. Since the Company is a Venture Issuer, it is required to file basic certificates, which it has done for the interim period ended July 31, 2014. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109 as at July 31, 2014.