CLEGHORN MINERALS LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THIRD QUARTER ENDED

DECEMBER 31, 2016

DATED FEBRUARY 3, 2017

SCOPE OF THIS MANAGEMENT'S DISCUSSION AND ANALYSIS AND NOTICE TO INVESTORS

This management's discussion and analysis of financial position and results of operations ("MD&A"), is prepared as of February 3, 2017, and complements the unaudited interim condensed financial statements of Cleghorn Minerals Ltd. ("Cleghorn" or the "Company"), for the three-month and nine-month periods ended December 31, 2016, which are compared to the three-month and nine-month periods ended December 31, 2015.

The interim condensed financial statements and related notes have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board. They do not contain all the information required to be disclosed in annual financial statements. Certain information and notes usually provided in the annual financial statements have been omitted or condensed when not deemed essential to the understanding of the interim financial information of the Company. Therefore, this MD&A should be read in conjunction with the information contained in the annual audited financial statements of the Company and the notes thereto for the year ended March 31, 2016. All financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") and all amounts are in Canadian dollars unless otherwise indicated.

The Company's independent auditors have not conducted a review of the interim condensed financial statement in accordance with the standards established by the Canadian Institute of Chartered Accountants regarding the review of the interim financial report.

The unaudited interim condensed financial statements and the MD&A have been reviewed by the audit committee and approved by the Company's Board of Directors on February 3, 2017. These documents and more information about the Company are available on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

Certain statements made in this MD&A are forward-looking statements or information. The Company is hereby providing cautionary statements identifying important factors that could cause the Company's actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook") are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. In making these forward-looking statements, the Company has assumed that the current market will continue and grow and that the risks listed below will not adversely impact the business of the Company. By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed. The risks, uncertainties and other factors, many of which are beyond the control of the Company that could influence actual results are summarized below under the heading "Risks and Uncertainties".

Further, unless otherwise noted, any forward-looking statement speaks only as of the date of this MD&A, and, except as required by applicable law, the Company does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Company, or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement.

ABOUT CLEGHORN

Cleghorn, incorporated on February 16, 2010 under the Business Corporations Act of British Columbia is involved in the process of exploring, evaluating and promoting its mineral properties and other projects. The head office of the Company is located at 152 Chemin de la Mine École, Val d'Or, Québec, Canada.

Up to August 18, 2016, date of completion of its Qualifying Transaction, the Company was classified as a "Capital Pool Company" ("CPC") for purposes of the policies of the TSX Venture Exchange (the "Exchange"). The Company's sole business as a CPC has been to identify and evaluate businesses and assets in order to complete a "Qualifying Transaction" in accordance with the rules of the Exchange.

From February 21, 2013 until the completion of Qualifying Transaction, the common shares of the Company were trading on NEX, a separate board of TSX Venture Exchange providing a trading forum for listed companies that have fallen below the Exchange's ongoing listing standards, under the symbol JZZ.H. Following the completion of the Qualifying Transaction the common shares of the Company were transferred back to the Exchange and are now trading under the symbol JZZ.

ACHIEVEMENTS

Qualifying Transaction

Meech Lake Matachewan Prospect

On January 5, 2015, the Company entered into a Mineral Claim Purchase Agreement, as amended and restated on April 1, 2015 and further amended and restated on May 14, 2015 and amended as of September 22, 2015, and further amended as of December 22, 2015, with 2973090 Canada Inc. (the "Vendor") to acquire a 100% undivided interest in the Meech Lake Matachewan Prospect. The Meech Lake Matachewan Prospect consists of three (3) mining claims situated in the Argyle, McNeil and Robertson Townships, approximately 25 Km Northwest of Matachewan, in Northeastern Ontario.

On August 18, 2016, the Company announced that it had completed the acquisition of the Meech Lake Matachewan Prospect, which serves as the Company's Qualifying Transaction in accordance with Exchange Policy 2.4. The acquisition of the Meech Lake Matachewan Prospect is a non-arm's length transaction that received shareholders' approval on June 25, 2015.

In connection with the acquisition, the Company paid to the Vendor $5,000 (representing staking fees with respect to the property), issued an aggregate of 7,888,928 common shares in payment at a deemed price of $0.05 a share and granted the Vendor a 3% net smelter royalty ("NSR") on the property. The common shares issued in payment for the acquisition are subject to escrow restrictions in accordance with the policies of the Exchange.

The Company also announced that it had completed a non-brokered private placement offering for gross proceeds of $846,602 as follows:

The Company issued 3,263,350 flow-through units (the "FT Units") at a per FT Unit price of $0.12 for gross proceeds of $391,602, each FT Unit consisting of one common share in the capital of the Company issued on a flow-through basis under the Canada Income Tax Act and one-half of one non-transferable non-flow-through common share purchase warrant, each whole warrant entitling the holder to purchase one non-flow-through common share in the capital of the Company at a per share price of $0.15 until February 18, 2018.

The Company issued 4,550,000 units (the "Units") at a per Unit price of $0.10 for gross proceeds of $455,000, each Unit consisting of one non-flow-through common share in the capital of the Company and one non-transferable common share purchase warrant, entitling the holder to purchase one common share in the capital of the Company at a per share price of $0.12 until February 18, 2018.

In connection with the above described financing, the Company paid finder's fees to various arms' length parties of an aggregate of $48,434.16 in cash and issued an aggregate of 155,840 common shares in lieu of cash fees at a deemed per share price of $0.10, plus an aggregate of 602,200 non-transferable warrants (the "Finder Warrants"). Each Finder Warrant will entitle the holder to purchase one common share in the capital of the Company at a per share price of $0.12 until February 18, 2018.

For additional information on this transaction and the property being acquired, refer to the Information Circular prepared by the Company's management for the June 25, 2015 shareholder meeting and to the Technical Report on the Meech Lake Matachewan Prospect that are available for viewing through the Internet at the SEDAR website (www.sedar.com) under the Company's issuer profile.

Non-arm's length transaction

The Vendor is a privately held mineral exploration company wholly-owned and controlled by Glenn J. Mullan, who is also the president, CEO, secretary and a director of the Company. In addition, in the case of a successful closing of the transaction, other directors of the Company would receive some of the shares to be issued by the Company as payment for the property.

Total amounts spent to date to investigate and identify potential Qualifying Transactions

The amounts spent by the Company towards identifying and completing potential Qualifying Transactions, are shown in the following tables. Preliminary investigation and identification of potential Qualifying Transactions were performed by the officers and directors of the Company who do not receive any remuneration. Technical consultants are hired for more in-depth analysis of potential projects.

Total amounts spent to date towards identifying and completing potential Qualifying Transaction by period as follows:

	Total	**December 31, 2016**	**March 31, 2016**	**March 31, 2015**
	$	$	$	$
Non-refundable deposits	50,000	-	-	50,000
Accounting and legal fees	132,685	3,397	73,372	55,916
Regulatory fees	10,392	10,392	-	-
Other expenses	26,432	-	-	26,432
Issuance costs (1)	83,998	83,998	-	-
Technical consultants	80,755	-	-	80,755
Airborne and ground survey	146,967	-	-	146,967
Tax and mining credits on exploration expenses	(77,169)	-	(8,663)	(68,506)
Total	**454,060**	**97,787**	**64,709**	**291,564**

(1) Issuance costs are related to the financing which was a prerequisite condition to completing the Qualifying Transaction on August 18, 2016.

Total amounts spent to date towards identifying and completing potential Qualifying Transaction by project as follows:

	Total	December 31, 2016	March 31, 2016	March 31, 2015
	$	$	$	$
Meech Lake Matachewan	267,596	97,787	73,372	96,437
Hematite Lake	183,368	-	(8,663)	192,031
Other projects	3,096	-	-	3,096
Total	**454,060**	**97,787**	**64,709**	**291,564**

SELECTED FINANCIAL INFORMATION

FINANCIAL POSITION ANALYSIS

	December 31, 2016	March 31, 2016	March 31, 2015
	$	$	$
Assets	1,247,287	125,588	235,450
Liabilities	233,095	396	5,182
Equity	1,014,192	125,192	230,268

ASSETS

Total assets at December 31, 2016 were $1,247,287 compared to $125,588 at March 31, 2016, an increase of $413,272. This increase is mainly due to an increase in cash of $767,406 due to the completion of the non-brokered private placement for total gross proceeds of $846,602 of which an amount of $79,196 was used to fund the ongoing operations and to an increase in exploration and evaluation assets of $413,272 mainly due to the acquisition of the Meech Lake Matachewan Prospect of $399,446. These increases were off-set by a decrease of the amounts receivable from related companies of $68,309 which were repaid during the nine-month period ended December 31, 2016.

LIABILITIES

Total liabilities at December 31, 2016 were $233,095 compared to $396 at March 31, 2016, an increase of $232,699 mainly due to the residual liability component related to flow-through units issued of $199,892 and to an increase in accounts payable and accrued liabilities of $32,807.

EQUITY

Equity totalled $1,014,192 at December 31, 2016 compared to $125,192 at March 31, 2016, an increase of $889,000. This increase is due the completion of the non-brokered private placements for total gross proceeds of $846,602, less issuance costs of $83,998 and less the liability component related to flow-through units of $212,704, to the issuance of shares as part of the acquisition of the Meech Lake Matachewan Prospect of $394,446 and to the recognition of share-based payments of $81,602. These increases were however off-set by the period net loss of $136,948. Readers are invited to refer to the statement of changes in equity of the unaudited interim condensed financial statements for more details.

OPERATING RESULTS ANALYSIS

	Three-month period ended December 31, 2016	Three-month period ended December 31, 2015	Nine-month period ended December 31, 2016	Nine-month period ended December 31, 2016
	$	$	$	$
Revenue	-	-	-	-
Operating expenses	99,946	3,856	149,617	101,694
Other expenses (income)	(12,755)	18	(12,669)	(16)
Net loss and comprehensive loss	**(87,191)**	**(3,874)**	**(136,948)**	**(101,678)**
Basic and diluted net loss per common share	**(0.004)**	**(0.001)**	**(0.012)**	**(0.036)**

THREE-MONTH PERIOD ENDED DECEMBER 31, 2016 COMPARED TO THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2015

The net loss for the three-month period ended December 31, 2016 was $87,191 or ($0.004) per share, compared to $3,874 or ($0.001) per share for the same period in 2015, an increase of $83,317 mainly due to the following important changes:

OPERATING EXPENSES

Operating expenses totalled $99,946 compared to $3,856 in 2015, an increase of $96,090 mainly due to the recognition of share-based payments of $81,602 related to the 1,300,000 options granted.

OTHER EXPENSES (INCOME)

Other income totalled $12,755 compared to other expenses of $18 in 2015, an increase of $12,773 in other income due to the reversal of a portion of the liability component recognized when the flow-through units were issued.

NINE-MONTH PERIOD ENDED DECEMBER 31, 2016 COMPARED TO THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2015

The net loss for the nine-month period ended December 31, 2016 was $136,948 or ($0.012) per share, compared to $101,678 or ($0.036) per share for the same period in 2015, an increase of $35,270 mainly due to the following important changes:

OPERATING EXPENSES

Operating expenses totalled $149,617 compared to $101,694 in 2015, an increase of $47,923 mainly due to the recognition of share-based payments of $81,602 related to the 1,300,000 options granted and to an increase in legal fees of $12,655. However, these increases were off-set by a decrease in expenses related to potential Qualifying Transaction of $49,591.

OTHER EXPENSES (INCOME)

Other income totalled $12,669 compared to $16 in 2015, an increase of $12,653 in other income due to the reversal of a portion of the liability component recognized when the flow-through units were issued.

CASH FLOW ANALYSIS

	Three-month period ended December 31, 2016	Three-month period ended December 31, 2015	Nine-month period ended December 31, 2016	Nine-month period ended December 31, 2015
	$	$	$	$
Operating activities	5,418	(3,156)	28,628	(101,696)
Investing activities	(17,540)	-	(23,826)	-
Financing activities	-	-	762,604	-

THREE-MONTH PERIOD ENDED DECEMBER 31, 2016 COMPARED TO THE THREE-MONTH PERIOD ENDED DECEMBER 31, 2015

INVESTING ACTIVITIES

Investing activities required $17,540 compared to $nil in 2015. These cash flows are related to the exploration and evaluation expenditures.

NINE-MONTH PERIOD ENDED DECEMBER 31, 2016 COMPARED TO THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2015

OPERATING ACTIVITIES

Operating activities generated cash flows of $28,628 compared to required cash flows of $101,696 in 2015. This decrease in the use of cash flows is mainly due to a decrease in the net loss after non-cash items which went from $101,678 in 2015 to $68,158. In addition, non-cash working capital items generated cash flows of $96,786 compared to the use of cash flows of $18 in 2015.

INVESTING ACTIVITIES

Investing activities required $23,826 compared to $nil in 2015. These cash flows are related to the exploration and evaluation expenditures.

FINANCING ACTIVITIES

Financing activities generated cash flows of $762,604 compared to $nil in 2015. During the twelve-month period ended December 31, 2016, the Company completed private placements for total net proceeds of $762,604.

QUARTERLY RESULT TRENDS (IN THOUSANDS OF $)

The operating results for each of the last eight quarters are presented in the following table. Management considers that the information for each of those quarters was determined in the same way as for our audited financial statements for the year ended March 31, 2016.

	Dec 31, 2016	Sep 30, 2016	Jun 30, 2016	Mar 31, 2016	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015
	$	$	$	$	$	$	$	$
Revenue	-	-	-	-	-	-	-	-
Operating loss	(87)	(33)	(17)	(3)	(4)	(6)	(92)	26
Basic and diluted net loss per common share	(0.004)	(0.003)	(0.010)	(0.002)	(0.001)	(0.002)	(0.033)	0.009

LIQUIDITY, CAPITAL RESOURCES AND SOURCES OF FINANCING

As of December 31, 2016, the Company had a cash position of $823,662 of which an amount of $368,015 is held for exploration and evaluation expenses and a working capital of $600,920.

The Company manages its capital structure and brings about adjustments related to changes in the economic environment and underlying risks of its assets. To preserve or modify its capital structure and to carry on the development of its mining properties, the Company may issue additional common shares or negotiate new loans.

The Company has prepared a budget for 2017 using assumptions that management considers reasonable. Achieving budgeted results depends mainly on control of general and administrative expenses as well as exploration and evaluation expenses. Management expects to meet its budget and have sufficient liquidities to fund its operations at least beyond December 31, 2017. Although management believes it has developed action plans to manage liquidity and operational risk, there is no assurance that these measures will be successful.

Readers are invited to refer to the Risk and Uncertainties section for more information.

RELATED PARTY TRANSACTIONS

Please refer to Note 12 of the unaudited interim condensed financial statements for key management transactions. The Company has not entered into any other related party transaction.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

ACCOUNTING POLICIES

The preparation of financial statements in accordance with IFRS requires management to adopt accounting policies and to make certain estimates and assumptions that the Company believes are reasonable based upon the information available at the time these decisions are made. In preparing these unaudited interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are the same as those applied in the annual IFRS financial statements for the year ended March 31, 2016. Readers are invited to refer to Note 5 of the audited financial statements for the year ended March 31, 2016 for a full description of the significant accounting policies of the Company at that date.

INFORMATION ON OUTSTANDING SECURITIES

The following table sets out the number of common shares, warrants and options outstanding as of the date hereof:

Common shares outstanding:	20,258,618	
Share options exercisable:	1,650,000	
Average exercise price of:	$ 0.14	
Expiry date	**Number of option exercisable**	**Exercise price**
		$
November 2018	1,300,000	0.12
November 2020	350,000	0.20
	1,650,000	0.14
Warrants outstanding:	6,783,874	
Average exercise price of:	$ 0.13	
Expiry date	**Number of warrant outstanding**	**Exercise price**
		$
February 2018	5,152,200	0.12
February 2018	1,631,674	0.15
	6,783,874	0.13
Fully diluted shares	28,692,492	

Escrowed Shares

As required by applicable securities commissions and those of the TSX, and under an agreement entered with a transfer agent from Computershare Investor Services Inc., a total of common shares have been placed in escrow and deposited with a trustee under escrow agreements before the completion of the Qualifying Transaction. On August 18, 2016, following the completion of the Qualifying Transaction, 10% of the escrowed shares were released. The balances of restricted shares will be released at a rate of 15% in each of the anniversaries of 6, 12, 18, 24, 30 and 36 months following the initial release. As at December 31, 2016, there were 8,562,535 escrowed shares (1,625,000 as at March 31, 2016).

RISKS RELATED TO FINANCIAL INSTRUMENTS

Readers are invited to refer to Note 13 of the audited financial statements for the year ended March 31, 2016, for a full description of these risks.

RISKS AND UNCERTAINTIES

An investment in the common shares of the Company involves a high degree of risk and must be considered highly speculative due to the financial and operational risks inherent to the nature of the Company's business and the present stage of exploration and development of its mineral resource properties. These risks may affect the Company's eventual profitability and level of operating cash flow. Prospective buyers of the common shares of the Company should consider the following risk factors:

Operational risks

Mining industry and mining projects

Exploration and development projects have no operating history upon which to base estimates of future operating costs and capital requirements. Mining projects frequently require a number of years and significant expenditures during the mine development phase before production is possible. Development projects are subject to the completion of successful feasibility studies, obtaining necessary governmental permits and securing necessary financing. The economic feasibility of such development projects is based on many factors such as estimation of reserves, metallurgical recoveries, future metal prices, and capital and operating costs of such projects. Exploration and development of mineral deposits thus involve significant financial risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. In fact, a mine must generate sufficient revenues to offset operating and development costs such as the costs required to establish reserves by drilling, to develop metallurgical processes, to construct facilities and to extract and process metals from the ore. Once in production, it is impossible to determine whether current exploration and development programs at any given mine will result in the replacement of current reserves with new reserves.

The Company is subject to risks and hazards inherent to the mining industry, including fluctuations in metal prices, costs of constructing and operating a mine as well as processing and refining facilities in a specific environment, availability of economic sources of energy and adequacy of water supply, adequate access to the site, unanticipated transportation costs, delays and repair costs resulting from equipment failure, changes in the regulatory environment (including regulations relating to prices, royalties, duties, taxes, restrictions on production, quotas on exportation of minerals, as well as the costs of protection of the environment and agricultural lands), and industrial accidents and labor actions or unrest. The occurrence of any of these factors could materially and adversely affect the development of a project and as a result materially and adversely affect the Company's business, financial condition, results of operations and cash flow. The Company is also subject, through its activities, to risks normally encountered in mining operations. Blasting, drilling, mining and processing of ore comprise risks and hazards such as environmental hazards, including discharge of pollutants or hazardous chemicals, unanticipated grade and tonnage of ore to be mined and processed, unusual or unexpected adverse geological or geotechnical formation, or unusual or unexpected adverse operating conditions, slope failure, rock bursts, cave-ins, failure of pit walls or dams, fire, and natural phenomena and "acts of God" such as inclement weather conditions, floods, earthquakes and other hazards. These occurrences could result in damage to, or destruction of, mineral properties or production facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability. The Company may incur liability as a result of pollution and other casualties, and may not be able to insure fully or at all against such risks, due to political reasons, unavailability of coverage in the market place or other reasons, or may decide not to insure against such risks as a result of high premiums or for other reasons.

This can result in delayed production, increase in production costs or liability. Paying compensation for obligations resulting from such liability may be very costly and could have an adverse effect on the Company's financial position.

Licences and permits

Should the exploration activities of the Company be successful, it may not be able to obtain the necessary licenses or permits to conduct its exploration and mining operations on its properties, and thus would realize no benefit from its exploration activities on its properties. Furthermore, as part of its ore processing activities, the Company is required to obtain several permits. Although the Company believes it will obtain the required permits, it may face administrative delays in doing so, which could impact on its operations.

Dependence on management

The success of the operations and activities of the Company is dependent to a significant extent on the efforts and abilities of its management team. Investors must be willing to rely to a significant extent on their discretion and judgment. The Company does not maintain key employee insurance on any of its employees. The Company depends on key personnel and cannot provide assurance that it will be able to retain such personnel. Failure to retain such key personnel could have a material adverse effect on the Company's business and financial condition.

Statutory and regulatory compliance

The current and future operations of the Company, from exploration through development activities and commercial production, are and will be governed by applicable laws and regulations governing mineral claims acquisition, prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in exploration activities and in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. The Company has received all necessary permits for the exploration work it is presently conducting; however, there can be no assurance that all permits which the Company may require for future exploration, construction of mining facilities and conduct of mining operations, if any, will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any project which the Company may undertake.

Failure to comply with applicable laws, regulations and permits may result in enforcement actions there under, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to case or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its mineral exploration activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits. The Company is not currently covered by any form of environmental liability insurance. See "Insurance Risk" below.

Existing and possible future laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or require abandonment or delays in exploration.

Competition

The Company is in competition with other mining companies for the acquisition of interests in precious and base metal mining properties. In the pursuit of such acquisition opportunities, the Company competes with several Canadian and foreign companies that may have substantially greater financial and other resources. Although the Company has acquired such assets in the past, there can be no assurance that its acquisition efforts will succeed in the future. The Company is in competition with other processing companies in Mexico. Although the Company has been able to obtain mineralized material in the past, there can be no assurance that it will indefinitely be able to secure mill feed.

Share price volatility

In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered development stage companies, including the Company, have experienced wide fluctuations in price which 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.

Third party reliance

The Company's rights to acquire an interest in certain resource properties may have been granted by third parties who themselves hold only a lease, an option, or an application for rights pending before the Mexico government acquire such properties. If such person fails to fulfill their obligations, the Company could lose its interests in the property and may have no meaningful recourse, as it does not have any direct contractual arrangements with the underlying property holders. Where the Company's interests in resource properties are managed or operated by third parties, the Company's interests may be adversely affected in the vent such third parties mismanage the operations being carried out on such properties.

Insurance risk

The mining industry is subject to significant risks that could result in damage to or destruction of property and facilities, personal injury or death, environmental damage and pollution, delays in production, expropriation of assets and loss of title to mining claims. No assurance can be given that insurance to cover the risks to which the Company's activities are subject will be available at all or at commercially reasonable premiums. The Company currently maintains insurance within ranges of coverage that it believes to be consistent with industry practice for companies of a similar stage of development. The Company carries liability insurance with respect to its mineral exploration operations, but it not currently covered by any form of environmental liability insurance, since insurance against environmental risks (including liability for pollution) or other hazards resulting from exploration and development activities is prohibitively expensive. The payment of any such liabilities would reduce the funds available to the Company. If the Company is unable to fully fund the costs of remedying an environmental problem, it might be required to suspend operations or enter into costly interim compliance measures pending completion of a permanent remedy.

Litigation

All industries, including the mining industry, are subject to legal claims, with and without merit. The Company may, in the future, be involved in various legal proceedings. While the Company believes it is unlikely that the final outcome of these legal proceedings will have a material adverse effect on the financial position or results of operations, defense costs will be incurred, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Company's future cash flow, results of operations or financial condition.

Increased costs and compliance risks of being a public company

Legal, accounting and other expenses associated with public Company reporting requirements have increased significantly in the past few years. The Company anticipates that costs may continue to increase with recently adopted or proposed corporate governance related requirements.

The Company also expects these new rules and regulations may make it more difficult and more expensive for it to obtain director and officer liability insurance, and it may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for the Company to attract and retain qualified individuals to serve on its board of directors or as executive officers.

Financial risks

Metal price volatility

Factors beyond the control of the Company may affect the marketability of any minerals discovered at and extracted from the Company's properties. Resource prices have fluctuated widely, particularly in recent years, and are affected by numerous factors beyond the Company's control including international economic and political trends, inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new and improved extraction and production methods. The effect of these factors cannot accurately be predicted.

Metal prices historically have fluctuated widely and are influenced by a number of factors beyond the control or influence of the Company. Some factors that affect the price of metal include: industrial; forward or short sales of metal by producers and speculators; future level of metal productions; and rapid short-term changes in supply and demand due to speculative or hedging activities by producers, individuals or funds. Metal prices are also affected by macroeconomic factors including: confidence in the global monetary system; expectations of the future rate of inflation; the availability and attractiveness of alternative investment vehicles; the general level of interests rates; the strength of, and confidence in the U.S. dollar, the currency in which the price of metal is generally quoted, and other major currencies; global and regional political or economic events; and costs of production of other metal producing companies whose costs are denominated in currencies other than the U.S. dollar. All of the above factors can, through their interaction, affect the price of metal by increasing or decreasing the demand for or supply of metal.

Future financing

The success of exploration programs and other transactions related to concessions could have a significant impact on the need for capital. If the Company decides to develop one of its properties, it must ensure that it has access to the required capital. The Company could finance its need of capital by using working capital, by arranging partnerships with other companies, through equity financing, by taking on long-term debt or any combination thereof. However, nothing guarantees that the Company will succeed in getting the necessary financing with reasonable terms.