

**ALTAN RIO MINERALS LIMITED  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED MARCH 31, 2014**

**INTRODUCTION**

The management's discussion and analysis of financial condition and results of operations ("MD&A") focuses upon the activities, results of operations, liquidity and capital resources of Altan Rio Minerals Limited (the "Company") for the three months ended March 31, 2014. In order to better understand the MD&A it should be read in conjunction with the unaudited financial statements and related notes for the three months ended March 31, 2014 and the audited financial statements and related notes for the year ended December 31, 2013. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and filed with appropriate regulatory authorities in Canada. This MD&A is current to May 30, 2014 and in US dollars unless otherwise stated.

***Forward-Looking Statements***

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

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

**CORPORATE OVERVIEW**

The Company is a mineral exploration and development company listed on the TSX Venture Exchange under the symbol "AMO" and is engaged in the acquisition, exploration, and development of exploration and evaluation assets in Mongolia.

The Company explores for large-scale gold and copper projects in one of the world's most prospective mineral regions: Mongolia. The Company is currently exploring holdings totaling more than 255,148 acres. The Company performs its own grass-roots exploration with its highly experienced Mongolia-based technical team.

Our experienced technical team is supported by: John Jones, Chairman & Director, who has over thirty years of experience in the international mining sector; Evan Jones, President, CEO & Director, with eight years of experience in corporate advisory and commercial management in mining; Anthony Jackson, CFO, with several years of experience in corporate finance, accounting and investment banking; Murray Seitz, Director, with ten years of experience in mineral exploration, including corporate compliance, management and business development.

## **SHARE CAPITAL**

As at March 31, 2014, the Company had \$13,578,846 in share capital and 52,110,454 common shares outstanding.

On January 20, 2013, the Company issued 1,606,928 common shares at a price of C\$0.153 per share in connection with a debt settlement.

### **European Bank for Reconstruction and Development (“EBRD”) equity financing**

During the period ended March 31, 2014, the Company announced that the European Bank for Reconstruction and Development (“EBRD”) has agreed to provide equity financing to the Company for the furtherance of the Company’s Mongolian operations. EBRD has agreed to purchase, on a private placement basis, 16,666,000 common shares of the Company at a price of \$0.06 per share as a first tranche subscription (the “First Tranche Subscription”) pursuant to a larger potential investment referred to hereafter.

The First Tranche Subscription is made by EBRD pursuant to a Subscription Agreement and Framework Agreement (the “Financing Agreements”) entered into between EBRD and the Company. Under the Financing Agreements, EBRD has committed to invest a minimum of \$5,000,000 (subject to certain limitations as referred to hereafter) and a maximum of \$10,000,000 to purchase common shares of Altan Rio under the First Tranche Subscription and a series of subsequent private placements in minimum tranches of \$1,000,000 each (“Subsequent Tranche Subscriptions”). Each Subsequent Tranche Subscription will be triggered by a notice from the Company requesting funds and providing certain other required information. The size of each tranche will be dependent on the amount requested by the Company and agreed to by EBRD, with the price per share to be subject to agreement between the parties based on the market price for the Company’s shares at the time and the requirements of Exchange policies.

Each Tranche Subscription will be subject to a number of conditions precedent including among other things:

- Exchange approval,
- any necessary shareholder approvals being obtained,
- outside investors having subscribed for common shares of the Company at least equal in number to the number of shares to be purchased by EBRD, at the same subscription price,
- the continued compliance by the Company with the Financing Agreements and the agreed business plan, and
- EBRD’s total shareholding in the Company following the Subsequent Tranche Subscription not exceeding 35% of the Company’s issued and outstanding shares.

The Financing Agreements also provide for the Company to adhere to an agreed business plan with respect to its ongoing exploration activities in Mongolia, to report quarterly and annually to EBRD with respect to ongoing operations, and to obtain EBRD’s consent to certain material changes in the Company’s business, material corporate reorganizations and certain other material events including outside equity financings. The Financing Agreements also require certain principal shareholders of the Company to maintain a threshold shareholding in the Company and to make specified time and work commitments to the Company’s affairs. EBRD also has participation rights with respect to future proposed debt and equity financings. EBRD is entitled to appoint a director to the Company’s Board and to appoint a non-voting observer to attend Board meetings. Certain of the foregoing obligations are subject to EBRD holding at least 5% of the Company’s shares or a minimum investment of \$5,000,000.

The proceeds from the First Tranche Subscription in the sum of approximately \$1,000,000 will be employed to advance the Company’s exploration activities in Mongolia and to provide working capital.

### ***Options***

On February 20, 2014 the Company granted to directors, officers, consultants and management of the Company, stock options to purchase a total of 1,420,000 common shares at a price of \$0.10 per common share. The Options are exercisable for a period of 5 years ending February 20th, 2019.

### ***Warrants***

During the quarter ended March 31, 2014 13,793,521 Warrants at an exercise price of \$0.55 expired.

## **Private Placement**

On December 23, 2011, the Company completed a private placement consisting of 1,500,000 units at a price of C\$0.50 per unit for gross proceeds of C\$750,000. Macquarie Private Wealth Inc. acted as the agent. Each unit was comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at the exercise price of \$0.65 for a period of two years from the date of closing. The warrants are subject to an accelerated expiry provision whereby should the shares of the Company trade on the exchange at a volume weighted average price in excess of \$1.10 over a period of 30 consecutive trading days, the warrants will expire 30 days following the date that such notice is given to the warrant holders.

The Agent's compensation was paid by way of cash commission of 7% of the gross proceeds of the financing and 105,000 agent's options. Each agent's warrant entitles the holder to purchase one additional common share of the Company at a price of C\$0.65 for a period of two years from the date of closing. A corporate finance fee of \$45,000 plus HST was paid to the Agent in form of \$35,000 plus HST in cash and the remainder by the issuance of 20,000 common shares of the Company. The Company reimbursed the Agent for reasonable fees and expenses incurred in connection with the private placement.

The Company also completed a non-brokered private placement of 500,000 units outside of Canada at the same price and subject to the same terms as the brokered private placement, also closing on December 23, 2011. As compensation for completion of the non-brokered portion of the financing, Mongolia International Capital Corporation was paid a commission of 6% of the gross proceeds of the non-brokered portion of the financing. The Finder also received 30,000 finder's warrants entitling the Finder to acquire 30,000 common shares of the Company at a price of C\$0.65 per share for a period of two years from closing.

## **PLAN OF ARRANGEMENT**

On May 31, 2011, a company consisting of Altan Rio Holdings Ltd. (BVI), and Altan Rio (US) Inc., (collectively, "Altan Rio"), entered into a plan of arrangement to reorganize its exploration and evaluation assets in an effort to maximize shareholder value. Under the terms of the plan of arrangement, Altan Rio spun out its subsidiary, Altan Rio (US) Inc. to a new company incorporated under the name Altan Nevada Minerals Ltd. ("Altan Nevada"). Shareholders of Altan Rio received one new Altan Rio common share for each Altan Rio share held, and one Altan Nevada common share for every two Altan Rio common shares held.

Following the plan of arrangement, the Company acquired 100% of the common shares of Altan Rio. The Company's consolidated statement of operations and comprehensive loss for the years ended December 31, 2011 and 2010 are the result of a "carve-out" of an allocation of general and administrative expenses for the period to Altan Nevada. The allocation of the Company's general and administrative expenses was calculated on the basis of each company's share of the expenditures on a line-by-line basis.

The aggregate value of the assets transferred from Altan Rio to Altan Nevada is as follows:

<hr/> <hr/>	
Asset (liability)	
<hr/>	
Cash and cash equivalents	\$3,095,543
Prepaid expenses	5,827
Equipment	16,539
Exploration and evaluation assets	3,516,090
Accounts payable and accrued liabilities	<u>(52,793)</u>
Total	<u>\$6,581,116</u>

## **ACQUISITION**

Effective December 23, 2011, the Company acquired all of the issued and outstanding capital stock of Altan Rio Holdings Canada Limited, Altan Rio Holdings, Altan Rio Holdings Limited, Altan Rio Limited, and Altan Rio Mongolia LLC (collectively, "Altan Rio") (the "Acquisition"). As consideration, the Company issued 41,803,506 common shares. The Company also issued 0.4196 share purchase warrants for each Altan Rio share purchase warrant

outstanding immediately prior to the date of Acquisition. As a result, the Company issued 41,803,506 common shares and 13,237,063 share purchase warrants.

Legally, the Company is the parent of Altan Rio, however, as a result of the share exchange described above, control of the combined companies passed to the former shareholders of Altan Rio. This type of share exchange, referred to as a "reverse takeover", deems Altan Rio to be the acquirer for accounting purposes. Accordingly, the net assets of Altan Rio are included in the statement of financial position at book values and the Acquisition of the Company is accounted for whereby the net assets of the Company are recorded at fair market value at the date of Acquisition. The expenses and assets and liabilities subsequent to the date of acquisition include accounts of the Company. The net assets of the Company totalled \$233,895 at the date of acquisition and have been allocated below.

The total purchase price of \$233,895 was allocated as follows:

Cash	\$ 207,539
Prepaid expenses	37,267
Receivables	10,712
Accounts payable and accrued liabilities	<u>(21,624)</u>
	<u>\$ 233,895</u>

## **OPERATIONS**

### Overview

The Company currently holds three projects in Mongolia covering 255,148 acres, including a significant new discovery of gold and copper mineralization across a very large area in western Mongolia, and a Boroo-style orogenic lode gold target in northern Mongolia.

### Chandman-Yol

The Chandman-Yol property is located in mountainous basin and range country in eastern Khovd Aimag, western Mongolia, about 1,050 km west of the capital Ulaanbaatar. It consists of nine tenements covering 203,878 acres, all of which are 100% owned by the Company, with the five Chandman tenements subject to a 2.5% NSR royalty. The Company entered into an option agreement for the five Chandman licenses with a private company on November 13, 2008, and was issued the four Yol licenses in April of 2009.

In February 2011, a site visit was conducted by qualified person John Stockley (C.P. Geo) for the purpose of reviewing and updating the 43-101 technical report. On February 11, 2011, the NI 43-101 Technical Report named "Chandman-Yol Copper-Gold Exploration Project Khovd Aimag, Mongolia" was completed with an effective date of February 10, 2011.

From May to October 2011, the Company completed magnetic surveys, geological mapping, soil sampling and IP survey over the Chandman and Yol tenements and completed 7,814 m of diamond drilling on the Chandman tenements. Results further defined 2012 drill targets and identified at least three new target zones of gold and copper mineralization. At least seven large untested drill target zones have been delineated and will be the focus of 2012 and 2013 exploration campaigns.

On November 22, 2011, the final payment of \$500,000 was paid to a private company, giving the Company 100% interest of the five Chandman tenements, subject to a 2.5% NSR royalty.

During the year ended December 31, 2011, the Company earned its 100% interest in Chandman property by converting the remaining 20% interest into a 2.5% Net smelter return ("NSR") royalty.

On March 2, 2012, the Company announced drill results from the KY porphyry intrusion on the Chandman licenses, which consisted of 13 holes for 7,814 m. Highlights from the drill results are outlined as follows.

- Drilling shows that the KY porphyry intrusion is a zoned metal system, with strong molybdenum anomalies (100 ppm) in the northwestern sector, gold in the northeastern sector, and silver, lead and zinc in the southeastern sector. Copper occurs throughout.

- All holes drilled into the KY porphyry intrusion intersected metal values, with frequent 0.5% copper and 0.5 g/t gold from 1m to 3m core samples, in quartz-sericite-sulfide alteration of variable intensity. Drill-indicated mineralization spans an area of 2.8 x 2 km
- The highest grade gold intersection in drill hole CH-27 returned 1 m at 28.02 g/t gold at a depth of 206 m in the KY porphyry intrusive complex.
- The longest intersection of copper mineralization was achieved in CH-18 which returned 105.6 m (from 42.9 to 148.5 m) at 0.12% copper.
- Five of the drill holes were aimed at deep large and high-amplitude IP features in the KY porphyry intrusion however only one of the holes reached target depth.
- Hole CH-28 in the southeastern endoskarn area returned the following silver intersections:
  - 13.2 m (97.0 to 110.2 m) @ 43.12 g/t including 1 m @ 106.31 g/t and 1 m @ 118.86 g/t
  - 39.6 m (185.0 to 224.6 m) @ 24.57 g/t including 2.5 m @ 128.3 g/t and 2.2 m @ 114.26 g/t

On July 10, 2012, the Company announced the drill plans for the 2012 season at Chandman-Yol consisting of six to eight holes for 3,000 m of drilling. Two high-priority, never-before-drilled targets were identified through field work completed in 2011. Drilling commenced in mid-August and is expected to continue through then end of the year.

On January 18, 2013, the Company announced results from the 2012 drill program at the Takhilt and Ovoot targets at Chandman-Yol, which consisted of 7 holes for 3,030 m. The best results were returned from Takhilt, 17 km NNW of the major KY copper-gold porphyry system, where five moderately wide spaced holes were completed and several new zones of gold and copper mineralization were intersected, including a shallow intercept beginning at 16.30 m from surface of 8.05 m at 1.77 g/t gold, including 2.5 m @ 5.38 g/t gold. These zones are open down dip and along strike and warrant follow-up drilling along the entire 1.5 km extent of the Takhilt structure. A second phase of drilling would target potentially shallow resources along the southern edge of the IP domain, in contact with the copper-gold bearing granite system, a compelling target that is more than 1 km long.

In the Ovoot zone 11 km south of Takhilt two holes were drilled, 1.8 km apart, to test two concealed but coincident IP and magnetic anomalies. Both holes encountered only low-level gold and copper anomalies. Further drilling is warranted at Ovoot, though of lesser priority than Takhilt, to test areas of coincident geochemical and IP-Magnetic anomalies. The Ovoot structure is large – 2+ km long, 2+ km wide – and cannot be considered adequately tested with only two wide-spaced reconnaissance holes.

In May 2013, the company reduced the land holdings (and associated annual fees) on the Chandman-Yol property to 203,878 acres from 347,000 acres. The reduced land package has no negative impact in terms of prospectivity of the project, as all known anomalous zones and permissive geology have been maintained. The Company retains a large license holding at Chandman-Yol with extensive copper and gold anomalies.

During the year ended December 31, 2013, the Company allowed certain licenses on the Chandman project to expire and accordingly, the Company wrote off costs totaling \$670,489.

#### Khavchuu

The Khavchuu Project is an early-stage exploration project located 10 km west of Centerra Gold Inc.'s Boroo mine and mill complex in the Borooogol District of orogenic gold deposits, northern Mongolia. The Company currently has an option to acquire 100% interest in the project, subject to a 2.105% NSR royalty, which covers an area of 17,590 acres.

On May 3, 2011, the Company entered into an agreement with a private Mongolian company to acquire a 100% interest in the Khavchuu property subject to certain payments and production royalty schedules.

On May 17, 2011, the first payment of \$50,000 was made to a private Mongolian company in accordance with the option agreement dated May 3, 2011.

The Company performed limited rock sampling, geological mapping, and detailed soil geochemical grids (~1,200 samples) in 2011. This work, combined with geological mapping, geophysical surveys (IP-Resistivity and ground magnetics), rock sampling, and soil sampling completed by the previous owner, defined drill targets for a first pass drill program.

On March 5, 2012, the Company announced the commencement of a first pass drill program consisting of six holes for a total of 1,800 m. Three drill target areas were identified in the Company's first effort to gain knowledge of the subsurface stratigraphy and structure.

On June 13, 2012, the Company announced drill results from the first pass drill program at Khavchuu, which consisted of seven holes for 1,902 m completed. Five of the seven holes intersected significant gold and/or arsenic anomalies, the main geochemical indicators for orogenic gold deposits in the Boroo region. The best intersection occurred in hole KH-05, which intersected high grade gold (11.49 g/t over 1 m) in a structurally complicated area on the edge of a large Boroo Complex granitoid.

On December 13, 2012, the Company announced the signing of a Definitive Agreement pursuant to which the Company can acquire a 100% interest in the Khavchuu gold project, subject to a 2.105% NSR royalty. Under the terms of the Agreement, Altan Rio will make cash payments totaling US\$75,000 (of which \$60,000 has been paid and \$15,000 is payable on or before the date that is 30 months from May 3, 2011 (the "Commencement Date")), issue 760,000 common shares in the capital of the Company and make a final payment of either US\$285,000 or the equivalent in common shares in the capital of the Company on or before the date that is 30 months from the Commencement Date. In addition, US\$300,000 in cumulative property expenditures must be incurred within 24 months of the Commencement Date.

On June 10, 2013 the Company amended the terms of the KLM Property Option Agreement (the "Option Agreement") to acquire 100% of the issued and outstanding shares in the capital of the Khavchuu gold project. The revised terms of the Option Agreement originally signed will waive the payment of \$285,000, or the issue of common shares of Altan Rio having a value of \$285,000. In place of the waived payment, it is agreed that the NSR royalty payable is increased from 2% to 3%. The amended agreement also entitles the Company to repurchase at any time upon written notice within 12 months from the Commencement of Commercial Production the additional 1% NSR Royalty for the sum of \$800,000.

During the year ended December 31, 2013, the Company did not make the \$15,000 payment required under the agreement and is currently renegotiating the terms of the final payment required.

#### Onon

The Onon project is located in northeastern Mongolia in Khentii Aimag, immediately south of the Russian border. It consists of three tenements covering 33,680 acres, two of which are 100% owned by the Company with the remaining tenement owned 90% by the Company with the outstanding 10% owned by a private Mongolian company.

Since 2007, the Company has explored for concealed gold targets through data compilation, rock chip/soil sampling, gravity survey, and IP survey. This work has identified several structural-geophysical-geochemical targets, all planned for drill testing.

On May 24, 2011, a payment of \$70,000 was made to a private Mongolian company in accordance to the option agreement dated November 13, 2008, which was subsequently amended on May 19, 2009, October 20, 2010 and May 23, 2011.

In May 2011, the Company began drilling at Onon with assay results for the three diamond core holes totaling 1,269 m announced and disclosed in June 2011. A number of sulfidized breccia horizons were intersected in each of the holes, though very little silica alteration was observed.

On July 24, 2012, the Company announced the completion of the earn-in, with a private Mongolian company, for 90% interest in one of the three Onon tenements with a final payment of 240,000 common shares in the capital of Altan Rio, in accordance to the option agreement dated November 13, 2008 and most recently subsequently amended in May 2012. The Company owns 100% of the remaining two tenements.

During the year ended December 31, 2013, the Company allowed its licenses on the Onon gold project to expire and accordingly, the Company wrote off costs totaling \$627,085.

## ***Property Risks***

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

## **CORPORATE**

### ***Directors and Officers***

**Evan Jones, President, CEO, & Director** – Mr. E. Jones has served as Chief Executive Officer, President and Director of Altan Rio Minerals Limited since its inception. He has eight years of experience in corporate advisory and commercial management in the mining industry, including six years based in developing countries. With experience in both private and public mineral exploration companies, Mr. E. Jones has a proven ability to build business networks and negotiate opportunities.

**J. Kelly Cluer, Director** – Mr. Cluer has served as Director of Altan Rio Minerals Limited since its inception. He has over twenty years of experience in mineral exploration and development, including leading advanced exploration, reserve delineation and feasibility work for the Boroo and Gatsuert gold projects in Mongolia. Mr. Cluer participated in two team discoveries with Uranerz USA and Cameco Gold (which became Centerra Gold) and was involved in the successful Centerra Gold IPO.

**John L.C. Jones, Chairman & Director** – Mr. J. Jones has served as Chairman and Director of Altan Rio Minerals Limited since its inception. He has been a prominent player in the international mining sector for over forty years with a long list of successes. Mr. J. Jones' guiding involvement in four companies (Troy Resources NL, Anglo Australian Resources NL, North Kalgurli Mines Limited, and Jones Mining NL) led to the discovery of four deposits and the development of eight mines.

**Murray Seitz, Director** – Mr. Seitz has served as Director for Altan Rio Minerals Limited since January 2012. He has ten years of experience in mineral exploration, including corporate compliance, management and business development services. Specializing in capital raising and corporate communications, Mr. Seitz's extensive network provides substantial equity capital for his client companies.

**Anthony Jackson, CFO** – Mr. Jackson has served as Chief Financial Officer for Altan Rio Minerals since June 2013. Mr. Jackson is a Principal at BridgeMark Financial Corp., providing accounting and financial consulting services to companies by handling all aspects of the company's administration, compliance, reporting and finance activities. Mr. Jackson is also the founder of Jackson & Company Chartered Accountants, assisting private and public companies with full-service accounting and tax functions (audit, reviews, compilations, corporate and personal tax). Prior to his time at BridgeMark, Mr. Jackson spent a number of years working at Ernst & Young LLP while obtaining his CA designation before moving onto work as a senior analyst at a boutique investment banking firm. Most recently Mr. Jackson has had extensive experience as a Director and CFO of numerous publicly-traded corporations in the metals and mining industries.

## **REVIEW OF OPERATIONS AND FINANCIAL RESULTS**

For the quarter ended March 31, 2014, the Company incurred a net loss of \$136,347 resulting in a loss per share of \$0.00. The loss was attributable to operating expenses of \$130,147, which were offset by finance income of \$21 and a foreign exchange loss of \$6,221.

For the quarter ended March 31, 2013, the Company incurred a net loss of \$213,460, resulting in a loss per share of \$0.00. The loss was attributable to operating expenses of \$211,368, which were offset by finance income of \$17 and a foreign exchange loss of \$2,109.

### ***Exploration***

The Company capitalizes all exploration costs relating to its resource interests. During the three months ended March 31, 2014, the Company expended \$72,587 in exploration of its Mongolia properties as follows:

○ Chandman	\$ 12,433
○ Onon	\$ Nil
○ Yol	\$ 36,452
○ Khavchuu	\$ 23,702

During the three months ended March 31, 2013, the Company expended \$141,139 in exploration of its Mongolia properties as follows:

○ Chandman	\$ 85,109
○ Onon	\$ 18,500
○ Yol	\$ 28,665
○ Khavchuu	\$ 8,865

Full particulars of the deferred exploration costs are shown in Note 8 to the Financial Statements.

### ***Expenses***

During the quarter ended March 31, 2014, the Company incurred \$1,514 in depreciation, \$31,461 in consulting fees, \$9,359 in investor relations fees, \$15,903 in professional fees, \$12,416 in project investigation costs, \$7,039 in share-based compensation, \$7,507 in travel and entertainment, and \$44,948 in general and administrative expenses, which were offset by finance income of \$21 and a foreign exchange loss of \$6,221

During the quarter ended March 31, 2013, the Company incurred \$2,233 in depreciation, \$47,539 in consulting fees, \$15,861 in investor relations fees, \$9,986 in professional fees, \$12,164 in project investigation costs, \$57,694 in share-based compensation, \$5,975 in travel and entertainment, and \$59,916 in general and administrative expenses, which were offset by finance income of \$17 and a foreign exchange loss of \$2,109.

General and administrative expenses consist of computer, dues, insurance, rent, telecommunications, transfer agent and filing fees, wages and benefits, general office expenses and administrative services related to maintaining the Company's exchange listing and complying with securities regulations. General and administrative expenses also include other office expenses for our subsidiaries.

## **RISKS AND UNCERTAINTIES**

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

### ***Title Risks***

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



### ***Exploration and Development***

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

### ***Environmental Regulations, Permits and Licenses***

The Company's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas that would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that means standards are stricter, and enforcement, fines and penalties for noncompliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. We intend to comply fully with all environmental regulations.

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

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

### ***Competition***

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

### ***Dependence on Key Personnel***

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

### ***Fluctuating Mineral and Metal Prices***

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

### ***Future Financings***

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

### ***Price Volatility of Publicly Traded Securities***

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

Readers should review the more detailed discussion of such risk factors set out in the Company's Long Form Prospectus under the heading "Risk Factors", which is filed on SEDAR and may be found at [www.sedar.com](http://www.sedar.com).

## **SUMMARY OF QUARTERLY RESULTS**

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

	Finance Income	Foreign Exchange Gain / (Loss)	Net Loss	Net Loss per Share (basic & fully diluted)
<b>2014</b>				
First Quarter	21	(6,221)	(136,347)	(0.00)
<b>2013</b>				
Fourth Quarter	30	874	(1,509,609)	(0.04)
Third Quarter	35	(88)	(110,859)	(0.01)
Second Quarter	213	1,376	(158,414)	(0.00)
First Quarter	17	(2,109)	(213,460)	(0.00)
<b>2012</b>				
Fourth Quarter	202	(5,212)	(344,187)	(0.01)
Third Quarter	178	3,483	(301,048)	(0.01)
Second Quarter	292	(3,553)	(479,629)	(0.01)

The loss in 2013 was increased predominantly due to the write down of exploration and evaluation assets.

The net loss in the first three quarters of 2013 was decreased mainly due to the reduction in recognition of share-based compensation expense as the stock options with shorter vesting periods had a higher portion of their fair value expense adjustment recognized in earlier periods.

## LIQUIDITY AND CAPITAL RESOURCES

The Company relies on equity financings for its working capital requirements and to fund its planned exploration and development activities.

During the year ended March 31, 2014, the company's increase in cash and cash equivalents was \$6,038. Working capital as at March 31, 2014 was a \$1,420,712 deficit. Current liabilities at March 31, 2014 include a loans payable amounts received from Verite Trust Company Limited, a non-related party. There were no specific terms of interest or repayment on these advances. Subsequent to the quarter end \$1,155,496 of the outstanding loan amount was reassigned to the following parties and converted to shares.

Double Dragon Equities Ltd.	437,500
0809979 B.C. LTD	717,996
	1,155,496

\$210,000 of the outstanding amount to Verite Trust Company Limited was converted to shares subsequently to the quarter end.

## OFF-BALANCE SHEET ARRANGEMENTS

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

## RELATED PARTY DISCLOSURE

The Company entered into the following transactions with related parties:

- a) Paid or accrued management and consulting fees of \$20,250 (2013 - \$20,250) to Evan Jones, President, CEO and director of the Company. At March 31 2014, the amount payable to him was \$41,480 (December 31, 2013 - \$21,401). The Company also had an amount due from him of \$92 (December 31, 2013 - \$92).
- b) Paid or accrued management and consulting fees of \$Nil (2013 - \$18,211) to Kelly Cluer, a former director of the Company. At March 31, 2014, the amount payable to him was \$24,627 (December 31, 2013 - \$24,627). The Company also had an amount due from him of \$2,729 (December 31, 2013 - \$2,729).
- c) At March 31, 2014, an amount of \$29,424 (December 31, 2013 - (due from) \$42,794) was due to Altan Nevada Minerals Ltd., a company with directors and officers in common.
- d) At March 31, 2014, an amount of \$3,363 (December 31, 2013 - \$3,363) was due from John Jones, a director of the Company.
- e) Paid or accrued accounting services of \$10,901 (2013 - \$nil) to BridgeMark Financial Corp. ("BridgeMark"), a management company controlled an officer of the Company. At March 31, 2014 the amount payable to BridgeMark was \$8,400 (December 31, 2013 - \$3,949)
- f) At March 31, 2014, an amount of \$1,961 (December 31, 2013 - \$1,961) was due to the Bonito Trust, controlled by a director of the Company.
- g) At March 31, 2014, an amount of \$5,000 (December 31, 2013 - \$5,000) was due to 0809979 B.C. Ltd., a company with a common director.
- h) At March 31, 2014, an amount of \$836 (December 31, 2013 - \$836) was due from Jones Partners, controlled by a director of the Company.
- i) At March 31, 2014, an amount of \$2,977 (December 31, 2013 - \$2,977) was due to the Westbury Management Services, controlled by a director of the Company.

These transactions were incurred in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

### Key Management Personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. The remuneration of directors and other members of key management personnel during the three months ended March 31, 2014 and 2013 are as follows:

	2014	2013
Management and consulting fees	\$ 51,151	\$ 38,461 <sup>(1)</sup>
Share-based payments <sup>(2)</sup>	<u>7,039</u>	<u>50,500</u>
	<u>\$ 58,190</u>	<u>\$ 88,961</u>

(1) Of this amount, \$6,000 is included in evaluation and exploration assets.

(2) Share-based payments are the fair value of options granted to key management personnel.

### **CONTRACTUAL AND OTHER OBLIGATIONS**

At the present time, there are no contractual and other obligations that should be disclosed.

### **PROPOSED TRANSACTIONS**

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

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The Company's accounting policies are described in Note 3 to the consolidated financial statements for the three month period ended March 31, 2014. Management considers the following to be the most critical in understanding the judgments that are involved in preparing the Company's financial statements and the uncertainties that could impact its results of operations, financial condition and future cash flow.

#### *Exploration and Evaluation Assets*

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

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

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

### ***Impairment of Long-Lived Assets***

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

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

### ***Use of Estimates***

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates include the carrying value and recoverability of exploration and evaluation assets, inputs used in the calculation of share-based compensation and agents' warrants and the valuation allowance applied to future income taxes. Actual results could differ from those estimates, and would impact future results of operations and cash flows.

### ***Share-Based Compensation***

The fair value of stock options granted is determined using the Black-Scholes option pricing model and is recorded as share-based compensation over the vesting period of the stock options. Upon the exercise of the stock options, the related fair value of the stock options is reallocated from reserves to share capital.

### ***Financial Instruments***

#### Financial assets

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

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

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

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

*Available-for-sale* - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the

fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in the statement of operations.

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

#### Financial liabilities

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

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

*Other financial liabilities:* This category includes loans payable, amounts due to related parties and accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company has classified its cash and cash equivalents investments as fair value through profit and loss. The Company's receivable and amounts due from related parties are classified as loans and receivables.

#### ***New Standards Not Yet Adopted***

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

#### **Future reclamation costs**

The Company recognizes liabilities for legal or constructive obligations associated with the retirement of the Company's exploration and evaluation assets and equipment. The net present value of future rehabilitation costs is capitalized to the related asset along with a corresponding increase in the rehabilitation provision in the period incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded directly to the related assets with a corresponding entry to the rehabilitation provision.

The increase in the provision due to the passage of time is recognized as finance expense.

The Company currently does not have any significant future reclamation costs.

#### **Comprehensive income (loss)**

Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss) and represents the change in shareholders' equity which results from transactions and events from sources other than the Company's shareholders. The Company's and subsidiary's translation of its financial results to United States dollars is the only item currently affecting comprehensive income (loss) for the years presented.

## **New standards not yet adopted**

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2014. Many of these updates are not applicable or consequential to the Company and have been excluded from the discussion below.

### **New standard IFRS 9 “Financial Instruments”**

This new standard is a partial replacement of IAS 39 Financial Instruments: Recognition and Measurement. This new standard is tentatively effective for annual periods beginning on or after January 1, 2018.

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on its consolidated financial statements.

## **FINANCIAL INSTRUMENTS**

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

### *Credit risk*

Credit risk is the risk of loss associated with counterparty’s inability to fulfill its payment obligations. The Company’s cash and cash equivalents are held at a large Canadian financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper. The Company’s receivables consists of mainly taxes receivable due from the Government of Canada. The Company believes it has no significant credit risk.

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity of \$98,472 (December 31, 2013 - \$118,932) to settle current liabilities of \$1,519,184 (December 31, 2013 - \$1,345,301). The Company plans to meet its obligations through loan and equity financings. As disclosed in Note 1 to the consolidated financial statements, the company will need additional funds to meet its obligations as they come due.

### *Market Risk*

#### *a) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is minimal because these investments roll over daily.

#### *b) Foreign currency risk*

The Company is exposed to foreign currency risk on fluctuations related to cash and cash equivalents, receivables, accounts payables and accrued liabilities, loans payable, and due to/from related parties that are denominated in Canadian dollars and Mongolian Tugrik.

#### *c) Price risk*

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

### *Sensitivity Analysis*

The Company operates in Mongolia and is exposed to risk from changes in the Canadian dollar and Mongolian Tugrik. A simultaneous 10% fluctuation in the Canadian dollar or Mongolian Tugrik against the US dollar would affect accumulated other comprehensive loss for the year ended March 31, 2014 by approximately \$7,460.

### **OUTSTANDING SHARE DATA**

The authorized capital of the Company consists of an unlimited number of common shares and an unlimited number of preferred shares. No preferred shares have been issued to date. An aggregate of 52,110,454 common shares were issued and outstanding as of the date of this MD&A.

The Company has the following share purchase warrants outstanding as of the date of this MD&A:

<b>Number of Warrants</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
2,000,000	C\$0.50	October 17, 2014
2,000,000		

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

<b>Number of Options</b>	<b>Option Exercise Price</b>	<b>Expiry Date</b>
1,534,400	C\$0.53	February 1, 2017

### **EVENTS AFTER THE REPORTING PERIOD**

- a) On April 28th, 2014 the Company announced that it has closed the debt settlement originally announced February 20, 2014. Pursuant to the settlement, the Company has issued a total of 20,346,555 common shares to settle debt in the total sum of \$1,424,258.90 at a deemed price of \$0.07 per share. Debt in the sum of \$5,000 that was originally contemplated in the February 20, 2014 news release was not settled for shares, resulting in a net reduction of 71,428 shares from the number originally announced. The 20,346,555 shares so issued are subject to a hold period of four months plus a day, expiring August 29, 2014
- b) On May 20th, 2014 the Company announced that it has closed its previously announced private placement with European Bank for Reconstruction and Development (“EBRD”). Pursuant to the Private Placement, the Company has issued to EBRD 16,666,000 common shares at \$0.06 per share, for gross proceeds of \$999,960. Following closing of the Private Placement EBRD holds 16,666,000 common shares of the Company, representing approximately 18.7% of the issued and outstanding common shares of the Company.