



**MUSTANG MINERALS CORP.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015**

*This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the December 31, 2015 consolidated financial statements of Mustang Minerals Corp. ("Mustang" or the "Company"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical fact, that address future exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Additional information can be found on SEDAR, [www.sedar.com](http://www.sedar.com). All amounts are in Canadian dollars, unless otherwise noted.*

## **1. DATE**

The date of this MD&A is April 28, 2016.

## **2. OVERALL PERFORMANCE**

### **Overview**

The principal business of the Company is to explore and develop its properties and in particular its Mayville Makwa ( Nickel-Copper- PGM) Project in Manitoba ( the "Project"). The Project is located in southeastern Manitoba. Results of a National Instrument 43-101 Preliminary Economic Analysis ("PEA") combining the Makwa and Mayville Deposits were announced May 26, 2014.

Commodity prices and negative market sentiment for commodity related equities have created a highly challenging environment for the Company. The Company has taken further steps to consolidate its business operations and reduce overhead costs in light of the current market conditions. In view of the sustained downturn in the sector, low commodity prices, the Company's current working capital position that only provides for six to nine months of the Company's cash requirements, and the liabilities arising as a result of an audit by the Canada Revenue Agency (see "Canada Revenue Agency Audit" that follows), the Company's ability to continue as a going concern is in question.

### **Canada Revenue Agency Audit:**

In November 2015 the Company received the initial results of an audit conducted by the Canada Revenue Agency ("CRA") relating primarily to Canadian Exploration Expense ("CEE") for the years 2010 to 2012 when the CEE was renounced to flow-through financing share subscribers. The CRA audit of the Company's flow-through expenditures covers the calendar years 2011, 2012 and 2013. During the three year period Mustang raised a total of approximately \$9,100,000 in flow-through financings and the CEE was renounced to subscribers.

The Company announced on February 11, 2016 that CRA determined a reduction to the amount of qualifying CEE that was renounced by the Company to subscribers for the applicable years. (2010 – TIN# 42090-1, a 20.3% reduction; 2011- TIN#43326-8, a 9.3% reduction; and 2012- TIN#44284-8, a 16.7% reduction). The total reduction of CEE determined by CRA for the three years approximates \$1,371,000. The Company has the right to appeal the findings of CRA.

As a result of the indemnification provided to flow-through subscribers, the Company has included in accounts payable and accrued liabilities an estimated provision of \$1,055,000 for the expected amounts that will become payable to the subscribers of its flow-through shares. The Company will also have additional liability for Part XII.6 tax as a result of the audit estimated to be \$186,000 which has also been included in accounts payable. The total provided for amounts to \$1,241,000.

As a potential measure to deal with the liability arising from the subscription agreements for the flow-through financings the shareholders of the Company approved the issuance of common shares of the Company in an amount up to \$600,000 at the annual meeting of the Company held on February 3, 2016.

The Company is also investigating the sale of certain of its assets including mill equipment and mining interests as a source of working capital.

**Other:**

During 2015 the Company completed a geophysical program and other fieldwork at its Mayville Property. Fixed loop electromagnetic surveys were completed over two areas of the Mayville Property. Two anomalies were identified. The “Keel” anomaly is hypothesized as a down dip ( possibly offset ) extension of the main Mayville deposit. The Keel anomaly begins at 300m vertical depth and the plate dimensions were estimated at 200m x 200m. The anomaly shows good correlation to a previous borehole ( offhole ) anomaly at depth as well as a ZTEM survey anomaly.

A second geophysical anomaly was identified by the survey at South Mayville. A large low conductance plate was modelled over a strike length of over 600m starting at depth of ~300m and extending for several hundred meters down dip. The geology in the area consists of a package of gabbroic, ultramafic and volcanic rocks. Field observations by Mustang in the area included mapping of a heterolithic breccia which hosts the mineralization at the Mayville Deposit located approximately 2 km to the north.

The two targets identified are considered priorities for drill follow up with the objective of expanding the resources at Mayville.

**PEA Overview**

On April 8, 2014 the Company announced the highlights of a National Instrument 43-101 compliant Preliminary Economic Assessment (the “PEA”) of the Mayville-Makwa Project (the “Project”). The Technical Report on the Preliminary Economic Assessment of the Combined Mayville-Makwa Project, Manitoba Canada (“Technical Report”) is dated April 30, 2014 and is filed online at Sedar.com. Mustang retained RPA Inc. as the independent third party to complete the PEA. Other activities during the quarter included a geophysical review of the Mayville Deposit focusing on the depth potential of the deposit.

The PEA examined a proposed mining operation where ore is processed from two open pit resources (Makwa and Mayville) with metal recovery at a central mill located at the Mayville site. The mining operation outlined is a conventional truck and shovel operation with metal recovery by conventional flotation concentration. Proposed total mine life is 14 years with an average mining daily rate of 8,200 tonnes per day of mineralized material. Average annual production from the Project is 3,600 tonnes of nickel in concentrate, 8,700 tonnes of copper in concentrate and 9,800 combined ounces of platinum and palladium. The concentrator location is proposed to be at the Mayville site and Makwa material will be trucked to the Mayville concentrator, a distance of 43 kilometres. The Makwa deposit is a nickel dominant deposit with lesser contributions of copper, palladium and cobalt. The Mayville deposit is a copper dominant deposit with lesser contributions of nickel and palladium. Metallurgical testing has demonstrated that the deposits are amenable to flotation concentration. The PEA noted further optimization of the project could be achieved with additional work including trade-off studies, metallurgical process enhancement and additional drilling.

**Project Economics**

The distribution of gross revenue for the project by metal is 44.3% nickel and 46.8% copper, 5.0% palladium, 1.8% platinum, 1.4% gold, and 0.3% cobalt. Using the base case metal price assumptions of US\$8.50 lb nickel and US\$3.40 lb copper the project achieves payback of capital after 3.5 years.

The following table outlines a base case analysis based on the assumptions set out in the PEA.

<b>Description</b>	<b>Base Case</b>
Nickel US\$ (lb)	\$8.50
Copper US\$ ( lb)	\$3.40
Palladium US\$ (oz)	\$800
C\$/US\$ Exchange Rate	\$0.90

Operating Cash flow ( millions )	C\$637
Capex ( millions )	C\$300
Pre-tax NPV at 7.5% ( millions )	C\$109
Pre-tax IRR	17%
After tax NPV at 7.5% ( millions )	C\$97
After tax IRR	16%

The PEA is preliminary in nature, includes inferred mineral resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty the PEA will be realized.

#### Project Mineral Resource Estimates

The potential economic viability of the Makwa and Mayville deposits was evaluated using measured, indicated and inferred mineral resources. RPA updated the mineral resources for both deposits. The Makwa mineral resource was prepared using drilling data current to October 14, 2009 and for Mayville the mineral resource estimate used drill-hole data as of November 27, 2013. The NSR cut-off value used for Mayville was C\$15/t and for Makwa was C\$20.64/t. The portion of the measured mineral resources, indicated mineral resources and inferred mineral resources used for evaluation in the PEA is shown in the table that follows.

#### MINERAL RESOURCE SUMMARY AS OF NOVEMBER 27, 2013

##### Mustang Minerals Corp. – Makwa-Mayville Project

Class and Deposit	Tonnes ( Mt)	Ni (%)	Cu (%)	Pt (g/t)	Pd (g/t)	Au (g/t)	Co (%)
<b>Indicated</b>							
Makwa	7.2	0.61	0.13	0.10	0.36	N/A	0.01
Mayville	26.6	0.18	0.44	0.05	0.14	0.05	N/A
Total Indicated	33.8	0.27	0.37	0.06	0.19	N/A	N/A
<b>Inferred</b>							
Makwa	0.7	0.27	0.08	0.05	0.14	N/A	0.02
Mayville	5.2	0.19	0.48	0.06	0.15	0.04	N/A
Total Inferred	5.8	0.19	0.43	0.06	0.15	N/A	N/A

#### Notes:

1. CIM Definition Standards have been followed for classification of Mineral Resources
2. Mineral Resources are reported at a net smelter return (NSR) cut-off value of C\$15/tonne at Mayville and C\$20.64/tonne at Makwa
3. At Mayville, NSR values are calculated in C\$ using factors of \$51 per % Cu and \$41 per % Ni. These factors are based on metal prices of US\$3.40/lb Cu and US\$8.50/lb Ni, estimated recoveries and smelter terms, and a US\$/C\$ exchange rate of 0.97.
4. The Makwa Mineral Resources are estimated using metal prices of US\$3.40/lb Cu and US\$8.50/lb Ni, estimated recoveries and smelter terms, and a US\$/C\$ exchange rate of 0.97. The NSR factors used: \$87.33 per % Ni, \$29.65 per % Cu, \$38.25 per % Co, \$0.14 per g/t Pt and 0.08 per g/t Pd.
5. Totals may not add correctly due to rounding.
6. Mineral Resource that are not Mineral Reserves do not have demonstrated economic viability.

#### Project Parameters

The PEA outlined the scope for the project and a summary of the key operating and cost parameters of the project are as follows:

- The project was evaluated as owner operated.
- Net smelter return revenue of C\$1.739 billion is from sale of copper and nickel concentrates.
- Average net smelter return per tonne is C\$45.

- Initial capital cost of the project is C\$209 million (including contingency) to build the mine, site infrastructure, sulfide flotation plant and purchase of new mining equipment to achieve commercial production. Total capital cost including sustaining is C\$301million. ( the PEA did not account for use of mill equipment currently owned by Mustang )
- Operating costs include open pit mining costs of \$2.00 per tonne and concentrator operator costs of \$10.50/t.
- Metallurgical recoveries used in the study for Makwa were 73% for nickel and 80% for copper. For Mayville the nickel recovery used was 40% for nickel and 90% for copper.
- RPA selected indicative terms for concentrate payment and charges typical for the current market.
- The project has operating cash flow of C\$637 million. Pre-tax cash flow was \$336 million and the Net Present Value (7.5%) was C\$109 million with a 17% Internal Rate of Return. After tax Net Present Value (7.5%) of the project was C\$97 million.

RPA concluded that the geological interpretation and modeling were appropriate for the current level of study and that the exploration work met industry standard practices.

#### Recommendations

RPA made the recommendation that Mustang continue to evaluate the technical and economic viability of the project. In order to advance the project additional drilling, trade off studies, environmental studies, geotechnical work and metallurgical test work were recommended.

Mustang is considering a range of options to add value to the project and follow up the encouraging results of the PEA.

#### Environmental Issues - Permitting and Community Impact

The PEA reviewed the environmental and social aspects of the project. The PEA noted that Mustang currently has a Memorandum of Understanding (MOU) with the Sagkeeng First Nation. Mustang consults with Sagkeeng on a regular basis regarding exploration permits for the project.

At the Makwa site, Mustang completed environmental work for the Makwa deposit in 2008. An environmental scoping study was completed for the Mayville area in 2009.

Permitting and mine closure were addressed in the PEA on a scoping study level. The Environmental Act Licence is the primary enabling approval document that is required from the Province of Manitoba before the project can be constructed. Environmental licensing is handled through the “one-window” process managed by Manitoba Conservation. The project would be a Class 2 development which will require a full environmental impact statement (EIS) to be submitted along with the license application. A mine closure plan will have to be prepared including an independent estimate of closure costs which will form the basis for the required financial assurance.

#### Qualified persons

The Qualified Persons involved in the preparation of the report are:

Reno Pressacco, M.Sc(A)., P.Geo. RPA Inc.

David Ross, M.Sc., P. Geo. RPA Inc.

Hugo Miranda, MBA, C.P. RPA Inc.

Holger Krutzelmann, P.Eng. RPA Inc.

Stuart E. Collins, P.E. RPA Inc.

This Technical Report conforms to the CIM Mineral Resource and Mineral Reserves definitions referred to in National Instrument (NI) 43-101, Standards of Disclosure for Mineral Projects.

### 3. SELECTED ANNUAL INFORMATION

Selected audited annual information for the three most recently completed years, all reported under IFRS, are as follows:

Years ended December 31,	2015	2014	2013
	\$	\$	\$
Interest and other income	-	40,501	124,114
Net loss before provision for income taxes	(3,241,251)	(289,059)	(448,318)
Net income (loss) after provision for income taxes	(2,601,251)	(381,999)	118,682
Basic and diluted income (loss) per share	0.01	0.00	0.00
Total assets	28,027,483	29,925,037	29,981,342

### 4. RESULTS OF OPERATIONS

#### Overview

The following table provides selected financial information that should be read in conjunction with the consolidated financial statements of the Company at its December 31, 2015 and 2014 year ends.

	Three months ended		Year ended	
	December 31,		December 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Other income (loss)	(18,034)	(150,000)	(17,837)	40,501
Flow-through share premium income	-	-	65,500	-
Operating expenses	(38,575)	(47,675)	(230,504)	(329,560)
Net loss	(3,115,019)	(290,615)	(2,601,251)	(381,999)
Net loss per share	0.01	0.00	0.01	0.00
Mining interests	26,829,083	26,633,183	26,829,083	26,633,183
Total assets	28,027,483	29,925,037	28,027,483	29,925,037

#### Revenues

None of the Company's properties have advanced to the point where a production decision can be made. As a consequence, the company has no producing properties and no sales or revenues. From time to time the Company will earn interest from funds on deposit and other income.

#### Expenses

The major expense items for the three and nine months ended December 31, 2015 and 2014 are summarized as follows:

	Three months ended		Years ended	
	December 31,		December 31,	
	2015	2014	2015	2014
	\$	\$	\$	\$
Office, general and administrative	29,977	19,866	112,495	119,986
Management and directors fees	(15,675)	9,913	73,750	139,678
Professional fees	16,545	14,753	18,142	30,906
Public company costs	7,416	2,713	24,863	37,270
Other	312	430	1,254	1,720
Total	38,575	47,675	230,504	329,560

The lower operating expenses in the three and nine months periods ended December 31, 2015, as compared to the same period in the prior year, is due to cost saving measures in 2015.

### Exploration and Development Expenditures

For the three months ended December 31, 2015			
\$			
	Makwa	Mayville	Total
Geological	10,130	64,959	75,089
<b>Total</b>	<b>10,130</b>	<b>64,959</b>	<b>75,089</b>

For the year ended December 31, 2015			
\$			
	Makwa	Mayville	Total
Geological	28,529	167,370	195,899
<b>Total</b>	<b>28,529</b>	<b>167,370</b>	<b>195,899</b>

### **Significant Projects**

The Company's projects are located in Manitoba; Makwa and Mayville, are located within 43 kilometers of each other.

In addition to furthering the development of the Mayville Makwa Project the Company also plans to continue targeted exploration at its landholdings in the Makwa/Mayville project area. The Company considers the exploration potential of the Makwa/Mayville area to be favourable for the discovery of additional resources. Overall the project area has excellent infrastructure and access.

#### Manitoba – Makwa Property

The Company's Makwa property position covers prospective terrain in the Bird River Greenstone Belt approximately 150 km northeast of Winnipeg, Manitoba. The Makwa Property, located near Lac du Bonnet, includes the former producing Makwa open pit nickel deposit and the Dumbarton Mine, both located on the south limb of the Bird River Greenstone Belt.

The chronology of activity at Makwa is as follows:

1. Mustang acquired the mineral rights to the property covering the former open pit Makwa Ni-Cu deposit and the former producing Dumbarton Ni-Cu deposit in June 2004.
2. A National Instrument 43-101 compliant resource estimate was completed by Scott Wilson Roscoe Postle Associates Inc. in February 2005.
3. The resource estimate was updated in January 2007 by Micon International Limited ("Micon") as part of a Preliminary Economic Assessment ("PEA") of Makwa.
4. A revised resource estimate dated September 2007 was completed by Wardrop Engineering Inc.
5. In May 2008 Micon completed a pre-feasibility study based on the September 2007 resource estimate.
6. A new resource estimate was completed by Micon in October 2009.
7. In February/March 2010 Micon issued a revised reserve estimate and project cash flow model.
8. On April 8, 2014 the Company announced the results of a PEA that looked at a mining operation combining the Makwa property with the Mayville property. The PEA for the combined operation assumed that the processing facilities would be designed for and situated at Mayville and the mineralized material from Makwa would be trucked to Mayville.

#### Manitoba – Mayville Property

The Mayville Property consists of unpatented mining claims located approximately 35 km north of the Makwa Deposit. The 22 km long contiguous land position is accessible from gravel and dirt roads and

locally by logging roads. The cumulative 89% interest in the mineral rights to the Mayville Property were acquired through:

- 1) The purchase by Mustang of Falconbridge Limited's 72.6% interest in Maskwa Nickel Chrome Mines Limited (MNCM) completed in May 2005. MNCM owns a 40% interest in a venture covering the Mayville Property. The acquisition involved the payment of \$120,000 cash on closing and the issuance of 400,000 common shares of Mustang. A non-interest bearing note of \$210,000 is also payable over five years to Falconbridge at the time commercial production is commenced from the Property.
- 2) The purchase by Mustang of the remaining venture interest owned by Exploratus Inc. (a private company). The purchase price totaled \$500,000 and was payable in the form of \$90,000 cash paid on closing, a note for \$165,000 due in 18 months from closing and 700,000 common shares subject to various hold and escrow periods. The purchase has been completed. Mustang subsequently purchased the net smelter royalty from Exploratus for 600,000 common shares.

On February 20, 2013 the Company announced a new resource estimate. The indicated resource amounted to 24.3 million tonnes at 0.45% copper and 0.19% nickel (0.69% copper equivalent). Inferred resources amounted to 4.1 million tonnes at 0.45% copper and 0.18% nickel (0.68% copper equivalent). The updated resource estimate was reported at a \$20 NSR cut-off. The Company has completed a Preliminary Economic Assessment based on co-development of the Mayville and Makwa deposits.

#### Tanco

On June 30, 2010, the Company entered into an option agreement with Tantalum Mining Corporation of Canada and has now acquired a 100% interest in the base and precious metal rights of a property located in southeast Manitoba. Pursuant to the terms of the option agreement, the Company made cash option payments totaling \$45,000, and incurred expenditures of \$312,600. The property is subject to a 2% NSR.

#### Other Mineral Interests

The Company controls the mineral rights to unpatented mining claims in Ontario referred to as the East Bull Lake Property, the River Valley Property and the Bannockburn Nickel Project.

## **5. SUMMARY OF QUARTERLY RESULTS**

### **Selected financial information for the last 8 fiscal quarters:**

	2015 Q4	2015 Q3	2015 Q2	2015 Q1
	\$	\$	\$	\$
(a) Net Income (loss)	(2,475,019)	(57,775)	(62,245)	(6,212)
(b) Basic and diluted income per share	0.01	0.00	0.00	0.00

  

	2014 Q4	2014 Q3	2014 Q2	2014 Q1
	\$	\$	\$	\$
(a) Net income (loss)	(381,999)	(65,855)	(84,348)	58,819
(b) Basic and diluted income per share	0.00	0.00	0.00	0.00

### **Comments on quarterly results**

#### 2015 – Q4

The results for Q4 were adversely affected by the following; a charge for impairment of capital assets in the amount of \$1,817,410 (2014 – Nil); a charge for indemnification of shareholders and Part XII tax in the amount of \$1,241,000. Results were positively impacted by a deferred tax recovery in the amount of \$640,000 (2015 – a charge of \$92,940)

#### 2015 – Q3

The improved result in Q3 2015 as compared to the same period in the prior year is explained by general cost savings realized in an effort to conserve cash.

#### 2015 – Q2

The lower loss in Q2 2015 as compared to the same period in the prior year is explained by generally lower expenses in the 2015 period primarily in an effort to conserve cash.

#### 2015 – Q1

The difference between net income (loss) comparing Q1 2015 to the same period in the prior year is attributable to lower flow through share premium in 2015 of \$65,500 (2012 - \$190,501) and lower overall expenses in 2015 of \$71,712 (2012 - \$131,682) as a result of cost reductions in Q1 2015.

#### 2014 – Q4

Major item resulting in the loss in Q4 2014 is deferred income tax expense in Q4 2014 of \$92,940 (Q4 2014 – recovery of \$567,000) and \$150,000 recoveries that were offset from the consolidated statement of operations to the mining interests in the consolidated statement of financial position.

#### 2014 – Q3

The higher loss in Q3 2014 as compared to the same period in the prior year is explained by interest and other income in 2013 of \$134,928 (2014 – Nil), and general cost savings realized in other areas of operations in an effort to conserve cash.

2014 – Q2 The lower loss in Q2 2014 as compared to the same period in the prior year is explained by cost savings, to conserve cash, in all material line items.

2014 – Q1 The improved result in Q1 2014 as compared to the same period in the prior year is largely explained by stock based compensation in 2014 of \$Nil (2013 - \$117,169), flow-through share premium income in 2014 of \$Nil (2013 - \$131,896), interest and other income in 2014 of \$190,501 (2013 - \$Nil) and overall cost saving initiatives in 2014 in all other categories of expenditures that reduced 2014 costs in general.

## **6. LIQUIDITY**

The Company has no significant revenues and no expectation of significant revenues in the near term. The cash position of the Company is reduced as exploration and overhead expenses are incurred. The Company has reduced compensation levels and will continue to closely monitor its levels of activity with a focus on preserving cash.

In the current economic climate financial markets are soft and it is difficult for exploration companies in general to raise funds. The Company has a working capital deficit at December 31, 2015, of \$1,167,969 (December 31, 2014 – working capital of \$260,029). At December 31, 2015; current assets included cash of \$36,477 (December 31, 2014 - \$320,354), accounts receivable of \$65,110 (December 31, 2014 - \$5,347), and available-for-sale marketable securities of \$37,569 (December 31, 2014 - \$83,350); current liabilities included accounts payable and accrued liabilities of \$1,315,784 (December 31, 2014 – \$162,576).

The Company invests surplus funds in financial instruments with a Canadian chartered bank.

## **7. CAPITAL RESOURCES**

During December 2014 and January 2015 the Company raised a total of \$377,697 through the issuance of flow-through common shares in the amount of \$196,500 and common shares in the amount of \$181,197. The Company spent the flow-through shares amount on eligible exploration activities during the year ended December 31, 2015. The Company is not committed to any other material capital expenditures at December 31, 2015, or to the date of this MD&A.

In order for the Company to maintain its properties in good standing there are certain lease, option and property acquisition costs it will have to incur, as well as other commitments it has to fulfill, all as disclosed in Notes 6 and 9 to the Company's December 31, 2015 financial statements. Any cash outlays required will be met from existing working capital and funding provided by capital markets or other industry partners.

## **8. OFF-BALANCE SHEET ARRANGEMENTS**

As at December 31, 2015 the Company does not have any off-balance sheet arrangements.

## **9. TRANSACTIONS WITH RELATED PARTIES**

Director's fees, professional fees and other compensation of directors and key management personnel were as follows for the years ended December 31:

	2015	2014
	\$	\$
Short-term compensation and benefits	167,196	182,888
Share-based payments	-	-

As at December 31, 2015, accounts payable and accrued liabilities includes \$31,160 (2014 - \$47,260) owing to key management personnel.

During the year ended December 31, 2015, the Company received \$49,375 for a share subscription (2014 - \$Nil) from Western Areas. Western Areas is a company that owns approximately 19% of the Company.

Legal fees were charged by a legal firm during the year ended December 31, 2015, of which an officer of the Company is an employee, for legal and corporate secretarial services in the amount of \$11,067 (2014 - \$16,509) of which \$3,427 (2014 - \$ 7,290) was included in accounts payable and accrued liabilities as at December 31, 2015.

During the year ended December 31, 2015, the Company charged rent of \$Nil (2014 - \$3,390) to Aquila Resources Inc., a company whose former Chief Financial Officer was a director and officer of the Company.

Amounts due to related parties and included in accounts payable, are unsecured, non-interest bearing, and have no fixed terms of re-payment.

#### **10. EVENTS AFFECTING THE COMPANY'S FINANCIAL CONDITION**

In view of the sustained downturn in the sector, low commodity prices, the Company's current working capital position that only provides for six to nine months of the Company's cash requirements, and the liabilities arising as a result of an audit by the Canada Revenue Agency, the Company's ability to continue as a going concern is in question.

#### **11. PROPOSED TRANSACTIONS**

There are no asset or business acquisitions or dispositions proposed by the Company at December 31, 2015.

#### **12. SUBSEQUENT EVENT**

At its February 3, 2016 Annual General Meeting, subject to regulatory approval, the Company obtained shareholder approval to authorize the issuance of up to \$600,000 of Common Shares to settle the potential liability to shareholders arising from an audit by Canada Revenue Agency of the flow-through expenditures of the Corporation.

#### **13. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes can differ from these estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the financial statements are:

### **Capitalization of mining interest costs**

Management has determined that exploration and evaluation costs incurred during the year have future economic benefits and are economically recoverable. In making this judgement, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits.

### **Impairment of mining interests**

While assessing whether any indications of impairment exist for mining interest assets, consideration is given to both external and internal sources of information. Information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mining interest assets. Internal sources of information include the manner in which mining interest assets are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's exploration properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mining interests.

### **Income taxes and recoverability of potential deferred tax assets**

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. The Company considers whether relevant tax planning opportunities are within the Company's control, are feasible, and are within management's ability to implement. Examination by applicable tax authorities is supported based on individual facts and circumstances of the relevant tax position examined in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. Also, future changes in tax laws could limit the Company from realizing the tax benefits from the deferred tax assets. The Company reassesses unrecognized income tax assets at each reporting period.

### **Share-based payments**

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviors and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

### **Commitments and contingencies**

Refer to Notes 6 and 9 to the Company's December 31, 2015 financial statements.

## **14. RECENT ACCOUNTING PRONOUNCEMENTS**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after January 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016.

## **15. FINANCIAL INSTRUMENTS**

The carrying amounts for cash, accounts receivable, marketable securities and accounts payable and accrued liabilities approximate their estimated fair value due to the short term nature of these financial instruments.

Cash and accounts receivable are classified as loans and receivables and are recorded at amortized cost, which upon their initial measurement is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

Marketable securities are classified as available for sale financial assets and are measured at their fair value. Changes in fair value are included in other comprehensive income until the asset is removed from the statement of financial position or until impairment is assessed as other than temporary.

Accounts payable are classified as other financial liabilities and are initially measured at their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method.

The Company's risk exposures and the impact on its financial investments, as summarized below, have not changed significantly for the year ended December 31, 2015.

### **Credit Risk**

The Company’s credit risk is primarily attributable to accounts receivable. The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to the financial instrument included in accounts receivable is remote.

### **Liquidity Risk**

The Company's main source of liquidity is derived from its common stock issuances. As at December 31, 2015, the Company had current assets of \$147,815 (December 31, 2014 - \$422,605) to settle current liabilities of \$1,315,784 (December 31, 2014 - \$162,576). All of the Company's financial liabilities have contractual maturities that are subject to normal trade terms.

### **Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company monitors its cash balances and is satisfied with the creditworthiness of its banks. As a result, the Company's exposure to interest rate risk is minimal.

**Market Risk**

Foreign Currency Risk

The Company's functional and reporting currency is the Canadian dollar and all expenditures are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. As the Company's properties are in the exploration stage and to date do not contain any identified mineral resources or reserves, the Company does not hedge against commodity price risk.

**Sensitivity Analysis**

Management's view with respect to interest rate and foreign exchange risks is as follows:

- (i) The Company receives low interest rates on its cash and cash equivalent balances and, as such, the Company does not have significant interest rate risk.
- (ii) The Company does not have exposure to foreign exchange risk.

**16. OTHER DISCLOSURES**

**Share Capital**

Common Shares

As at December 31, 2015, and the date hereof, there were 256,475,301 common shares of the Company outstanding (December 31, 2014 – 245,308,637).

Warrants

There were a total of Nil warrants outstanding at December 31, 2015 (December 31, 2014 – Nil), and the date hereof.

Options

At December 31, 2015, and the date hereof, there were a total of 4,585,000 (December 31, 2014 – 6,135,000) stock options outstanding.

**Directors and officers of the Company**

Robin E. Dunbar	President, Chief Executive Officer and Director
Nadim Wakeam	Corporate Secretary
Rodger Roden	Chief Financial Officer
Edward Munden	Director
Thomas Meredith	Director
Carey Galeschuk	Vice President Exploration

Julian Hanna resigned as a director of the Company on February 20, 2015.

Dan Lougher resigned as a director of the Company on October 16, 2015.

Carey Galeschuk, P.Geo, is the Qualified Person for Mustang Minerals Corp.

**Additional Information**

Additional information about the Company including the financial statements, press releases and other filings are available on the internet at [www.sedar.com](http://www.sedar.com) and additional supplemental information is available on the Company website at [www.mustangminerals.com](http://www.mustangminerals.com).

*“Robin E Dunbar”*

President and Chief Executive Officer