

# **ALTA VISTA VENTURES LTD.**

**FORM 51-102F1  
MANAGEMENT DISCUSSION AND ANALYSIS**

**QUARTER ENDED JANUARY 31, 2016**

**Date Submitted: MARCH 31, 2016**

## Introduction

The following discussion and analysis, prepared as of March 25, 2016 is prepared in accordance with International Financial Reporting Standards (“IFRS”) and should be read in conjunction with the Company’s [condensed](#) consolidated [interim](#) financial statements for the quarter ended January 31, 2016.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise.

## Forward Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “designed”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe”, and similar expressions. These statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward looking statements. Based on current available information, the Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that those expectations will prove to be correct. The forward-looking statements in this MD&A are expressly qualified by this statement, and readers are advised not to place undue reliance on the forward-looking statements.

In order for the Company to enter the Canadian medical marijuana sector via the purchase of a 100% interest in Thor Pharma, the Company is required to complete a financing. There are no assurances that the Company will be able to accomplish this.

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## Description of Business

The Company trades on the Canadian Securities Exchange (CSE) under the symbol AVV, the Frankfurt Stock Exchange under the symbol YAB, and over the counter in the United States under the symbol YRLLD.

The Company's principal business activity was the acquisition and exploration of mineral properties for commercial mineral deposits and it is considered to be at the exploration stage. The Company utilizes the project generator business model to maximize its exposure to discovery while minimizing shareholder risk. As a project generator the Company acquires properties with high potential and options a percentage interest in them to other public companies for a combination of cash, shares and exploration commitments over a number of years. If the other company fulfills the terms of the option then that percentage ownership is transferred. The Company currently has six projects in its portfolio of which three are optioned out. The Company has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties in the [condensed](#) consolidated [interim](#) financial statements are dependent on the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to discover and complete the development of those reserves and upon future profitable production.

The Company has made the commitment to move into the Canadian Medical Marijuana sector. To do so the Company signed an agreement to purchase a 100% interest in Thor Pharma, an early stage Marijuana for Medical Purposes Regulations (MMPR) applicant. Subsequently the Company signed a Letter of Intent to purchase a 90% interest in RedeCan Pharm, which has since been terminated..

## Performance Summary

~~Due to the declining prices in the oil and gas and mineral sectors, an impairment analysis was conducted at January 31, 2016 to determine the recoverable amount of the Company's oil and gas investment and mineral properties. Given the decline in oil prices, revenues received from its investment were minimal during the year. This resulted in impairment to its oil and gas investment of \$9,000. The Company has significantly reduced the amount spent on mineral properties as the Company concentrates its efforts to move into the Canadian medical marijuana sector. As a result, the Company determined that no recoveries would result from its mineral properties and determined that an impairment on its mineral property was required. During the quarter ended January 31, 2016, an impairment expense of \$44,002 (2014 - \$nil) was recorded in the financial statements related to its mineral properties. Exploration expenditures incurred for the year was \$119,025 (2014 - \$180,664) after recoveries of \$nil (2014 - \$111,435).~~

Alta Vista Ventures Ltd. (the "Company") has acquired interests in mineral properties in Mexico and over the years has spent significant funds exploring these properties. During the three months ended January 31, 2016, the Company entered into a letter of intent ("LOI") to acquire Thor Pharma Ltd. ("Thor Pharma") in order to acquire facilities for the production and sale of medical marijuana upon the issuance of a licence by Health Canada. The Company also entered into an LOI, subsequently cancelled, to acquire RedeCan Pharm, a company holding a Marijuana for Medicinal Purposes Regulations ("MMPR") cultivation and sales licence. As a result, the Company no longer intends to use its resources on its mineral exploration properties and wrote them down to \$nil in the year ended October 31, 2015. As at January 31, 2016, the Company still has title to these mineral properties.

As at January 31, 2016, the Company had a working capital deficit of ~~\$691,162,581.848~~ (October 31, ~~2014~~2015-~~\$405,578,693.536~~ deficit). This is not sufficient to fund the Company's operating expenses and exploration activities in the short term, and additional funds will need to be raised through equity markets to provide additional financing for operating expenses and exploration activities.

## Exploration Activities

The Company has a wholly owned subsidiary in Mexico named Minera Alta Visa S.A. de C.V. ('MAV'). MAV has eight projects in its portfolio: Urique, San Pedro, Cuiteco, Carol, La Verde, Dos Naciones, Orofino, and Apache. The Carol property is currently under option, but requirements have not been met by the option holder.

All of these exploration properties have been written down after consideration of the prevalent poor market conditions.

### APACHE PROPERTY

The Apache Property was acquired in December 2010 and is owned 100% by The Company. The property is not optioned.

Bi-annual taxes have not been paid on the property as the Company does not intend to keep the property in good standing. No work was performed on the Apache Property during the year.

### CAROL PROPERTY

The Carol Property was optioned in October 2007 and acquired in March 2008. It is wholly owned by the Company. In October, 2013, the Company optioned the property to Tosca Mining allowing Tosca to acquire a 100% interest in the Carol Property located in southern Sonora State, Mexico. To earn 100% interest in the Carol Project Tosca must pay \$50,000, issue 1,000,000 shares and incur \$2.2 million in exploration expenditures on the

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property over a five year period including a geophysics program within the first six months. During the 2013 year-end, the company received \$5,000 and 37,500 shares of Tosca upon the signing of the LOI.

On July, 2014, the Company announced that its optionee, Tosca Mining, had drilled Six drill holes, totaling 577 metres, to investigate the continuity and extent of skarn mineralization encountered in surface trenches and outcrop. Drilling tested a target area measuring 875 metres in length.

The Company granted Tosca a six month extension to the annual payment that was required on November 6, 2014. Subsequently Tosca changed its name to Hatch Interactive Technologies Inc. and the Company has not been notified by Hatch as to their plans for the property. Hatch is in default of the option but it has yet to be terminated by Alta Vista.

Upkeep work has been performed on Carol in the quarter.

### **OROFINO PROJECT**

The Orofino property was optioned in July 2009 and a majority of the project was acquired in May 2011. A portion of the property remains under option.

On November 5, 2013, the Company announced that it had received the data representing two months of due diligence of the Orofino Property located in Sonora State, Mexico. Argonaut completed two three week field programs utilizing five geologists resulting in over 200 man days spent on the property. The field programs completed by Argonaut were able to independently confirm the work previously completed by Alta Vista showing that the property is host to multiple advanced gold-silver targets.

The Company is still seeking to option and/or sell the Orofino property. Bi-annual taxes have not been paid on the property and only upkeep work has been performed on the property for the quarter.

### **DOS NACIONES PROPERTY**

The Dos Naciones Property was acquired in October 2008 by staking and is owned 100% by the Company.

Del Toro Silver Corp. had an option to earn a 70% interest in the property by undertaking a total of \$800,000 in exploration expenditures and issuing to the Company 1,000,000 shares, which have all been issued. On September 13, 2013, the Company announced that it had terminated the option with Del Toro Silver and that the property again belongs 100% to the Company.

Bi-annual taxes have not been paid on the property as the Company does not intend to keep the property in good standing. There was no fieldwork performed on the property during the quarter.

### **URIQUE PROPERTY (and the SAN PEDRO and CUTECHO PROPERTIES)**

Bi-annual taxes have not been paid on the property as the Company does not intend to keep the property in good standing. There was no fieldwork performed on the property during the quarter.

### **LA VERDE PROPERTY**

The La Verde Property was originally optioned by the Company in June 2007. The project was expanded in 2007 and 2008. The Company owns 100% in a majority of the property, however has not completed the original option on the core La Verde Grande concessions. This agreement has now been dropped and there is no ongoing commitment to the underlying owner.

The Company has subsequently cancelled several of the claims that were held by the Company.

## Medical Marijuana

On November 10, 2015, the Company announced that it has signed a formal agreement to purchase Thor Pharma Ltd. Thor Pharma is based in Burlington Ontario and has an MMPR (Marijuana for Medical Purposes Regulations) application with Health Canada.

Thor Pharma's application is for the production and sale of up to 10,000,000 grams of dried marijuana per year. Thor Pharma has a lease agreement for a 75,000 square foot commercial building and has plans to utilize up to 55,000 square feet of space for the cultivation of marijuana upon the issuance of a license by Health Canada. The lease for the building stipulates that no rent will be paid until Thor Pharma receives the 'ready to build' letter from Health Canada.

Alta Vista is committed to expanding in the resurgent medical marijuana industry as the Company has looked at a number of additional opportunities.

Alta Vista has the right to purchase Thor Pharma via an Assignment and Novation Agreement from Shaxon Enterprises by paying \$1,000,000 and issuing 10,000,000 shares on a graduated basis as the Thor Pharma application moves through the licensing process with Health Canada. Alta Vista now has 30 business days from November 6, 2015, the date of the agreement, to make a \$100,000 payment (\$25,000 paid) and issue 5,000,000 shares (issued). Shaxon Enterprises will have a 10% royalty on net profits of Thor Pharma. The Assignment and Novation Agreement allows for Alta Vista to assume the purchase of Thor Pharma for \$1,500,000 from the underlying owners in staged payments that terminate on the third year anniversary of the issuance of a license from Health Canada.

Alta Vista cannot guarantee nor estimate the timing for the issuance of an MMPR license to Thor Pharma.

On November 27, 2015, the Company announced that it has signed a Letter of Intent to purchase a 100% undivided interest in RedeCan Pharm, one of Canada's 19 MMPR (Marijuana for Medical Purposes Regulations) cultivation and sales licenses.

RedeCan Pharm is located in the heart of the Niagara peninsula in Southern Ontario. RedeCan currently utilizes 15,000 square feet of greenhouse space on 30 acres of land located in the tender fruit belt. The size of the property allows for future expansion of the facility.

RedeCan Pharm received its cultivation license in June of 2014 and was then issued its license to sell dry cannabis to medical patients across the country in March of 2015. RedeCan's ability to utilize their greenhouse facility along with their ability to keep operating expenses down have allowed them to be a profitable licensed producer.

RedeCan's management has created a well-run, low cost medical marijuana producer and Alta Vista will work with RedeCan to help expand and grow RedeCan's business. Alta Vista will be investing in RedeCan to enable this. Plans for 2016 include the following:

- **Extracts:** Adding extraction equipment immediately to produce high CBD oils for medical patients.
- **Expansion** – Alta Vista plans on expanding RedeCan's operation, subject to Health Canada approvals, and overall total production space.
- **Patients** – Alta Vista, through its contacts in the industry, will work to increase RedeCan's overall patient base.

RedeCan's current management team will continue to run the day to day operations of the facility.

On December 8, 2015, the Company provided additional information on RedeCan Pharm, one of Canada's 20 MMPR (Marijuana for Medical Purposes Regulations) cultivation and sales licenses that Alta Vista has the right to purchase a 100% interest in (see news release dated November 27<sup>th</sup>, 2015).

RedeCan Pharm is located in the heart of the Niagara peninsula in Southern Ontario and currently utilizes 15,000 square feet of greenhouse space. RedeCan Pharm received its cultivation license in June of 2014 and was then issued its license to sell dry cannabis to medical patients across the country in March of 2015. RedeCan's license is currently for the cultivation and sale of up to 317 kilograms of dried marijuana annually. Production amounts can be increased at any time to supply future demands by submitting an amendment to the license.

According to RedeCan's files their average cost per gram is approximately 73 cents, which would make RedeCan one of Canada's lowest cost producers. Key factors that contribute to RedeCan's low cost are: low requirements for electricity due to growing in a greenhouse, access to fresh well water, augmented heat with natural gas and biofuel incinerator, and maintaining a small dedicated staff.

RedeCan is currently offering the following 11 strains: Strawberry Cough, Moby Dick, Diesel, OG Kush, Shaman, Blue widow, White widow, CBD Kush, Orange Hill Special, Mazar and Critical jack.

In addition, RedeCan has the following strains that are awaiting testing and will be released in the near future for patients to order: Polar Light, Blue Cheese, Bubba Kush, Sweet Tooth, CBD Shark Shock, Pineapple Chunk, OG Kush, and Bubblegum.

RedeCan has been turning their focus to producing high CBD content strains. High CBD strains are becoming more popular within the medical marijuana community, especially for pain management. Some doctors are restricting patients to low THC, high CBD strains for various ailments.

Health Canada has restricted the allowable THC content in oils and extracts to a maximum of 3% THC. However, there is no restriction on the CBD content in oils. It is the opinion of RedeCan that high CBD oils will be increasingly in demand by medical marijuana patients as the market continues to evolve. RedeCan is in the process of submitting its application for its oils and extracts licence.

RedeCan's patient base continues to grow month over month. To augment this, Alta Vista has been working within its expanding network in Southern Ontario. The number of patients is the most significant factor in dictating the speed and size of future expansion of RedeCan's operations. RedeCan's operation has sufficient room within the current confines of its secured perimeter to add up to an additional 7,500 square feet of cultivation area.

In addition to this, there is the potential for significant expansion as the licenced facility is located on a privately owned 30 acre parcel of land. Immediately behind the current facility is sufficient room to expand up to several hundred thousand square feet of cultivation area.

**Investors are cautioned that the data contained in this news release is provided to the Company by RedeCan and is subject to confirmation by the Company during its ongoing due diligence of RedeCan.**

On January 29, 2016, the Company announced that it and RedeCan Pharm agreed to remove the royalty that had been previously considered under the original Letter of Intent ('LOI') (see news release dated November 27, 2015). There is now no overriding royalty to be paid.

The amended terms of the acquisition consider the purchase of a 90% interest in RedeCan by paying to the owner of RedeCan \$8,000,000 (Eight Million) and issuing a total of 9,000,000 (Nine Million) shares. The underlying owner will retain a non-participating 10% ownership in the business.

"The previously considered royalty proved unpopular with our shareholders and interested parties. We worked diligently to remove it and believe that this is a much better structure that will benefit both groups," stated Ian Foreman, president of Alta Vista.

In addition, the parties have agreed to close the transaction on, or before, March 1, 2016.

On January 29, 2016, the Company clarified the new terms for its purchase of 90% of RedeCan Pharm, one of twenty Marijuana for Medical Purposes Regulations (MMPR) cultivation and sales licenses (see news release dated January 29, 2016).

The amended terms of the acquisition consider the purchase of a 90% interest in RedeCan with no royalty by paying to the owner of RedeCan \$8,000,000 (Eight Million) and issuing a total of 9,000,000 (Nine Million) shares to be made as follows:

- \$100,000 cash (PAID) and the issuance of 2,000,000 shares (ISSUED) on signing of LOI
- \$1,900,000 cash and the issuance of 2,000,000 shares on, or before, March 1, 2016.
- \$2,000,000 cash and the issuance of 2,000,000 shares on, or before, the 6 month anniversary
- \$4,000,000 cash and the issuance of 3,000,000 shares on, or before, the 1 year anniversary

On March 2, 2016, the Company reported that the March 1<sup>st</sup>, 2016 deadline for the signing of the definitive agreement for the acquisition of RedeCan Pharm (see news release dated January 29, 2016) had passed, however the parties remain in communication.

On March 7, 2016, the Company reported that the Letter of Intent with Redecan Pharm (see news release dated November 27, 2015 and January 29, 2016) had been terminated due to the Company failing to provide sufficient funding to RedeCan in the agreed upon timeframe.

The new management of Alta Vista Ventures is currently in discussions with RedeCan in regards to the possibility of moving forward with a new letter of intent.

Alta Vista has the right to purchase Thor Pharma, an early stage MMPR applicant that considers 75,000 square feet of growing space. Alta Vista cannot guarantee nor estimate the timing for the issuance of an MMPR license to Thor Pharma.

As part of its ongoing efforts to expand in the sector Alta Vista continues to evaluate additional opportunities.

### **Corporate Events**

On November 3, 2015, the Company announced that it has received subscription agreements for an additional \$166,500 or for 3,330,000 units (each, a "Unit") at a price of \$0.05 per Unit as tranche two of its financing. The Company has now closed the financing and will not accept any additional subscription agreements.

Each Unit consists of one common share and one transferable purchase warrant (a "Warrant") of the Company. Each Warrant will entitle the holder, on exercise, to purchase one additional common share of the Company (a "Warrant Share") for a period of 12 (twelve) months from the date of issue of the Warrant. The Warrants will be exercisable at a price of \$0.075 per share. The warrants will have an acceleration clause such that if after the required hold period the shares in the Company trade at, or above, \$0.12 for 10 consecutive trading days, the Company may give notice to the warrant holders that they have 30 days to exercise the warrants.

Alta Vista will use the proceeds of the private placement to advance the formal agreement for the acquisition of Thor Pharma (see news release dated Aug. 14, 2015), completing due diligence on additional opportunities and for corporate purposes.

A finders' fee of 10% will be paid on a portion of the funds received. The Company issued 162,000 finder's warrants to Foremost Capital under the same terms as the private placement.

On November 6, 2015, the Company announced that it has filed all required paperwork, issued 3,330,000 units (each, a "Unit") at a price of \$0.05 per Unit for total proceeds of \$166,500 as tranche 2 of its financing (see news release dated November 3, 2015). The financing is formally closed with total proceeds of \$247,500.

All securities issued pursuant to tranche 2 of the placement are subject to a hold period until March 5, 2016 (four months and one day after closing) under applicable Canadian securities laws. Each Unit consists of one common share and one transferable purchase warrant (a “Warrant”) of the Company. Each Warrant issued in tranche 2 entitles the holder, on exercise, to purchase one additional common share of the Company (a “Warrant Share”) until November 4, 2016. The Warrants will be exercisable at a price of \$0.075 per share. The warrants will have an acceleration clause such that if after the required hold period the shares in the Company trade at, or above, \$0.12 for 10 consecutive trading days, the Company may give notice to the warrant holders that they have 30 days to exercise the warrants.

Alta Vista will use the proceeds of the private placement to advance the formal agreement for the acquisition of Thor Pharma (see news release dated Aug. 14, 2015), advancing additional opportunities, and for corporate purposes.

A finders’ fee of \$10,050 and 201,000 warrants was paid to Foremost Capital Inc., \$1,000 and 20,000 warrants to Wolverton Securities, and \$1,500 and 30,000 warrants to PI Financial were paid in association with tranche 2. The warrants issued have the same terms as above.

On December 30, 2015, the Company announced that the Company added Mr. Rob McPherson as a Senior Advisor. Mr. McPherson brings with him over 25 years of experience in strategic planning, product development, marketing, and corporate management.

Rob McPherson, MBA, has held positions of increasing scope and scale with some of the world’s leading consumer goods companies. Over his 25 years, Mr. McPherson has worked for Procter & Gamble, Sandoz (now Novartis), Kraft Foods and Bacardi. While with Kraft Foods International in the UK, Mr. McPherson led the first Venture Team, in developing the concept, product technology and brand positioning for the *Tassimo* hot beverage system, now a \$1B global brand. While Vice President of Marketing for Bacardi Canada, Mr. McPherson was chosen to redefine Global Brand Management at Bacardi Limited and to re-structure the *42 Below* Vodka global business. Most recently, as President of Bacardi Canada, he developed and deployed a new strategic plan, structure and resourcing, generating market-leading performance in the critical On Premise channel. He also instituted more rigorous sales forecasting models and a greater collaboration between the Sales and Marketing functions, leading to better and more timely decision making.

On January 22, 2016, the Company announced that Mr. George Smitherman has joined its Board of Directors and that Mr. Kim Derry has joined the Company as Senior Advisor – Safety and Security.

Mr. Smitherman had a long successful political career until 2010 when he returned to his pre politics roots as an entrepreneur. He is the founder of three companies and is an advisor to several others. Most recently a candidate for the Mayor of Toronto, Mr. Smitherman has previously been elected three times as a Member of the Provincial Parliament where he served as Ontario’s Deputy Premier, Health Minister, Minister of Energy and Infrastructure as well as many other roles. Over a career spanning almost 25 years Mr. Smitherman has been active in all three levels of government.

Mr. Smitherman’s interest in Medical Marijuana started when he was Ontario’s Health Minister. He has since become a vocal advocate of Medical Marijuana and the legalization of recreational marijuana nationally.

Mr. Kim Derry has had a long distinguished career in law enforcement. Over his 38 year career Mr. Derry has performed uniform, undercover and investigative duties. At the peak of his law enforcement career Mr. Derry was appointed the Deputy Chief of Police for the City of Toronto. He has been responsible for the policing operations in Toronto for 17 divisions, managed in excess of 4,000 personnel and oversaw divisional policing budgets of \$490 million.

Mr. Derry's wide ranging experience in safety and security is a natural fit for the Marijuana for Medical Purposes Regulations (MMPR) environment. He is motivated by the opportunity to reduce the influence of gangs and organized crime through a sensible regulatory regime.

In addition, the Company would like to announce that Mr. Don Shaxon is also joining as Senior Advisor. Mr. Shaxon brings 20 years' experience in the capital markets including and in the Medical Marijuana sector since 2007. As Corporate development Manager with Cannabis Science Inc., the first public company in North America dedicated to the marijuana industry he helped build the company from a small cap company into an industry leader with a market cap that topped \$100 million. Since then he has been involved in a number of public companies and was instrumental in bringing the RedeCan Pharm opportunity to the Company.

On January 25, 2016, the Company announced that it had signed an engagement letter with Jacob Capital Management Inc. ('JCMI') for the purposes of completing the acquisition of RedeCan Pharm and expanding its operations. Redecan Pharm is one of Canada's 20 MMPR (Marijuana for Medical Purposes Regulations) cultivation and sales licenses (see news release dated November 27, 2015).

In consideration for acting as strategic advisor Alta Vista has issued JCMI 500,000 shares. An additional 1,000,000 shares will be issued on March 6, 2016 and 2,500,000 shares will be issued to JCMI upon the successful completion of the acquisition of RedeCan.

On February 1, 2016, the Company announced that it had granted 850,000 stock options to a director and consultant of the Company at a value of \$0.18 that will expire on February 1, 2019.

On February 17, 2016, the Company announced a non-brokered private placement of up to 16,500,000 units at a price of \$0.15 per unit (a "Unit") to raise a total of up to \$2,475,000. As of February 26, 2016, the private placement has not yet closed. Each Unit consists of one previously unissued common share and one transferable purchase warrant (a "Warrant") of the Company. Each Warrant will entitle the holder, on exercise, to purchase one additional common share of the Company (a "Warrant Share") for a period of 12 (twelve) months from the date of issue of the Warrant. The Warrants will be exercisable at a price of \$0.25 per share. A finders' fee of up to 10% will be paid on the funds received.

Alta Vista planned to use the proceeds of the private placement for the acquisition of RedeCan Pharm (see news release dated January 29, 2016), funding ongoing improvements to RedeCan's facility and for corporate purposes.

**NOTE to readers: this financing has not been completed. The 45 day term for the financing as per CSE rules expires on April 2.**

RedeCan Pharm is one of twenty one Marijuana for Medical Purposes Regulations (MMPR) cultivation and sales licenses (see news release dated January 29, 2015) in Canada. RedeCan has been successful in growing their business month-over-month since receiving their license to sell in March, 2015. As a result January, 2016 was a record month for RedeCan for total number of customers ordering and for total grams shipped.

On March 2, 2016, the Company reported the following changes to management and the board of directors.

George Smitherman is the Company's new Chief Executive Officer (CEO) and will remain a director. As CEO Mr. Smitherman will have oversight on the operational aspects of Alta Vista. Mr. Smitherman had a long successful political career until 2010 when he returned to his pre-politics roots as an entrepreneur. He is the founder of three companies and is an advisor to several others. Most recently a candidate for the Mayor of Toronto, Mr. Smitherman has previously been elected three times as a Member of the Provincial Parliament where he served as Ontario's Deputy Premier, Health Minister, Minister of Energy and Infrastructure as well as many other roles. Over a career spanning almost 25 years Mr. Smitherman has been active in all three levels of government. Mr. Smitherman's interest in Medical Marijuana started when he was Ontario's Health Minister. He has since become a vocal advocate of Medical Marijuana and the legalization of recreational marijuana nationally.

Donald Shaxon has been appointed President of the Company and has also joined the board of directors. Mr. Shaxon brings with him 20 years of experience in the capital markets with 10 of those years working for public companies such as Cannabis Science, Lexaria, Aurora Cannabis and THC BioMeds. Mr. Shaxon is also the founder, partner and senior person in charge (S/PIC) of Thor Pharma a early stage MMPR application that Alta Vista has signed a definitive agreement to acquire. Mr. Shaxon was instrumental in bringing the fully licensed, MMPR opportunity, RedeCan Pharm to Alta Vista

In addition, Jason Springett has joined the board of directors. Mr. Springett has been associated with public companies since 2009. Mr. Springett received security clearance from Health Canada in 2015 and as such can work directly for a Marijuana for Medical Purposes Regulations (MMPR) licensed producer. He has been growing marijuana under the Marijuana Medical Access Regulations (MMAR) program for five years.

To accommodate these changes Ian Foreman has stepped down as president, CEO, and director and Ron Shenton and Edmundo Uribe have stepped down as directors.

## Results of Operations

Alta Vista Ventures Ltd. (the “Company”) has acquired interests in mineral properties in Mexico and over the years has spent significant funds exploring these properties. During the three months ended January 31, 2016, the Company entered into a letter of intent (“LOI”) to acquire Thor Pharma Ltd. (“Thor Pharma”) in order to acquire facilities for the production and sale of medical marijuana upon the issuance of a licence by Health Canada. The Company also entered into an LOI, subsequently cancelled, to acquire RedeCan Pharm, a company holding a Marihuana for Medicinal Purposes Regulations (“MMPR”) cultivation and sales licence. As a result, the Company no longer intends to use its resources on its mineral exploration properties and wrote them down to \$nil in the year ended October 31, 2015. As at January 31, 2016, the Company still has title to these mineral properties.

~~The Company currently does not have an operating or producing mineral properties. The Company has no earnings from mineral properties and therefore will finance its future exploration activities by the sale of common shares or units. Certain of the key risk factors of the Company’s operating results are the following: the state of capital markets, which affects the ability of the Company to finance its exploration activities; the write down and abandonment of mineral property interests as exploration results provide further information relating to the underlying value of such properties; and market prices for natural resources as well as the non viability of its projects.~~

The Company is not a party to any material legal proceedings and is not in default under any material debt or other contractual obligations other than as disclosed in the condensed consolidated interim financial statements. No significant revenue generating contracts or cash commitments were entered into or undertaken by the Company during the period other than as set out herein or in the condensed consolidated interim financial statements of the Company.

~~Significant variances in the Company’s operational results for the quarter ended January 31, 2016 compared with January 31, 2015 were as follows:~~

- ~~i. Accounting, audit and legal expenses decreased by \$20,885 to \$44,973 from \$65,858 in 2014 due to reduced legal work performed in conjunction with the Company’s share consolidation and listing change from the TSX V to the CSE in 2014.~~
- ~~ii. Management fees decreased by \$15,000 to \$22,500 from \$37,500 in 2014 due to the Company restructuring its management responsibilities and reducing spending in this area.~~
- ~~iii. Regulatory fees reduced by \$12,130 to \$9,002 from \$21,132 in 2014 due to no activity surrounding the share consolidation and the listing change from the TSX V to the CSE in 2014.~~

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- iv. Office and miscellaneous decreased by \$6,418 to \$10,098 from \$16,516 due to reduced office administration fees.
- v. Rent increased by \$12,068 to \$18,000 from \$5,932 in 2014 due to the Company taking new office at the beginning of 2015 and cost recoveries applied against rent in 2014.
- vi. Write down of mineral property interests increased by \$44,002 to \$44,002 from \$nil in 2014 due to mineral properties written down in 2015.
- vii. Write off of accounts payable increased by \$39,960 to \$39,960 from \$nil in 2014 due to the write off of a legacy payable.
- viii. Gain on sale of marketable securities decreased by \$5,371 to a gain of \$1,176 from a gain of \$6,547 in 2014 due to gains on marketable securities sold during the current year.
- ix. Impairment loss on marketable securities decreased by \$6,429 to \$1,301 from \$7,730 in 2014 due to the carrying values of the company's marketable securities being deemed impaired in 2014.
- x. Write down of oil and gas interests decreased by \$15,611 to \$9,000 from \$24,611 in 2014 due to a current year impairment recorded to write the oil and gas interests down to their estimated value.
- xi. Impairment of non-current accounts receivable decreased to \$17,691 from \$40,967 in 2014 due to an impairment recorded on recoverable taxes in Mexico.

Significant variances in the Company's financial position for the quarter ended January 31, 2016 compared with January 31, 2015, were as follows:

- i. Marketable securities increased by \$4,737 to \$9,675 from \$4,938 in 2014 due to the improvement of the market value of shares held by the company.
- ii. Oil and gas interest decreased by \$9,000 to \$nil from \$9,000 due to an impairment recorded to write the oil and gas interests down to their estimated value.
- iii. Property, plant and equipment decreased by \$9,585 to \$6,193 from \$15,778 in 2014 due to amortization of the Company's equipment and the disposition of depreciable assets in the year.
- iv. Accounts payable and accrued liabilities increased by \$275,529 to \$726,621 from \$451,092 in 2014 due primarily to related parties agreeing to defer payment to them until market conditions improve.

Significant variances in the Company's cash flows for the quarter ended October 31, 2015 compared to the quarter ended October 31, 2014, were as follows:

- i. Cash used in operating activities decreased by \$266,866 to \$98,628 from \$365,494 in 2014 due primarily to the smaller cash loss from operations and an increase in accounts payable in 2015 from 2014.
- ii. Cash provided by investing activities decreased by \$13,255 to \$10,058 from \$23,313 in 2014 primarily due to the disposal of depreciable property in the year.
- iii. Cash provided by financing activities decreased by \$286,065 to \$72,685 from \$358,750 in 2014 due primarily to proceeds raised from private placements completed in December 2013 and May 2014, and only one private placement completed in 2015.

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## Selected Annual Information



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Significant variances in the Company's operational results for the quarter ended January 31, 2016 compared with January 31, 2015 were as follows:

- i. Accounting, audit and legal expenses increased by \$4,100 to \$6,000 from \$1,900 in 2015 due to the timing of audit and accounting accruals.
- ii. Consultants' fees increased by \$164,319 to \$173,319 from \$9,000 in 2015 as a result of consultants retained to aid in the acquisition of both Thor Pharma and RedeCan Pharm, as well as consultants hired to assist in raising capital to attempt to meet the terms of the LOI with RedeCan.
- iii. Exploration costs decreased by \$39,188 to \$7,913 from \$47,101 in 2015 due to the Company's change in focus from exploration to entering the MMPR market.
- iv. Management fees decreased by \$22,500 to \$nil from \$22,500 in 2015 due to the Company restructuring its management responsibilities and reducing spending in this area.
- v. Regulatory fees increased by \$4,875 to \$6,375 from \$1,500 in 2015 due to activity undertaken to attempt to gain financing for the cancelled RedeCan LOI.
- vi. Share-based compensation increased by \$143,980 to \$173,350 from \$29,370 in 2015 due to 1,550,000 stock options being issued during the quarter and increased volatility in share price leading to a higher per-option value.

Significant variances in the Company's financial position for the quarter ended January 31, 2016 compared with January 31, 2015, were as follows:

- i. Cash increased by \$8,951 to \$19,301 from \$10,350 in 2015 due to remaining proceeds from the exercise of stock options and warrants.
- ii. Amounts receivable increased by \$11,940 to \$33,274 from \$21,334 in 2015 due to increased refundable sales tax (GST/HST) on expenses incurred in Canada.
- iii. Marketable securities decreased by \$5,423 to \$5,334 from \$10,757 in 2015 due to the sale of some securities and a decline in market value of the remaining securities.
- iv. Oil and gas interest decreased by \$9,000 to \$nil from \$9,000 due to an impairment recorded to write the oil and gas interests down to their estimated value.
- v. Property, plant and equipment decreased by \$8,112 to \$5,505 from \$13,617 in 2015 due to amortization of the Company's equipment and the disposition of depreciable assets in the year.
- vi. Mineral property interests decreased by \$46,002 to \$nil from \$46,002 in 2015 due to all mineral interests being written off in the fourth quarter of 2015.
- vii. Investment in Thor Pharma increased by \$925,000 to \$925,000 from \$nil in 2015 due to the payments made upon signing of a letter of intent to acquire Thor Pharma.
- viii. Accounts payable and accrued liabilities increased by \$107,648 to \$639,757 from \$532,109 in 2015 due primarily to related parties agreeing to defer payment to them until market conditions improve.

Significant variances in the Company's cash flows for the quarter ended January 31, 2016 compared to the quarter ended January 31, 2015, were as follows:

- i. Cash used in operating activities increased by \$155,623 to \$197,283 from \$41,660 in 2015 due primarily to payment of accounts payable during the current quarter.

ii. Cash used in investing activities increased by \$143,519 to \$141,848 from \$(1,671) (cash provided) in 2015 primarily due to investments made in Thor Pharma and Redecan Pharm.

iii. Cash provided by financing activities increased by \$323,898 to \$355,898 from \$32,000 in 2015 due to the completion of a private placement as well as the exercise of warrants and stock options in the current quarter.

Significant variances in the Company's operational results for the quarter ended January 31, 2016 compared with January 31, 2015, were as follows:

- i. Accounting, audit and legal expenses increased by \$20,795 to \$3,371 from \$24,166 in 2014 due to the timing of accruals and additional legal work performed in conjunction with the listing change from the TSX V to the CSE in 2014.
- ii. Management fees decreased by \$37,500 to \$nil from \$37,500 in 2014 due to the Company restructuring its management and consulting responsibilities.
- iii. Consultants' fees increased by \$124,522 to \$130,522 from \$6,000 in 2014 due to the Company restructuring its management and consulting responsibilities.
- iv. Regulatory fees decreased by \$3,974 to \$1,859 from \$5,833 in 2014 due to activity surrounding the listing change from the TSX V to the CSE in 2014.
- v. Office and miscellaneous increased by \$3,007 to \$4,408 from \$1,401 due to increased office administration fees.
- vi. Rent increased by \$3,625 to \$4,500 from \$875 in 2014 due to the Company obtaining new office space in 2015.
- vii. Exploration expenditures, net of recoveries, decreased by \$33,595 to \$19,830 from \$53,425 in 2014 due to much less exploration activity incurred in 2015.
- viii. Travel expenses decreased by \$2,812 to \$2,854 from \$5,666 in 2014 due to less travel to Mexico during the current quarter.
- ix. Share based compensation expense increased by \$47,734 to \$47,734 from \$nil in 2014 due to share purchase options issued at year end to arm's length parties.

## Related Party Transactions

### a) Management transactions

Management transactions with related parties during the three months ended ended January 31, 2016 and 2015 were as follows:

	2016 <sup>5</sup>			2015 <sup>4</sup>		
	Short-term employee benefits	Share-based payments	Total	Short-term employee benefits	Share-based payments	Total
Jan Foreman: President	\$ 22,500	\$ -	\$ 22,500	\$ 22,500	\$ -	\$ 22,500
Timeline Filing Services Ltd. <sup>(i)</sup>	\$ -	\$ -	\$ -	\$ 506	\$ -	\$ 506
Schindler & Company <sup>(ii)</sup>	\$ 1,500	\$ -	\$ 1,500	\$ 1,500	\$ -	\$ 1,500

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- (i) Timeline Filing Services Ltd. is a private enterprise controlled by the Company's Corporate Secretary, Laara Shaffer.
- (ii) Schindler & Company is a private enterprise controlled by the Company's CFO, Jennifer Schindler.
- (iii) Subsequent to January 31, 2016, Ian Foreman stepped down as President and was replaced by Don Shaxon. Mr. Shaxon was not a related party during the quarter ended January 31, 2016, and consulting fees charged by his company, Shaxon Enterprises Ltd. during that quarter were \$45,000 and are not reflected in the above schedule.

**b) Directors' transactions**

During the three months ended January 31, 2016, share based compensation recognized, related to directors (excluding share-based compensation disclosed in (a) above), was \$nil (January 31, 2015 - \$nil).

**c) Loans payable**

Included in accounts payable and accrued liabilities are loans of \$81,600 (2015 - \$32,000) borrowed from the President and CEO of the Company and companies controlled by the President and CEO of the Company. The loans are non-interest-bearing and have repayment terms of one year from the date of deposit, ranging from May 26, 2015 to October 14, 2016. Loans that have become due are payable on demand.

**a) Management transactions**

Management transactions with related parties during the quarter ended January 31, 2016 and 2015 were as follows:

	2015			2014		
	Short-term employee benefits	Share-based payments	Total	Short-term employee benefits	Share-based payments	Total
Foremost Management Services Inc. <sup>(i)</sup>	\$ 30,000	\$ —	\$ 30,000	\$ 39,375	\$ 28,890	\$ 68,265
Foremost Geological Consulting <sup>(ii)</sup>	\$ 28,500	\$ —	\$ 28,500	\$ 74,550	\$ —	\$ 74,550
Timeline Filing Services Ltd. <sup>(iii)</sup>	\$ 10,737	\$ —	\$ 10,737	\$ 6,000	\$ 7,220	\$ 13,220
Schindler & Company <sup>(iv)</sup>	\$ 20,512	\$ —	\$ 20,512	\$ 20,312	\$ 7,220	\$ 27,541

(i) Foremost Management Services Inc. is a private enterprise controlled by the Company's President and CEO. Included in accounts payable and accrued liabilities is amounts payable of \$91,962 (2014 — \$40,165).

(ii) Foremost Geological Consulting is a private enterprise controlled by the Company's President and CEO. Included in accounts payable and accrued liabilities is amounts payable of \$165,235 (2014 — \$138,460).

(iii) Timeline Filing Services Ltd. is a private enterprise controlled by the Company's Corporate Secretary, Laara Shaffer. Included in accounts payable and accrued liabilities is amounts payable of \$16,733 (2014 — \$15,183).

(iv) Schindler & Company is a private enterprise controlled by the Company's CFO, Jennifer Schindler. Included in accounts payable and accrued liabilities is amounts payable of \$30,392 (2014 — \$18,854).

Rent expense of \$18,000 (2014 — \$790) was also charged by Foremost Management Services Inc. for the leasing of the office premises.

**b) Directors' transactions**

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During the quarter ended January 31, 2016, included in the \$77,104 (2014 - \$77,018) of share-based compensation recognized is \$nil (2014 - \$22,299) relating to director compensation.

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**e) Loan payable**

Included in accounts payable and accrued liabilities are loans of \$81,600 (2014 - \$2,000) borrowed from the President and CEO of the Company and companies controlled by the President and CEO of the Company. The loans are non interest bearing and have repayment terms of one year from the date of deposit, ranging from May 26, 2015 to October 14, 2016. Loans that have become due are payable on demand.

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## Liquidity and Capital Resources

As at January 31, 2016 the Company had a working capital deficit of \$691,462,581.848 as compared to a working capital deficit of \$405,578,693.536 as at October 31, 2014-2015. The Company will require continued financing or outside participation, to undertake additional exploration and subsequent development of its mineral properties.

As at January 31, 2016, the Company had cash of \$2,534,19,301 (October 31, 2014-2015 - \$18,339,2,534).

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The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral property interests, and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk.

The Company's capital consists of shareholders' equity.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares or debt or acquire or dispose of assets.

To effectively manage its resources and minimize risk, the Company maintains the majority of its capital at the parent company level and funds activities in its operating subsidiaries through a cash call process. The Company prepares annual expenditure budgets that are updated as necessary depending on factors including success of programs and general industry conditions. The budget and any revisions to it are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company's investment policy is to invest any excess cash in liquid short-term interest-bearing instruments callable at any time.

There have been no changes to the Company's approach to capital management during the quarter ended January 31, 2016.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial assets and liabilities were categorized as follows:

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	2015	2014
<b>Financial assets</b>		
Fair value through profit or loss		
Cash	\$ 2,534	\$ 18,339
Loans and receivables		
Amounts receivable*	4,954	10,456
Available for sale		

Marketable securities	9,675	4,938
Investment in oil and gas interest	-	9,000
<b>Total financial assets</b>	<b>\$ 17,163</b>	<b>\$ 42,733</b>

**Financial liabilities**

Other financial liabilities		
Accounts payable and accrued liabilities	\$ 726,621	\$ 451,092
<b>Total financial liabilities</b>	<b>\$ 726,621</b>	<b>\$ 451,092</b>

	January 31, 2016	October 31, 2015
<b>Financial assets:</b>		
<u>Fair value through profit and loss</u>		
Cash and cash equivalents	\$ 19,301	\$ 2,534
<u>Loans and receivables</u>		
Amounts receivable*	4,243	4,954
<u>Available for sale</u>		
Marketable securities	5,334	9,675
<b>Total financial assets</b>	<b>\$ 28,878</b>	<b>\$ 17,163</b>
<b>Financial liabilities:</b>		
<u>Other financial liabilities</u>		
Accounts payable and accrued liabilities	\$ 639,757	\$ 726,621
<b>Total financial liabilities</b>	<b>\$ 639,757</b>	<b>\$ 726,621</b>

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\*Excluding sales tax receivable

The fair values of the Company's amounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments. Marketable securities are recorded at market value based on quoted market prices. The Company's investment in oil and gas interest is valued at cost, as it does not have a quoted market price in an active market and the fair value cannot be reliably determined.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk.

**a) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is exposed to credit risk with respect to its cash and amounts receivable.

The Company deposits substantially all of its cash at a Canadian chartered bank. The Company's amounts receivable consist primarily of Government Sales Tax receivable from the Canadian government and Value Added Tax receivable from the Mexican government. Management considers the risk of non-performance related to cash and amounts receivable to be minimal.

**b) Liquidity risk**

Liquidity risk is the risk that an entity will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

At January 31, 2016, the Company had cash in the amount of \$2,534,193,301 (October 31, 2014-2015 - \$18,339,2534) and accounts payable and accrued liabilities of \$726,621,639,757 (October 31, 2014-2015 - \$451,092,726,621). Trade payables are due within twelve months of the financial position date.

The Company ensures, as far as reasonably possible, that there is sufficient capital in order to meet short-term financial obligations, after taking into account the Company's holdings of cash.

**c) Market risk**

Market risk consists of interest rate risk, foreign currency risk and other price risk. These are discussed below:

*Interest rate risk*

Interest rate risk consists of two components:

- i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- ii) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate risk.

*Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk with respect to cash, amounts receivable, and accounts payable and accrued liabilities, as a portion of these amounts are denominated in MXN pesos and US dollars as follows:

	2015		2014	
	MXN	US	MXN	US
Cash	\$ -	\$ 51	44,235	135
Amounts receivable	\$ -	\$ -	120,144	-
Accounts payable and accrued liabilities	\$ (2,271,314)	\$ -	(1,726,790)	-
Rate to convert \$1 CAD	0.079	1.308	0.084	1.127
	<b>January 31, 2016</b>		<b>October 31, 2015</b>	
	<b>MXN</b>	<b>USD</b>	<b>MXN</b>	<b>USD</b>

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<u>Cash</u>	\$	\$	\$	\$
	1,685	125	-	51
<u>Amounts receivable</u>	124,311	-	-	-
<u>Accounts payable and accrued liabilities</u>	(2,058,714)	-	(2,271,314)	-
<u>Rate to convert \$1 CAD</u>	0.085	1.2711	0.079	1.308

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Based on the Company's net exposure, a 9% change (October 31, 2015 – 9%) in the Canadian/Mexican Peso exchange rate, and a 16% change (October 31, 2015 – 16%) in the Canadian/US exchange rate (based on prior year fluctuations in the relative exchange rates) would not have a material impact on earnings. Based on the Company's net exposure, a 9% change (2014 – 7%) in the Canadian/Mexican peso exchange rate and a 16% change (2014 – 8%) in the Canadian/US exchange rate (based on prior year fluctuations in the relative exchange rates) would not have a material impact on earnings.

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#### Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk or foreign currency risk.

The Company is exposed to other price risk related to the fluctuation in the market price of its marketable securities. The Company's marketable securities are carried at market value and are directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests a 35% (October 31, 2015 - 35%) change in the market prices would impact the Company's earnings by approximately \$2,000 (October 31, 2015 - \$3,400). As this sensitivity analysis does not take into account any variables other than the marketable securities rate fluctuations, the above information may not fully reflect the fair value of the assets and liabilities involved.

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~~The Company is exposed to other price risk related to the fluctuation in the market price of its marketable securities. The Company's marketable securities are carried at market value and are directly affected by fluctuations in the market value of the underlying securities. The Company's sensitivity analysis suggests a 35% (2014 – 30%) change in the market prices would impact the Company's earnings by approximately \$3,400 (2014 – \$1,500). As this sensitivity analysis does not take into account any variables other than the marketable securities rate fluctuations, the above information may not fully reflect the fair value of the assets and liabilities involved.~~

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#### d) Fair value of financial instruments

IFRS 7 *Financial Instruments: Disclosure* establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's cash and marketable securities are classified at Level 1 of the fair value hierarchy. The Company had no Level 2 or 3 financial assets at October 31, 2015 or October 31, 2014. As the carrying values of the Company's remaining financial instruments approximate their fair values, disclosure is not made of their level in the fair value hierarchy.

#### Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements

## **Proposed Transactions**

There are currently no proposed transactions.

## **Risks**

All of the properties in which the Company has an interest are in the exploration stage only and the business of the Company is subject to the following risks:

### **Exploration and Mining Risks**

The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. At present, the Company has not discovered a metals or diamond deposit of commercial grade on any of its properties. Unusual or unexpected formations, formation pressures, fires, power outages, labor disruptions, flooding, cave-ins, landslides and the inability of the Company to obtain suitable machinery, equipment or labor are all risks involved in the operation of mines and the conduct of exploration programs. Substantial expenditures are required in order to establish ore reserves through drilling and staged bulk sampling, to develop optimum metallurgical processes to extract the metals or diamonds from the ore and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial mining operations or that funds required for development can be obtained on a timely basis. The economics of developing mining properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in the prices of ore which can be obtained on the metal markets, costs of processing equipment and such other factors as aboriginal land claims and government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. There is no certainty that the expenditures to be made by the Company in the exploration and development of the interests described herein will result in discoveries of commercial quantities of ore.

### **Political Risks**

The management and directors of The Company feel that Mexico is a politically stable area of the world that still has significant potential for discoveries.

Mexico is located immediately south of the United States of America and is 1,972,550 square kilometres in size (approximately twice the size of British Columbia). Elections held in July 2000 marked the first time since the 1910 Mexican Revolution that the opposition defeated the party in government, the Institutional Revolutionary Party (PRI). Vicente Fox of the National Action Party (PAN) was sworn in on 1 December 2000 as the first chief executive elected in free and fair elections. Recently Felipe Calderon was sworn in as the new president of Mexico and will be in power for the coming 6 years. Mexico has a free market economy that recently entered the trillion-dollar class. It contains a mixture of modern and outmoded industry and agriculture, increasingly dominated by the private sector. Recent administrations have expanded competition in seaports, railroads, telecommunications, electricity generation, natural gas distribution, and airports. Per capita income is one-fourth that of the US; income distribution remains highly unequal. Trade with the US and Canada has tripled since the implementation of NAFTA in 1994. Mexico has 12 free trade agreements with over 40 countries including, Guatemala, Honduras, El Salvador, the European Free Trade Area, and Japan, putting more than 90% of trade under free trade agreements.

### **Market Risks**

The marketability of metals or diamonds recovered from deposits, which may be acquired or discovered by the Company, will be affected by numerous factors many of which are beyond the control of the Company.

These factors include market fluctuations in the price of metals or diamonds, the capacity of the market, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of metals or minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but any one or a combination of these factors could result in the Company not receiving an adequate return for shareholders.

#### **Uninsurable Risks**

Mining operations generally involve a high degree of risk. Hazards such as unusual or unexpected formations, rock bursts, cave-ins, fires, flooding, or other conditions may occur from time to time. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the Company's financial position.

#### **No Assurance of Title or Boundaries, or of Access**

While the Company has registered its mining claims with the appropriate mining authorities and has filed all pertinent information to industry standards, this should not be construed as a guarantee of title. In addition, the Company's properties consist of recorded mineral claims, none of which have been legally surveyed, and therefore, the precise boundaries and locations of such claims may be in doubt and may be challenged. The Company's properties may also be subject to prior unregistered agreements or transfers or native land claims and the Company title may be affected by these and other undetected defects.

#### **Government Regulation**

The Company's operations are subject to government legislation, policies and controls relating to prospecting, land use, trade, environmental protection, taxation, rates of exchange, return of capital and labor relations.

Although the Company's exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner that could limit or curtail production or development of the Company's operations. Amendments to current laws and regulations governing the operations and activities of the Company or more stringent enforcement of such laws and regulations could have a substantial adverse impact on the financial results of the Company.

#### **Environmental Regulation**

The Company's operations may be subject to environmental regulations enacted 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, which would result in environmental pollution. A breach of such legislation may result in the imposition on the Company 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 has led to stricter standards and enforcement and greater fines and penalties for non-compliance. The cost of compliance with government regulations may reduce the profitability of the Company's operations.

#### **Competition**

The exploration and mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition and exploration of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified management and employees.

## **Management**

The success of the Company depends to a large extent on its ability to retain the services of its senior management and members of its board of directors. The loss of their services may have a material adverse effect on the Company.

The Company has no compensatory plans or arrangements in effect with any of its senior officers or members of its board of directors with respect to the resignation, retirement, or other termination of their services, or with respect to a change in their responsibilities following a change in the control of the Company.

## **Financing Risks**

The Company has no source of operating cash flow, limited financial resources, and has no assurance that additional financing will be available to it for further exploration and development of its properties or to enable it to fulfill its obligations under any applicable agreements. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's properties and the possible loss of title to such properties. If such additional financing is raised, it will likely be through the issuance of additional equity securities of the Company, which may have a substantial dilutive effect on shareholders acquiring securities of the Company.

## **Permits and Licenses**

The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations on the Company's properties.

## **Risks Related to Nature of Ownership of Common Shares**

### **Dilution**

Shareholders may suffer immediate and/or future dilution with respect to future private and or public offerings of common shares currently being contemplated in order to secure needed capital to facilitate Company growth.

### **Market Volatility**

The trading price of the common shares may be subject to wide fluctuations in response due to variations in operating results, and other events and factors. In addition, the stock market may experience price and volume fluctuations, which may adversely affect the market price of the common shares of the Company

### **Critical Accounting Estimates**

The preparation of the [condensed](#) consolidated [interim](#) financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. The preparation of the [condensed](#) consolidated [interim](#) financial statements also requires management to exercise judgment in the process of applying the accounting policies.

#### ***Critical accounting estimates***

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year:

#### *Useful life of property, plant and equipment*

Property, plant and equipment are amortized over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of amortization recorded during the year and the carrying value of property, plant and equipment. Total carrying value of property, plant and equipment at October 31, 2015 was \$6,193 (2014 - \$15,778).

#### *Share-based compensation*

Management is required to make certain estimates when determining the fair value of share option awards and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based compensation in the Company's consolidated statement of operations and comprehensive loss. For the quarter ended January 31, 2016, the Company recognized share-based compensation of ~~\$77,104,173,350 (2014-2015 - \$77,018,29,370)~~.

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#### *Critical judgments used in applying accounting policies*

In the preparation of these condensed consolidated interim financial statements management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the condensed consolidated interim financial statements.

#### *Impairment of assets*

~~When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. 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. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. Based on these criteria, Management has determined that a write-down of the Company's investment in RedeCan Pham was required during the quarter ended January 31, 2016 in the amount of \$519,862 (January 31, 2015: \$nil)~~

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~~When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. 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. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. Management has determined that there were indicators of impairment for its mineral property interests and recorded a write down of \$44,002 (2014 - \$nil).~~

#### *Impairment of marketable securities*

~~At each reporting date, the Company conducts a review to determine whether there are indications of impairment on its marketable securities. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost. Factors include the financial health and short-term business outlook of the investee, industry and sector performance, and operational and financing cash flows. If the decline in fair value below cost is considered significant or prolonged, the Company recognizes an impairment, being the transfer of the accumulated fair value adjustments recognized in other comprehensive income on the impaired marketable securities, and recorded a write-down of \$2,929 (January 31, 2015: (\$7,229) (unrealized gain)).~~

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~~At each reporting date, the Company conducts a review to determine whether there are indications of impairment on its marketable securities. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost. Factors include the financial health and short term business outlook of the investee, industry and sector performance, and operational and financing cash flows. If the decline in fair value below cost is considered significant or prolonged, the Company recognizes an impairment, being the transfer of the accumulated fair value adjustments recognized in other comprehensive income on the impaired marketable securities, in profit or loss. Management has determined that there were indicators of impairment for its marketable securities and recorded a write down of \$1,301 (2014 - \$7,730).~~

### *Income taxes*

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the condensed consolidated interim financial statements.

### *Unit offerings*

Proceeds received on the issuance of units, consisting of common shares and warrant components, are allocated using the residual method whereby proceeds are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants. Management's judgment is used in the method used to establish the fair value of the components.

### *Going concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

### **New accounting standards and interpretations not yet adopted**

At the date of authorization of these condensed consolidated interim financial statements, the IASB has issued a number of new and revised standards and interpretations, which are not yet effective as at October 31, 2015. Management is assessing the effects of the future standards on its condensed consolidated interim financial statements. All of the new and revised standards described below may be early-adopted.

### **IFRS 9 Financial Instruments (2014)**

This is a finalized version of **IFRS 9**, which contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of **IFRS 9** introduces a "fair value through other comprehensive income" category for certain debt instruments. Financial liabilities are classified in a similar manner to under **IAS 39**; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment.** The 2014 version of **IFRS 9** introduces an "expected credit loss" model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **De-recognition.** The requirements for the de-recognition of financial assets and liabilities are carried forward from **IAS 39**.

Applicable to the Company's annual period beginning on November 1, 2018.

### ***Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)***

~~Amends IAS 32 *Financial Instruments: Presentation* to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:~~

~~the meaning of "currently has a legally enforceable right of set-off"~~

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- ~~the application of simultaneous realization and settlement~~
- ~~the offsetting of collateral amounts~~
- ~~the unit of account for applying the offsetting requirements.~~

~~Applicable to the Company's annual period beginning on November 1, 2015.~~

**Disclosure of Outstanding Share Data**

As at March 25, 2016, the Company had the following common shares, stock options and warrants outstanding:

Common shares	26,904,607
Stock options (vested and unvested)	4,340,510,000
Warrants	4,862,000,343,500
Fully diluted shares outstanding	39,758,107

The Company's ongoing exploration is dependent on raising additional capital to develop its properties and the Company is continually assessing overall market conditions to ensure this need is fulfilled to the benefit of the Company and its shareholders.

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