

Management Discussion and Analysis
For the Year Ended May 31, 2014

OVERVIEW

This discussion covers the operations of Clear Mountain Resources Corp. ("Company") for the year ended May 31, 2014. The following management discussion and analysis ("MD&A") should be read in conjunction with the annual audited consolidated financial statements and notes for the year ended May 31, 2014 (the "Financial Statements"). All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

Additional information on the Company is available on SEDAR at www.sedar.com and at the Company's website, www.clearmountainresources.com. The date of this MD&A is September 29, 2014.

FORWARD LOOKING STATEMENTS

This MD&A may include certain "forward-looking statements" within the meaning of applicable securities legislation. All statements, other than statements of historical facts, included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion and growth of the Company's businesses, operations, plans and other such matters are forward-looking statements. When used in this MD&A, the words "estimate", "plan", "anticipate", "expect", ''intend'', "believe" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, risks that actual results of current exploration activities will differ, changes in project parameters as plans continue to be refined, unavailability of financing, fluctuations in precious and/or base metals prices and other factors, as outlined in the Company's preliminary long form prospectus filed on SEDAR. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

DESCRIPTION OF BUSINESS

Clear Mountain Resources Corp. is a junior mineral resource exploration company with its head office in Vancouver, British Columbia, Canada. The Company's shares are listed for trading on the TSX Venture Exchange ("Exchange") under the trading symbol "CY". The principal business of the Company is the identification, evaluation and acquisition of mineral properties and the subsequent exploration and operation thereof.

On May 10, 2012, the Company completed its initial public offering (the "IPO") and received the final exchange bulletin for the Transaction from the TSX Venture Exchange ("Exchange"). As a result, the Company's shares are listed for trading on the Exchange on May 15, 2012 under the trading symbol "CY".

OVERALL PERFORMANCE

On October 30, 2013, the Company entered into a binding letter of intent to acquire all of the right, title and interests of the assets owned and operated by Performance Energy Resources, LLC in and to approximately 75,710 gross acres of leased lands in Osage County, Oklahoma for US$108 million cash with a deadline to complete the transaction on or before February 28, 2014. The deadline to complete the transaction expired on February 28, 2014.

In December 2013, the Company completed the first tranche of a non-brokered private placement consisting of 5,345,868 common shares at a price of $0.20 per share for gross proceeds of $1,069,173. A finder's fee of $10,500 was paid and 52,500 agent warrants were issued (valued at $5,847) in connection with the first tranche of the private placement. Each agent warrant entitles the holder to purchase one common share at a price of $0.25 for a period of 12 months.

In January 2014, the Company completed the second and third tranche of a non-brokered private placement totalling 1,722,469 common shares at a price of $0.20 per share for gross proceeds of $344,494. A finder's fee of $4,800 was paid and 24,000 agent warrants were issued (valued at $2,632) in connection with the third tranche of the private placement. Each agent warrant entitles the holder to purchase one common share at a price of $0.25 for a period of 12 months.

On January 6, 2014, the Company granted 534,000 stock options to directors and officers at a price of $0.20 per share for a period of five years. The fair value attributable to these stock options, under the Black Scholes Option Pricing Model was $95,529.

In February 2014, the Company entered into an assignment agreement effective as of October 1, 2013 with a vendor (the "Vendor") whereby the Vendor would sell, assign and transfer to the Company its interest, rights, duties and obligations in the Hominy Creek Concession Area (the "Concession Area") under the Lease Acquisition and Exploration Agreement (the "Original Agreement") dated February 15, 2012, between the Vendor and the Osage Tribe of Indians of Oklahoma ("Tribe"). The Company made an initial payment of US$791,875 to the Osage Tribe of Indians of Oklahoma in February 2014. Under the Original Agreement, the Company had the right to purchase half of the Concession Area by funding an additional payment of US$1,583,750 on or before July 31, 2014 and drilling a minimum of 35 vertical wells on the concession by December 31, 2014. Subsequent to May 31, 2014, the Company defaulted on the second lease cash payment in the amount of US$1,583,750 and as such, the agreement was terminated. Therefore, the Company wrote-off related exploration and evaluation asset costs of $876,310 at May 31, 2014. See "Summary of Exploration Activities" for more details.

On May 6, 2014, the Company issued 200,000 common shares valued at $40,000 in relation to the Pemberton Property option agreement.

As at May 31, 2014, the Company had a cash position of $264,929 and a surplus working capital deficit position of $202,381. See "Liquidity, Financial Position and Capital Resources" for more details.

In August 2014, one of the Company's wholly owned subsidiaries, Clear Mountain Production LLC, was named as one of the defendants in a class action lawsuit in the United States District Court for the Northern District of Oklahoma. See "Contingency" Section for more details.

In September 2014, Thomas Clarke resigned as director of the Company.

Financial highlights

Net and comprehensive loss in the current year ended May 31, 2014 was $2,201,558 compared to a net and comprehensive loss of $414,321 in the comparative year ended May 31, 2013. The higher net and comprehensive loss experienced in the current year is largely the result of: (1) higher management fees associated with the appointment of new officers (2) higher professional fees specific to legal and due diligence fees in connection with exploration and evaluation asset acquisition projects in the state of Oklahoma (3) higher travel and related expenses associated with these acquisition projects and (4) write down of exploration and evaluation assets in connection with the Company's Pemberton property and Osage County property which was acquired in the current year. These increases were partially offset by lower stock based compensation attributable to fewer stock options granted in the current year.

The total net change in cash during the current year ended May 31, 2014 resulted in a decrease of $4,375 compared to a decrease of $181,974 in the comparative year ended May 31, 2013. The decrease in cash was the result of investing activity as the Company spent $905,258 in exploration and evaluation asset expenditures during the current year which was the combination of costs related to the Company's Pemberton property and the acquisition of the Osage County property versus $67,860 of exploration and evaluation asset expenditures in the comparative year (related only to the Pemberton property). Furthermore, the cash flows used in operating activities of $476,368 in the current year versus $245,280 in the comparative year contributed to the total decrease in cash experienced during the year. The net decrease in cash during the year was mainly offset by financing activities of $1,377,251 compared to $131,166 in the comparative year. During the current year, the Company completed a private placement consisting of three tranches which generated gross proceeds of $1,413,667 versus proceeds from a private placement and the exercise of warrants in the comparative year of $105,000 and $35,000, respectively.

During the year ended May 31, 2014, the Company incurred a total of $72,748 in deferred exploration costs on its Pemberton property whereas the Company incurred $81,501 in the comparative year. For a more detailed description of the Company's exploration expenditures, interest in its exploration and evaluation assets and the terms and conditions of the underlying agreement, please refer to the "Summary of Exploration Activities" section.

SELECTED ANNUAL INFORMATION

The following financial data is derived from the Company's annual audited financial statements for the years ended May 31, 2014, 2013 and 2012:

	2014 $	2013 $	2012 $
Revenue	-	-	-
General and administration expenses	1,006,665	414,387	223,040
Loss and comprehensive loss	(2,201,558)	(414,321)	(212,266)
Basic and diluted loss per common share	(0.14)	(0.03)	(0.03)
Working capital (deficit)	(202,381)	218,980	394,269
Exploration and evaluation assets	1	255,122	179,630
Total assets	284,465	536,529	656,527
Total liabilities	485,463	60,699	80,468

The Company's projects are at the exploration stage and, to date, the Company has not generated any revenues.

At May 31, 2014, the Company had not yet achieved profitable operations and has an accumulated deficit of $2,898,066 (2013 - $759,569) since inception. These losses resulted in a net loss per share (basic and diluted) for the year ended May 31, 2014 of $0.14 (2013 - $0.03)

The general and administrative expenses for the year ended May 31, 2014 were $1,006,665 (2013 - $414,321). The Company's major expenses for the year ended May 31, 2014 were management fees of $202,586 (2013 - $109,497), professional fees of $614,420 (2013 - $91,021), rent of $12,946 (2013 - $7,000), share-based compensation of $101,004 (2013 - $146,901), transfer agent and filing fees of $32,222 (2013 - $23,315) and travel and related costs of $44,992 (2013 - $16,241).

During the year ended May 31, 2014, the Company: (1) wrote down exploration and evaluation assets of $1,200,379 and (2) recognized a gain of $5,486 on advances forgiven.

RESULTS OF OPERATIONS

The table below details the changes in major expenditures for the year ended May 31, 2014 as compared to the corresponding year ended May 31, 2013.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Management fees	Increase of $93,089	Increase due to increased fees paid to new management team.
Professional fees	Increase of $523,399	Increase due to legal fees and due diligence costs associated with evaluating projects in Osage County, Oklahoma.
Share-based compensation	Decrease of $45,897	Decrease as there were fewer stock options granted in the current year.
Travel and related	Increase of $28,751	Increased travel related to evaluating projects in Oklahoma.

The table below details the changes in major expenditures for the year ended May 31, 2013 as compared to the corresponding year ended May 31, 2012.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Management fees	Increase of $52,997	The increase from the last year is attributed to the increase in management fees paid.
Professional fees	Increase of $34,871	Increase due to more activities with respect to change of management, warrant amendments, and other corporate matters.
Transfer agent and filing fees	Decrease of $15,742	Decreased due to commencement of listing on the Exchange and regulatory costs associated with the 2012 IPO.
Travel and related expense	Increase of $16,241	Increased level of travel for site visits, and marketing of the Company.
Share-based compensation	Increase of $113,780	Increased due to majority of the value of the stock options vested during the year ended May 31, 2013.

FOURTH QUARTER

For the quarter ended May 31, 2014, the Company incurred $273,592 in operating expenses (2013 – $178,374), had a net loss and comprehensive loss of $1,473,971 (2013 – $178,374).

The major operating expenses for the quarter ended May 31, 2014 were management fees of $51,583, professional fees of $246,297 and transfer agent and filing fees of $9,850.

During the quarter ended May 31, 2014, the Company wrote down exploration and evaluation assets of $1,200,379 relating to the Pemberton property and Osage County property for $324,069 and $876,310, respectively.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

	Three months ended			
	May 31, 2014	**Feb 28, 2014**	**Nov 30, 2013**	**Aug 31, 2013**
	$	**$**	**$**	**$**
Loss and comprehensive loss	(1,473,971)	(542,437)	(120,616)	(64,534)
Basic and diluted loss per share	(0.10)	(0.03)	(0.01)	(0.00)
	May 31, 2013	**Feb 28, 2013**	**Nov 30, 2012**	**Aug 31, 2012**
	$	**$**	**$**	**$**
Loss and comprehensive loss	(174,918)	(67,017)	(112,412)	(59,974)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.00)

The Company has not generated revenue since its inception as the Company's projects remain in the exploration stage; therefore, the Company continues to incur losses. The losses for the quarters are primarily the result of costs associated with share-based compensation, management and professional fees.

The variations in losses from quarter to quarter are consistent (with the result of administrative expenses required to maintain daily operation of the Company) except for the following quarters:

- Three months ended May 31, 2014 as the Company wrote-down exploration and evaluation assets of $1,200,379 and incurred significantly higher legal fees in connection with evaluating projects in Osage County, Oklahoma.
- Three months ended February 28, 2014 as the Company incurred significantly higher legal and due diligence fees in connection with evaluating projects in Osage County, Oklahoma.

SUMMARY OF EXPLORATION ACTIVITIES

Pemberton, British Columbia

For the year ended May 31, 2014, the Company incurred $72,748 in exploration and evaluation asset expenditures compared to $81,501 for the corresponding year ended May 31, 2013. The following table is a breakdown of the Pemberton exploration and evaluation asset activity for the respective years:

	May 31, 2014	May 31, 2013
	$	$
Acquisition - cash	25,000	20,000
Acquisition - shares	40,000	42,500
	65,000	62,500
Exploration expenditures		
Accommodation	592	1,961
Assay	-	178
Consulting	5,250	6,627
Ground work	120	7,350
Meals	289	398
Supplies	78	68
Transportation	1,419	2,419
	7,748	19,001
	72,748	**81,501**

The total cumulative acquisition and deferred exploration costs to May 31, 2014 relating to the Pemberton exploration and evaluation asset is summarized as follows:

	$
Acquisition - cash	76,500
Acquisition - shares	82,500
	159,000
Exploration expenditures:	
Accommodation	2,553
Assay	622
Consulting	45,393
Claim maintenance	8,137
Ground work	93,426
Mapping	429
Meals	687
Supplies	146
Transportation	23,486
	174,879
BC mining tax credit	(9,809)
Write-down of exploration and evaluation asset	(324,069)
	(333,878)
Balance, May 31, 2014	**1**

On October 30, 2010 and further amended on August 11, 2011, the Company entered into an agreement with Richard Billingsley and Dwayne Kress ("Optionors") to acquire a 100% undivided interest in twelve (12) mineral claims situated north of Pemberton, British Columbia (the "Property"). The Property consists of 12 tenures totaling approximately 4,121 hectares located within the Lillooet Mining Division, 8.5 km northeast of Pemberton, B.C.

In order to keep the option granted to the Company in good standing, the Company must do the following:

a) pay to the Optionors $16,500 (paid), each as to one-half, on execution of this Agreement;

b) on or before August 25, 2012, pay to the Optionors a further $15,000 (paid), each as to one-half, and issue to the Optionors 100,000 common shares (issued at a value of $26,500) of the Company, each as to one-half, fully paid and non-assessable shares;

c) on or before May 10, 2013, pay to the Optionors a further $20,000 (paid), each as to one-half and issue to the Optionors 100,000 common shares (issued at a value of $16,000) of the Company, each as to one-half;

d) on or before May 10, 2014, pay to the Optionors a further $25,000 (paid), each as to one-half and issue to the Optionors 200,000 common shares (issued at a value of $40,000) of the Company, each as to one-half;

e) on or before May 10, 2015, pay to the Optionors a further $30,000, each as to one-half and issue to the Optionors 250,000 common shares of the Company, each as to one-half.

This acquisition is subject to a 2% Net Smelter Return Royalty ("NSR") for a period of five years commencing from the date upon which the Property is put into commercial production. The NSR can be repurchased by the Company at $1,000,000 per percentage point.

As at May 31, 2014, the Company wrote-down the Property to $1 as management temporarily suspended all significant exploration activity due to the Company's cash position and general market conditions.

Recent Exploration Activity:

The October 2013 program on the Owl Creek mineral claims consisted of geological mapping. Logging activity during 2013 provided new road access to the southwest sector of the property and has exposed outcrops in several locations. In the area of the C zone two additional outcrops of mineralized diorite with disseminated pyrite and chalcopyrite were mapped.

A program of ground geophysics, including induced polarization and magnetic surveys, is recommended as Phase 1 to investigate characteristics that could indicate the presence of sulphide minerals in diorite and thus suggest targets for continued exploration. A budget of $240,000 was estimated for Phase 1. A budget for a possible continuation of geophysical surveys in Phase 2 was estimated to be $150,000. The total budget estimate in Phase 1 and 2 was $390,000.

The Pemberton project is under the direction of Locke B. Goldsmith, P. Eng., P. Geo., who is a qualified person as defined under National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

Osage County, Oklahoma

In October 2013, the Company entered into a binding Letter of Intent (the "LOI") to acquire all of the right, title and interest of the assets owned and operated by Performance Energy Resources, LLC ("PERL") in and to approximately 75,710 gross acres of leased lands in Osage County, Oklahoma (the "Osage Property").

The purchase price of the Osage Property was US$108 million cash and included approximately 700 producing oil and gas wells, equipment, inventory, improvements, leases, permits, licenses, surface rights, easements, agreements and other assets and interests owned or leased by PERL in the exploration, development, operation, production and maintenance of the Osage Property.

The effective date for the purchase and sale of the Osage Property was January 1, 2014 with a deadline to complete the transaction by January 31, 2014, later extended to February 28, 2014. The deadline to complete the transaction expired on February 28, 2014.

In February 2014, the Company entered into an assignment agreement effective as of October 1, 2013 with a vendor (the "Vendor") whereby the Vendor would sell, assign and transfer to the Company its interest, rights, duties and obligations in the Hominy Creek Concession Area (the "Concession Area") under the Original Agreement dated February 15, 2012, between the Vendor and the Osage Tribe of Indians of Oklahoma ("Tribe"). On February 4, 2014, the Tribe consented to the assignment of the Original Agreement to the Company. The Original Agreement was amended to reflect new terms and

considerations (the "Amended Agreement") as agreed upon by the Tribe and the Company. The Amended Agreement will terminate on December 31, 2015, unless earlier terminated.

In order to keep the Amended Agreement in good standing, the Company had to commence drilling of Commitment Wells, (each Commitment Well defined as one horizontal well or five vertical wells) (the "Exploration Commitment") in the Concession Area as follows:

a) Seven Commitment Wells prior to December 31, 2014; and
b) An additional seven Commitment Wells prior to December 31, 2015.

In the event that the Company did not satisfy the Exploration Commitment and the Amended Agreement was not terminated, the Company would pay the Tribe US$50,000 multiplied by the number of Commitment Wells not drilled as liquidated damages. The penalty, if owed, was to be made no later than 30 days following December 31, 2015.

In addition to the Exploration Commitment, the Company had to make a payment of US$75 times the number of net mineral acres for rights to leases (the "Leases") in the Concession Area as follows:

a) US$25 multiplied by 50% of the net mineral acres, approximately 31,800 acres, on or before February 6, 2014 or US$791,875 (paid – $876,310); and
b) The remaining US$50 multiplied by 50% of the net mineral acres, approximately 31,800 acres, on or before July 31, 2014 or US$1,583,750.

The Company could obtain the balance of the remaining available acreage by making an additional payment of US$25 per net mineral acre by the end of February 15, 2015 and a payment of US$50 per net mineral acre by July 31, 2015. In the event the Company did not make the additional payments, then the exclusive option to obtain the additional acreage terminates.

Subsequent to May 31, 2014, the Company defaulted on the second lease cash payment in the amount of US$1,583,750 and as such, the agreement was terminated. Therefore, the Company wrote-off related exploration and evaluation asset costs of $876,310 at May 31, 2014.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL RESOURCES

The Company has no known mineral resources or reserves and is not in commercial production on any of its properties and accordingly, the Company does not generate cash from operations. The Company finances its exploration activities by raising capital from equity markets from time to time.

The Company's liquidity and capital resources are as follows:

	May 31, 2014	May 31, 2013
	$	$
Cash	264,929	269,304
Receivables	11,929	5,209
Prepaid expenses	6,224	5,166
Total current assets	283,082	279,679
Trade payables and accrued liabilities	417,213	38,726
Due to related parties	68,250	21,973
Working capital (deficit)	(202,381)	218,980

The Company's operations consist primarily of the identification, evaluation and acquisition of mineral properties and the subsequent exploration and operation thereof including actively seeking joint venture partners to assist with exploration funding. The Company's financial success will be dependent on the extent to which it can discover new mineral deposits.

As at May 31, 2014, the Company had a cash position of $264,929 (2013 - $269,304) consisting of net proceeds from the private placement which closed in the third quarter of the 2014 fiscal year. As at May 31, 2014, the Company had a working capital deficit of $202,381 (2013 – working capital surplus of $218,980).

The Company's continuation as a going concern is dependent upon successful results from its exploration and evaluation activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. The Company has been successful in the past in raising funds for operations by issuing shares but there is no assurance that it will be able to continue to do so in the future, which raise significant doubts about the Company's ability to continue as a going concern. See "Risks and Uncertainties".

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

COMMITMENT

In June 2013, the Company signed a consulting agreement with Richard Barth, an officer and director of the Company to provide management consulting services to the Company for an indefinite term effective April 23, 2013. The agreement requires total payment of $10,833 per month. Included in the agreement is a provision for a two year payout in the event of termination without cause and three year payout in the event of a change of control.

CONTINGENCY

In August 2014, the Company was named as one of the defendants in a class action lawsuit in the United States District Court for the Northern District of Oklahoma. The lawsuit is brought upon by the plaintiffs against the Bureau of Indian Affairs ("BIA"), Devon Energy Company, L.P. ("Devon") and other Osage County Land owners and surface lessees (collectively, the "Defendants"), which includes the Company. The plaintiffs are seeking declaratory and injunctive relief for the failure of the Defendants to comply with the National Environmental Policy Act of 1969 in connection with the Osage County land located in Oklahoma. Management believes the suit is without merit and is an improper party to the action. Presently the Company is seeking to have itself removed from the action. The outcome of this action is not determinable at this time.

RELATED PARTY TRANSACTIONS

During the year ended May 31, 2014, the Company entered into the following transaction with related parties:

- An advance of $5,486 owing to Patrick Morris, a former director and officer of the Company was forgiven. The Company recorded a gain of $5,486 on advances forgiven.

A break-down of the Company's due to related parties is as follows:

	May 31, 2014 $	May 31, 2013 $
Richard Barth, president, CEO and director	3,250	13,862
Patrick Morris, former president and director	-	5,486
Zara Kanji-Aquino, former CFO	-	2,625
A company controlled by Michael Waldkirch, CFO and director	65,000	-
Total	**68,250**	**21,973**

The Company entered into the following transactions with related parties:

	For the year ended May 31,	
	2014 $	2013 $
Accounting fees - Zara Kanji- Aquino, former CFO	-	12,194
Professional fees (accrued) – A company controlled by Michael Waldkirch, CFO and director	65,000	-
Management fees - Zara Kanji- Aquino, former CFO	-	30,000
Management fees - Patrick Morris, former president and director	-	66,000
Management fees – Michael Waldkirch, CFO and director	72,000	-
Management fees – Richard Barth, president, CEO and director	130,586	13,497
Total	**267,586**	**121,691**

A break-down of the Company's share-based compensation is as follows:

	For the year ended May 31,	
	2014	**2013**
	$	**$**
Patrick Morris, former president and director	-	27,307
Zara Kanji- Aquino, former CFO	-	13,653
Craig Taylor, director	10,571	20,781
Thomas Clarke, director	4,309	13,653
Richard Barth, CEO and director	40,966	40,127
Michael Waldkirch, CFO and director	33,990	31,380
Mark Vanry, director	8,945	-
Total	**98,781**	**146,901**

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, as well as the reported revenues and expenses during the reporting period. Based on historical experience and current conditions, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates, and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the audited consolidated financial statements materially and involve a significant level of judgment by management.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, valuation of share-based compensation, and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

Determination of functional currency

The Company determines the functional currency through an analysis of several indicators such as expenses and cash flow, financing activities, retention of operating cash flows, and frequency of transactions with the reporting entity.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expect 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.

FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

a) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
b) Level 2 – Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
c) Level 3 – Input for assets or liabilities that are not based on observable market data.

The Company's financial instruments consist of cash, receivables, trade payables and accrued liabilities, and due to related parties. The fair value of these financial instruments, other than cash, approximates their carrying values due to the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including credit, interest rate, liquidity and commodity price risk.

a) Credit risk

   Credit risk is risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions and is not exposed to significant credit risk.

b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds cash and does not have any interest bearing debt.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.

d) Commodity price risk

The ability of the Company to explore and develop its exploration and evaluation assets and the future profitability of the Company are directly related to the price of crude oil, natural gas and gold. The Company monitors commodity prices to determine the appropriate course of action to be taken.

e) Foreign currency risk

Foreign currency risk is the risk that the future cash flows or fair value of the Company's financial instruments that are denominated in a currency that is not the Company's functional currency will fluctuate due to the change in foreign exchange rate.

The functional currency of the Company and its wholly owned subsidiaries is the Canadian dollar. While the Company's parent is Canadian and its capital is raised in Canadian dollars, the Company conducts business activities in the United States. As such, it is subject to risk due to fluctuations in the exchange rates for the Canadian and United States dollar. At May 31, 2014, the Company has cash denominated in US dollars of $71,586 and trade payables and accrued liabilities in US dollars of $289,541. Each 1% change in the Canadian dollar versus the US dollar would result in a gain/loss of approximately $2,180.

RISKS AND UNCERTAINTIES

The Company believes that the following risks and uncertainties may significantly affect its success.

Commodity Prices

The profitability of any mining and producing operations in which the Company has an interest will be significantly affected by changes in the market price of the particular commodity. Metal and other mineral prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The level of interest rates, the rate of inflation, central bank sales, world supply of other minerals and stability of exchange rates, among other factors, can cause significant fluctuations in mineral prices. Such external factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The commodity prices have historically fluctuated widely and, depending on the price of particular commodity, revenues from mining and producing operations may not be sufficient to offset the costs of such operations.

Lack of Cash Flow and Requirements for New Capital

The Company's current operations do not generate any positive cash flow. The Company has limited financial resources and the mining claims held by the Company impose additional financial obligations. There can be no assurance that additional funding will be available to allow the Company to fulfill such obligations.

Further exploration and development of the various exploration and evaluation assets in which the Company holds interests depends upon the Company's ability to obtain financing through the joint venturing of projects, debt financing, equity financing or other means. Failure to obtain additional financing on a timely basis could cause the Company to forfeit all or part of its interests in some or all of its mineral property interests and reduce or terminate its operations.

Lack of Operating History and Operational Control

The Company currently has two exploration and evaluation assets and operates at a loss. The Company's commercial viability is largely dependent on the successful commercial development of its mineral property interests.

Competition

The Company competes with numerous other individuals and companies possessing greater financial resources and technical facilities in the search for and acquisition of attractive mineral properties.

Exploration Risks

Exploration for metals and other minerals is speculative in nature, involves many risks and is frequently unsuccessful. Any exploration program entails risks relating to the location of economic ore bodies, development of appropriate metallurgical processes, and receipt of necessary governmental approvals and construction of mining and processing facilities at any site chosen for mining. The commercial viability of a mineral deposit is dependent on a number of factors including the price of the commodities, exchange rates, the particular attributes of the deposit, such as its size, grade and proximity to infrastructure, as well as other factors including financing costs, taxation, royalties, land tenure, land use, water use, power use,

import and export costs and environmental protection. The effect of these factors cannot be accurately predicted.

There can be no assurance that the current or proposed exploration or development programs on the mineral property interests will result in the discovery of economic mineralization or will result in a profitable commercial mining operation.

Political Regulatory Risks

Any changes in government policy may result in changes to laws affecting ownership of assets, mining policies, monetary policies, taxation, rates of exchange, environmental regulations, labor relations, repatriation of income and return of capital. This may affect both the Company's ability to undertake exploration and development activities in respect of present and future properties in the manner currently contemplated, as well as its ability to continue to explore, develop and operate its mineral property interests. The possibility that future governments may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

Environmental Risks

With respect to environmental regulation, environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There can be no assurance that future changes to environmental regulation, if any, will not adversely affect the Company's operations. Environmental hazards that have been caused by previous or existing owners or operators of the mineral property interests, may contravene existing or future regulatory standards.

Management: Dependence on Key Personnel

The Company is dependent on a relatively small number of key personnel the loss of any one of whom could have an adverse effect on the Company. In addition, while certain of the Company’s officers and directors have experience in the exploration and operation of mineral producing properties; the Company will remain highly dependent upon contractors and third parties in the performance of its exploration and development activities. There can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of the Company or be available upon commercially acceptable terms. Certain directors and officers of the Company are associated with other natural resource exploration companies and may from time to time be in a conflict of interest.

Title Matters

The Company has investigated its rights to explore, exploit and develop its mineral property interests and, to the best of its knowledge, those rights are in good standing. No assurance can be given that such exploration and mining authorities will not be challenged or impugned by third parties and are not subject to prior unregistered agreements, transfers or claims affecting title. In addition, the Company's property interests do comprehensively extend to all claim units in all areas and there is a risk that commercially exploitable mineral deposits are located on adjoining properties which are not owned by the Company.

Aboriginal Land Claims

No assurance can be given that aboriginal land claims will not be asserted over the mineral property interests in the future, in which event the Company's operations and title to its mineral property interests may potentially be seriously adversely affected.

Litigation

In addition to the above claims, the nature of the Company's business subjects it to regulatory investigations, claims and lawsuits in the ordinary course of business. There is no assurance that the foregoing matters or any other investigations, claims and lawsuits, will not have an adverse effect on the Company. See "Contingency" for more details.

CHANGES IN ACCOUNTING POLICIES

There were no changes to the Company's accounting policies during the year ended May 31, 2014.

Certain new standards, interpretations and amendments to existing standards have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning after January 1, 2014, or later periods. Some updates that are not applicable or are not consequential to the Company may have been excluded from the list below.

The following standards and interpretations have been issued but are not yet effective:

IFRS 9 – Financial Instruments: Classification and Measurement applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is tentatively effective for annual periods beginning on or after January 1, 2018 with early adopted permitted. The Company does not expect any effect on the Company's consolidated financial statements.

IAS 32 – Financial Instruments: Presentation amendment provides clarification on the application of offsetting rules. The amendments are effective for annual periods beginning on or after January 1, 2014. The Company does not expect any effect on the Company's consolidated financial statements.

OUTLOOK

The Company's primary focus for the foreseeable future will be on reviewing its financial position, continuing exploration activities on its mineral properties and financing new business ventures in the mineral resource industry.

DISCLOSURE OF DATA FORM OUTSTANDING COMMON SHARES, OPTIONS AND WARRANTS

Common Shares

Below is a summary of the number of shares, options, and warrants outstanding.

	As at May 31, 2014	As at September 29, 2014
Common shares	20,468,337	20,468,337
Stock options	1,529,500	1,529,500
Warrants	5,351,000	5,351,000

Stock Options

The Company has issued incentive options to certain directors, employees, officers, and consultants of the Company. As of the date of this report, there are four tranches of stock options as shown below.

Number of Options	Exercise price	Expiry date
	$	
324,000	0.15	May 10, 2017
447,500	0.11	April 4, 2018
224,000	0.155	May 29, 2018
534,000	0.20	January 6, 2019

Warrants

As at the date of this report, the Company has five tranches of warrants outstanding as shown below:

Number of Warrants	Exercise price	Expiry date
	$	
52,500	0.25	December 18, 2014
24,000	0.25	January 30, 2015
3,000,000	0.15	December 30, 2015
1,700,000	0.15	May 2, 2016
575,000	0.15	June 24, 2016

ADDITIONAL INFORMATION

Additional information related to the Company is available for view on SEDAR at www.sedar.com including, but not limited to:

- the Company's audited annual consolidated financial statements for the year ended May 31, 2014.

Current Directors and Officers of the Company are as follows:

- Richard Barth, President, CEO and Director
- Michael Waldkirch, CFO and Director
- Craig Taylor, Director
- Mark Vanry, Director

The MD&A has been approved by the Board effective September 29, 2014.

Clear Mountain Resources Corp.

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