

GUERRERO VENTURES INC.

GV-V

MANAGEMENT DISCUSSION & ANALYSIS

For the year ended December 31, 2014

Directors and Officers as at April 22, 2015:

Directors:

David Baker
Don Dybyk
Robert McMorran
Earl Terris
Matthew Watson

Officers:

President – David Baker
CFO – Vivian Gu
VP Exploration – Siegfried Weidner

Contact Name:

David Baker

TSX Venture Exchange Symbol:

GV

GUERRERO VENTURES INC.

(Formerly Inlet Resources Ltd.)

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended December 31, 2014

1.1 Date of This Report

April 22, 2015

1.2 Overall Performance

Description of Business

Guerrero Ventures Inc. (the “Company”) is a publicly listed company that trades on the TSX Venture Exchange as a junior resource company with a focus on acquiring mineral projects that will provide the opportunity to enhance shareholder value. Effective August 19, 2014, the Company changed its name from Inlet Resources Ltd. to Guerrero Ventures Inc.

The Company was incorporated in British Columbia, Canada. The Company’s principal place of business is #3904 – 1077 West Cordova Street, Vancouver, BC, V6C 2C6 and its registered records office is located on the 10th Floor – 595 Howe Street, Vancouver, BC, V6C 2T5.

Effective at the opening August 19, 2014, shares of the Company commenced trading on TSX Venture Exchange under the new trading symbol “GV”. The Company is now classified as a “Resource” company.

1.3 Selected Annual Information

The highlights of financial data for the Company for the three most recently completed financial years are as follows:

	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
(a) Net sales	-	-	-
(b) Income (loss) before extraordinary items			
(i) Total income (loss)	\$(2,070,473)	\$(415,461)	\$638,058
(ii) Income (loss) per share - basic	\$(0.06)	\$(0.02)	\$0.04
(iii) Income (loss) per share - diluted	\$(0.06)	\$(0.02)	\$0.04
(c) Net Income (loss)			
(i) Total income (loss)	\$(2,070,473)	\$(415,461)	\$638,058
(ii) Income (loss) per share - basic	\$(0.06)	\$(0.02)	\$0.04
(iii) Income (loss) per share - diluted	\$(0.06)	\$(0.02)	\$0.04
(d) Comprehensive income (loss)	\$(2,070,473)	\$(415,461)	\$175,229
(e) Total assets	\$5,873,785	\$1,870,756	\$2,277,038
(f) Total long-term liabilities	N/A	N/A	N/A
(g) Cash dividends declared per-share	N/A	N/A	N/A

1.4 Results of Operations

Discussion of Acquisitions, Operations and Financial Condition

The following should be read in conjunction with the financial statements of the Company and notes attached hereto.

Acquisition

On July 8, 2014, the Company announced that it has successfully completed the Plan of Arrangement (the “Arrangement”) announced on April 22, 2014, whereby the Company has acquired all of the issued and outstanding share in the capital of Citation Resources Inc. (“Citation”). The Arrangement was approved by the shareholders of Citation on June 30, 2014 and approved by the Supreme Court of British Columbia on July 3, 2014.

Pursuant to the terms of the Arrangement, shareholders of Citation received one-half of one common share of the Company for each one Citation share held. In addition, two former directors of Citation were elected as director of the Company.

With the completion of the Arrangement, the Citation shares were delisted from the TSX Venture Exchange on the close of business on July 8, 2014.

As a result of the acquisition, the Company issued total of 19,784,644 common shares for the 39,569,287 common shares of Citation that were outstanding immediately prior the effective time of the Arrangement.

All previously outstanding stock options of Citation have been exchanged for options to acquire common shares of the Company at the same exchange ratio of one-half of one common share of the Company for each one Citation share to which such holder was previously entitled, for the same consideration. Citation had 2,848,000 Citation Options outstanding immediately prior the effective time of the Arrangement.

In connection with the Arrangement, the Company incurred transaction cost of \$280,000 (\$120,000 paid in cash on July 8, 2014 and \$160,000 as promissory note) pursuant to Citation’s Change of Control Agreements with Citation’s directors and officers.

On July 8, 2014, Citation was amalgamated with a wholly owned subsidiary of the Company under the name “Citation Minerals Inc.”.

The transaction has been accounted for as a business acquisition, as the Company and Citation both meet the definition of a business under IFRS 3.

Mineral Properties

Biricu Property

The Company, through its recently acquired subsidiary, Citation Minerals Inc., has an option agreement with Esperanza Resources Corp. (a subsidiary of Alamos Gold Inc.) to acquire a 100% interest in the Biricu Project mineral exploration concession located in Guerrero State, Mexico. The Biricu Project comprises more than 41,000 hectares of highly prospective ground that management believes lies along direct on-strike extent of five skarn deposits in the Guerrero Gold Belt (El Limon-Los Guajes - Torex Gold Resources Inc.; Bermejil, Los Filos, and Nukay – Goldcorp Inc., Ana Paula – Newstrike Capital Inc.).

On December 22, 2011, Citation executed an option agreement with Esperanza Resources Corp. ("Esperanza", acquired by Alamos Gold Inc.) to acquire Esperanza's 100% interest in the Biricu mineral exploration concessions located in Guerrero State, Mexico. Citation made a cash payment of \$20,000 upon execution of the option agreement and pursuant to the option agreement over four years is required to: i) issue 1,050,000 common shares in Citation to Esperanza, including 250,000 on or before each of December 22, 2012 (issued at a fair value of \$22,500) and 2013 (issued at a fair value of \$5,000) and 275,000 on or before each of December 22, 2014 and 2015 (both issued at a total fair value of \$44,000); and ii) complete total exploration expenditures of \$4,000,000 over a four year period as follows: \$250,000 on or before December 22, 2012 (completed), an additional \$500,000 on or before December 22, 2013 (completed), an additional \$1,000,000 on or before December 22, 2014 (completed) and the remaining \$2,250,000 on or before December 22, 2015.

In addition, Esperanza is to be granted a 2% net smelter royalty on all metals recovered from the property and be paid within six months of the Company receiving a bankable feasibility study on the property a resource payment equal to Cdn\$10.00 per ounce of gold resource estimated in the bankable feasibility study, which sum will be payable in cash or, at the Company's election, satisfied by the issuance of common shares.

On February 6, 2012, Citation issued 250,000 common shares (fair value of \$42,500) that was payable with respect to a finder's fee in connection with the transaction.

On October 9, 2014, the Company announced the commencement of diamond drilling at its Biricu Project.

Two diamond drill rigs have been mobilized to the project and drilling of the initial targets has begun. A minimum of 5,000 metres of drilling is budgeted for this phase with anticipated completion near the end of the calendar year. This phase of drilling focuses on targets in the northern half of Biricu and commences in the Hornfels Hill and Punto Rojo target areas. Both Hornfels and Rojo are characterized by alteration and mineralization in close contact with or within intrusive bodies. This setting is typical of other areas in the Guerrero Gold Belt that are hosts to known gold resources and is similar to other prospective and operating properties and mines in the Guerrero Gold Belt to the northwest.

A mapping and geochemical sampling program has also been initiated to expand on historic work over the Company's extensive mineral holdings to refine targeting and identify additional prospective and potentially mineralized intrusive areas that warrant immediate follow-up. Any new areas that report alteration and/or mineralization fitting the Guerrero Belt model will be considered for immediate drill testing.

Broken Hill-Leo property

On September 26, 2006, the Company entered into an option agreement to acquire a 50% interest in the Broken Hill-Leo property, located approximately 150 kilometers north-north east of Kamloops, British Columbia.

The property comprises 133 claims (3,325 hectares) located near the village of Avola, and covers a 9-kilometer strike extent of carbonate stratigraphy with numerous zinc-lead-silver showings and occurrences. In June 2005 a 5-hole drill program was conducted to test two of several occurrences (the Vista and Paulter showings), which resulted in narrow intercepts of zinc mineralization being drilled, including 5.88% zinc over a drill width of 0.83m. The claims are located approximately 15 kilometers west of the Ruddock Creek property where Selkirk Metals Corp. (TSX-V: SLK) recently announced a drill hole intercept of 15.79% zinc and 3.33% lead over 14.05 meters.

The Company holds an option agreement with Monster Uranium Corp. ("Monster") to acquire a 50% interest in the Broken Hill-Leo property which comprises 56 mineral claims (133 claim units), located approximately 150 kilometers north-east of Kamloops, British Columbia. The Company may earn a 50% interest in Broken Hill-Leo property by incurring 50% of the \$125,000 required work program expenditures (incurred as of December 31, 2008) and funding 50% of the advance royalty payments of \$5,000 each subsequent year to the optionor until a total \$100,000 (total \$25,000 paid) has been paid.

All claims are subject to a 2% net smelter returns royalty in favour of the optionor.

During the year ended December 31, 2014, the Company wrote down the carrying value of the property due to unfavorable changes in the project economics and recognized a \$242,026 loss in the statement of comprehensive loss.

Private Placement

On July 22, 2014, the Company closed a non-brokered private placement consisting of the issuance of 15,000,000 units at a price of \$0.15 per unit for gross proceeds of \$2,250,000. Each unit is comprised of one common share of the Company and one transferable share purchase warrant, entitling the holder to purchase one additional common share of the Company at a price of \$0.25 per warrant share until July 17, 2015. The Company paid cash finders' fees totaling \$115,920 and issued a total of 772,800 non-transferable finders' warrants having the same terms as the subscribers' warrants.

Discussion of Operations and Financial Condition

Results of Operations

The loss for the twelve months ended December 31, 2014 was \$2,072,473 as compared with a loss of \$415,461 for the twelve months ended December 31, 2013.

The details of the general and administrative expenses are as follows:

	31-Dec-14	31-Dec-13	Increase/ (Decrease)
Accretion of note payable	\$ 5,829	\$ -	\$ 5,829
Consulting & administration	99,281	82,000	17,281
Foreign exchange loss	40,245	-	40,245
Insurance	3,500	-	3,500
Management fees	81,000	64,000	17,000
Professional fees	292,236	55,752	236,484
Property investigation	11,423	15,450	(4,027)
Rent, telephone, office expenses	101,211	144,745	(43,534)
Share-based compensation	654,000	-	654,000
Shareholders' communication	204,215	35,248	168,967
Transfer agent & regulatory filing fees	63,488	18,266	45,222
Total General & administrative	\$ 1,556,428	\$ 415,461	\$ 1,140,967

Consulting fees for the current period include services related to corporate and administration, shareholder communications, and computer and website. Shareholder communication fees consist of the fees paid to the Company spokespersons that handle all shareholder calls, maintain the company mailing list, and handle all company mail-outs. Shareholder communication fees also consist of expenses for advertising and promotion, press releases, printing, and conference and shows. The Company also retains a consultant for maintenance of the Company's website. Filing and transfer agent fees include fees paid to the TSX Venture Exchange and the B.C. and Ontario Securities Commissions, SEDAR filings, and fees paid to Computershare Trust Company of Canada and the Minister of Finance.

Investor Relations Activities

The Company currently has no formal arrangements with respect to investor relations. During the year, the Company responded to investor inquiries and conducted shareholder and investor mailouts. The Company has assigned spokespersons responsible for responding directly to all investor inquiries and for conducting shareholder and investor mailouts. (See above for costs related to shareholder communications).

1.5 Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Q4 31-Dec-14	Q3 30-Sept-14	Q2 30-Jun-14	Q1 31-Mar-14
Net income (loss)	(\$568,399)	(\$1,170,064)	(\$242,340)	(\$89,670)
Per Share	(0.02)	(0.03)	(0.01)	(0.00)
	Q4 31-Dec-13	Q3 30-Sept-13	Q2 30-Jun-13	Q1 31-Mar-13
Net income (loss)	(\$133,555)	(\$87,661)	(\$84,104)	(\$110,141)
Per Share	(0.01)	(0.00)	(0.00)	(0.01)

1.6 Liquidity

The Company has no revenue generating projects at this time. The Company's historical capital needs have been met by equity subscriptions. The Company will require additional financing to fund any property acquisitions as well as exploration programs on any properties it acquires. As at December 31, 2014, the Company's working capital was \$717,720 (compared to \$1,588,618 at December 31, 2013). The ability of the Company to successfully acquire and develop properties in the resource sector is conditional on its ability to secure financing when required. The Company proposes to meet any additional financing requirements through arranging equity financing, and/or finalizing a joint venture agreement with a partner(s) who will be able to assume the costs of recommended exploration programs. In light of the continually changing financial markets, there is no assurance that funding by equity subscriptions or finding a joint venture partner will be possible at the times required or desired by the Company.

1.7 Capital Resources

The Company, through its recently acquired subsidiary, Citation Minerals Inc., has an option agreement with Esperanza Resources Corp. (a subsidiary of Alamos Gold Inc.) to acquire a 100% interest in the Biricu Project mineral exploration concession located in Guerrero State, Mexico, as detailed in Section 1.4 "*Results of Operations.*"

1.8 Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

1.9 Transactions with Related Parties

All related party transactions and amounts owing are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company retains the services of certain directors and officers. Management fees, consulting fees, and accounting fees were as follows:

Key Management Compensation

	Years ended December 31	
	2014	2013
Management fees paid to the President	\$ 75,000	\$ 60,000
Management fees paid to a director	6,000	4,000
Consulting fees paid to a director	15,000	15,000
Consulting fees paid to an officer	47,800	-
Professional fees paid to an officer	33,000	18,000
Share-based compensation paid to directors and officers	459,956	-
Total	<u>\$ 636,756</u>	<u>\$ 97,000</u>

Other Amounts Paid to Management

	Years ended December 31	
	2014	2013
Rent paid to the President	\$ 17,143	\$ 5,714
Equipment rental paid to the President	5,812	5,812
Total	<u>\$ 22,955</u>	<u>\$ 11,526</u>

During the year ended December 31, 2014, the Company paid \$36,000 (2013 - \$24,000) in consulting fees to a company controlled by the spouse of the President.

As at December 31, 2014, \$40,065 was receivable from a company controlled by common directors (2013 - \$Nil).

Change of Control Payments

On July 8, 2014, the Company paid \$50,000 to two directors who were directors and officers of the Citation Resources Inc. as change of control payments, and the Company also issued a \$160,000 promissory note to one of those two directors that is non-interest bearing, requires equal monthly installments of \$8,889 for a period of 18 months and is due on January 1, 2016. As of December 31, 2014, \$53,333 of the promissory note was paid and \$106,667 is outstanding.

1.10 Fourth Quarter – 2014

The fourth quarter results are presented on a consolidated basis including the financial results of the Company and its wholly-owned Canadian subsidiaries, Citation Minerals Inc. and Citation International Holdings Inc., and its wholly owned Mexican subsidiary, Minera Citation Mexico S.A. de C.V.

During the twelve months ended December 31, 2014, legal fees, shareholders' communication expenses, and transfer agent and filing fees increased significantly comparing to the twelve months ended December 31, 2013 due to the recent completed acquisition (See Section 1.2). Also as a result of the acquisition, the Company incurred transaction cost of \$280,000 in this third quarter of 2014. The Company recognized a foreign exchange loss of total \$40,245 during the third and fourth quarters caused by the foreign currencies translations between the Company and its subsidiaries. During the current year, the Company also recorded a non-cash share-based compensation of \$654,000 (2013 - \$Nil). On December 31, 2014, the Company wrote down its Broken Hill-Leo Property due to unfavorable changes in the project economics and recognized a \$242,026 loss (See Section 1.4).

1.11 Proposed Transactions

None

1.12 Critical Accounting Estimates

N/A

1.13 Changes in Accounting Policies

Effective January 1, 2011, the Company adopted IFRS with a transition date of January 1, 2010. The Company's financial statements have been prepared in accordance with IFRS and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of annual financial statements.

1.14 Financial and Other Instruments

a) Designations

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities.

Cash is designated as held-for-trading; amounts receivable as loans, and receivables; and accounts payable and accrued liabilities as other financial liabilities.

b) Fair Value

The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The Company has no assets or liabilities subject to fair value measurement on a recurring basis.

	FAIR VALUE	AS AT DECEMBER 31, 2014		AS AT DECEMBER 31, 2013	
	INPUT	CARRYING	ESTIMATED	CARRYING	ESTIMATED
	LEVEL	AMOUNT	FAIR VALUE	AMOUNT	FAIR VALUE
<hr/>					
Financial Assets:					
Cash	1	\$ 795,000	\$ 795,000	\$ 1,618,155	\$ 1,618,155
Amounts receivable	2	\$ 40,065	\$ 40,065	\$ -	\$ -
 Financial Liabilities:					
Accounts payable and accrued liabilities	2	\$ 47,496	\$ 47,496	\$ 40,112	\$ 40,112
Note payable	2	\$ 101,644	\$ 101,644	\$ -	\$ -

Due to the relatively short term nature of cash, amounts receivable, accounts payable and accrued liabilities, and note payable, the fair value of these instruments approximates their carrying value.

c) Risk Management

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include currency, credit, interest rate and liquidity risks. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit Risk

The Company's credit risk is primarily attributable to cash. Cash is held in a reputable Canadian bank which is closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash is minimal. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Our interest rate risk mainly arises from the interest rate impact on our cash. A change in interest rate would have a minimal effect on the profitability of the Company.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2014, the Company held cash of \$795,000 and had current liabilities of \$149,140. All of the Company's current liabilities have contractual maturities of less than 30 days and were subject to normal trade terms. Liquidity risk is assessed as minimal.

d) Comprehensive income

A statement of comprehensive income (loss) forms part of the Company's financial statements and displays current period net income and other comprehensive income (loss). Other comprehensive income consists of unrealized gains on available-for-sale financial assets. The cumulative changes in other comprehensive income are included in accumulated other comprehensive income within shareholders' equity in the consolidated balance sheet. Upon disposition of the available-for-sale financial assets, the accumulated other comprehensive income (loss) has been reclassified as realized gain (loss) and included in net income (loss).

1.15 Other

Disclosure of Outstanding Share Capital (April 22, 2015)

A summary of the Company's outstanding common shares, incentive stock options, and warrants on the reporting date are as follows:

	Number	Book Value
Common Shares	52,251,961	\$21,457,421

Summary of incentive stock options:

Number of Shares	Expiry Date	Exercise Price Per Share
280,000	July 13, 2016	\$0.24
569,000	November 25, 2016	\$0.40
50,000	March 13, 2017	\$0.44
225,000	December 7, 2017	\$0.21
300,000	May 2, 2018	\$0.20
<u>3,500,000</u>	August 20, 2019	\$0.16
4,924,000		

Summary of warrants outstanding:

<u>Number of Shares</u>	<u>Expiry Date</u>	<u>Exercise Price Per Share</u>
15,772,800	July 17, 2015	\$0.25

Subsequent Events

- On January 26, 2015, the Company provided results of the recently completed maiden diamond drill program at its Biricu Project in the Guerrero Gold Belt, Guerrero State, Mexico. Highlights of the drilling program include a drill intersection of 26.98 metres (m) grading 1.07 g/t gold and 0.29 g/t silver at the Punto Rojo target. The interval includes a zone of 6.85m grading 2.78 g/t gold and 0.92 g/t silver. Drilling at Punto Rojo has to date outlined an area with a minimum strike length of 700m and minimum depth extent of 600m of strongly hornfelsed and selectively skarn altered Mezcala sediments, intrusive units as well as a breccia unit. All units exhibit strong similarities in composition and alteration to productive units encountered in other exploration and mining operations in the prolific Guerrero Gold Belt.
- On March 3, 2015, the Company announced that its application to have its common shares quoted on the OTCQB venture stage marketplace in the United States has been approved. As of March 3rd, 2015 the Company's common shares can be found on OTCQB under the trading symbol GVXNF.

Additional information

Additional information relating to the Company is on SEDAR at www.sedar.com.