

GUERRERO VENTURES INC.

GV-V

MANAGEMENT DISCUSSION & ANALYSIS

For the quarter ended September 30, 2015

Directors and Officers as at November 27, 2015:

Directors:

David Baker
Don Dybyk
Earl Terris

Officers:

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

Contact Name:

David Baker

TSX Venture Exchange Symbol:

GV

GUERRERO VENTURES INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the Quarter Ended September 30, 2015

1.1 Date of This Report

November 27, 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.

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 had successfully completed the Plan of Arrangement (the “Arrangement”) announced on April 22, 2014, whereby the Company acquired all of the issued and outstanding shares 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 directors 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 to the effective time of the Arrangement.

All previously outstanding stock options of Citation were 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 to the effective time of the Arrangement.

In connection with the Arrangement, the Company incurred transaction costs of \$280,000 (\$120,000 paid in cash on July 8, 2014 and \$160,000 as a 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 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 the direct on-strike extension of five skarn deposits in the Guerrero Gold Belt (El Limon-Los Guajes - Torex Gold Resources Inc.; Bermejal, 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. The Company incurred \$3,185,681 in applicable exploration expenditures as of September 30, 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. The 2014 NQ diamond drill core drilling program was completed between October 3, 2014 and December 3, 2014. On January 26, 2015, the Company provided results of diamond drill program. 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 May 29, 2015, the Company announced the results and interpretation highlights of the 2014 Airborne Gradiometer Survey at its Biricu Project in the Guerrero Gold Belt (GGB), Guerrero State, Mexico.

The 2014 airborne gradiometer magnetic survey was flown to complement a previously completed VTEM/Magnetic airborne survey. The 2014 survey was completed over a 333 square kilometer area of the property with flight lines in a direction orthogonal to the 2012 survey flight lines that covered an area of 218 square kilometers.

The primary purpose of the airborne survey was to model magnetic data at specific sites, identify sites of potential “hidden” intrusive bodies that could be associated with skarn alteration or mineralization and provide a structural interpretation to guide future exploration activities.

The 2014 survey successfully:

- Provided better quality data highlighting more subtle features.
- Allowed for better modeling, definition and interpretation of possible causative intrusive bodies.
- Identified additional anomalies of high priority interest for immediate follow-up.
- Provided data to gain a more detailed understanding of structures on the property.
- Suggested locations for immediate drill testing on anomalies “under cover” as well as pointed to areas along trend of the southeastern extent of the GGB that require immediate ground follow-up.

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.

During the year ended December 31, 2014, the Company wrote off 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 844,800 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 nine months ended September 30, 2015 was \$351,722 as compared with a loss of \$1,561,074 for the nine months ended September 30, 2014.

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

	30-Sept-15	30-Sept-14	Increase/ (Decrease)
Accretion of note payable	\$ 4,628	\$ -	\$ 4,628
Consulting & administration	85,750	70,781	14,969
Foreign exchange loss (gain)	(21,414)	31,963	(53,377)
Management fees	72,000	57,000	15,000
Professional fees	56,161	244,100	(187,939)
Property investigation	-	11,423	(11,423)
Rent, telephone, office expenses	53,852	67,789	(13,937)
Share-based compensation	-	654,000	(654,000)
Shareholders' communication	75,198	82,821	(7,623)
Transfer agent & regulatory filing fees	25,547	61,197	(35,650)
Total General & administrative	\$ 351,722	\$ 1,281,074	\$ (929,352)

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 period, 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:

	Q3 30-Sept-15	Q2 30-Jun-15	Q1 31-Mar-15	Q4 31-Dec-14
Net income (loss)	(\$73,266)	(\$123,630)	(\$154,826)	(\$568,399)
Per Share	(0.00)	(0.00)	(0.01)	(0.02)
	Q3 30-Sept-14	Q2 30-Jun-14	Q1 31-Mar-14	Q4 31-Dec-13
Net income (loss)	(\$1,170,064)	(\$242,340)	(\$89,670)	(\$133,555)
Per Share	(0.03)	(0.00)	(0.01)	(0.01)

During the quarter ended September 30, 2014, the Company recorded a non-cash share-based compensation expense of \$654,000. Also during that quarter, legal fees, shareholders' communication expenses, and transfer agent and filing fees increased significantly due to the acquisition (See Section 1.2). Further, the Company incurred transaction costs of \$280,000 and recognized a foreign exchange loss of \$31,963 caused by the foreign currencies translations between the Company and its subsidiaries.

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 its exploration commitment on the Biricu Property. As at September 30, 2015, the Company had a working capital deficit of \$35,566 (compared to \$717,720 at December 31, 2014). The ability of the Company to successfully acquire and develop properties in the resource sector is conditional on its ability to secure further financing. 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 Expenditures

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.*” Pursuant to the option agreement, the Company is required to further incur \$814,500 in exploration expenditures on the Biricu by December 22, 2015.

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

	Nine months ended September 30	
	2015	2014
Management fees paid and payable to the President	\$ 67,500	\$ 52,500
Management fees paid and payable to a director	4,50	4,50
Consulting fees paid and payable to a director	11,250	11,250
Consulting fees paid to an officer	37,400	21,050
Professional fees paid and payable to an officer	36,000	21,000
Total	<u>\$ 156,650</u>	<u>\$ 110,030</u>

Other Amounts Paid to Management

	Nine months ended September 30	
	2015	2014
Rent paid to the President	\$ 12,857	\$ 12,857
Equipment rental paid to the President	4,35	4,35
Total	<u>\$ 17,216</u>	<u>\$ 17,216</u>

During the nine months ended September 30, 2015, the Company incurred \$36,000 (2014 - \$24,000) in consulting fees to a company controlled by the spouse of the President.

As at September 30, 2015, \$47,266 was receivable from a Company controlled by common directors (2014 - Nil).

As at September 30, 2015, \$32,358 of above fees to related parties were accruals and included in accounts payable. Also included in the accounts payable was a \$4,200 advance from a company controlled by the President

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 September 30, 2015, \$124,444 of the promissory note was paid, \$8,889 was payable, and \$26,667 is outstanding, of which \$395 is attributable to accretion.

1.10 Third Quarter – 2015

The third 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 nine months ended September 30, 2015, shareholders' communication expenses, office expenses, professional fees, and transfer agent and filing fees decreased significantly comparing to the nine months ended September 30, 2014 as there were more activities during the third quarter of 2014 due to acquisition (See Section 1.2) and significant amount of legal fees incurred during the second quarter of 2014 for the acquisition. The Company recognized a foreign exchange gain of total \$21,414 during the nine months ended September 30, 2015 caused by the foreign currencies translations between the Company and its subsidiaries.

1.11 Proposed Transactions

None

1.12 Critical Accounting Estimates

N/A

1.13 Changes in Accounting Policies

None

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.

		AS AT SEPTEMBER 30, 2015		AS AT DECEMBER 31, 2014	
	FAIR VALUE INPUT LEVEL	CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
<hr/>					
Financial Assets:					
Cash	1	\$ 12,395	\$ 12,395	\$ 795,000	\$ 795,000
Amounts receivable	2	\$ 47,266	\$ 47,266	\$ 40,065	\$ 40,065
Financial Liabilities:					
Accounts payable and accrued liabilities	2	\$ 80,881	\$ 80,881	\$ 47,496	\$ 47,496
Note payable	2	\$ 26,273	\$ 26,273	\$ 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 September 30, 2015, the Company held cash of \$12,395 and had current liabilities of \$107,154. All of the Company's current liabilities have contractual maturities of less than 30 days and were subject to normal trade terms. The Company is seeking additional funds to ensure that it will have sufficient liquidity to meet liabilities.

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 (November 27, 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: None

On July 17, 2015, total 15,844,800 share purchase warrants at a price of \$0.25 per warrant share expired without exercise

Subsequent Event

On November 4, 2015, the Company announced that it has arranged a loan from Minaurum Gold Inc. ("Minaurum") of CDN\$770,000 to explore the Biricu Project located in the Guerrero Gold Belt, Mexico. The exploration work will be conducted by Minaurum, as contractor to Guerrero, except for drilling services and certain other work that will be conducted by third party contractors.

The loan bears interest at 8%. The loan agreement provides that the demand loan will, at Minaurum's election, either be repaid in cash or, subject to the satisfaction of certain conditions, be converted into a direct 55% interest in the Biricu Project and an option to acquire a further 20% interest in exchange for funding \$153,000 in exploration expenditures within 24 months of the conversion date. Minaurum is not entitled to demand repayment of the loan and accrued interest in cash until the earlier of a default under the loan agreement and March 31, 2016. Minaurum has also agreed to pay Guerrero an overhead fee of up to \$77,000.

Additional information

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