



# ODYSSEY

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## RESOURCES LIMITED

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**Management's Discussion and Analysis**

**3<sup>rd</sup> Quarter ended September 30, 2013**

**ODYSSEY RESOURCES LIMITED**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL**  
**CONDITION AND RESULTS OF OPERATIONS**  
**FOR THE 3<sup>rd</sup> QUARTER ENDED SEPTEMBER 30, 2013**

*The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Odyssey Resources Limited ("Odyssey" or the "Company"), dated November 20, 2013, covers the 3<sup>rd</sup> quarter ended September 30, 2013 and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the 3<sup>rd</sup> quarter ended September 30, 2013 (the "September 30, 2013 condensed interim consolidated financial statements"). Readers should also refer to the Company's MD&A for the year ended December 31, 2012, including the section describing risks and uncertainties, and the audited consolidated financial statements for the years ended December 31, 2012 and 2011. All financial results presented in this MD&A are expressed in U.S. dollars unless otherwise indicated.*

*The Company's September 30, 2013 condensed interim consolidated financial statements and the financial information contained in this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretation of the International Financial Reporting Interpretations Committee ("IFRIC").*

**Description of Business**

Odyssey is a Canadian-based exploration company whose focus is the acquisition, exploration and development of mineral resource properties. At the present time, the Company does not own any exploration property and is not carrying out any exploration programs. However, the Company is actively assessing new properties and seeks to acquire an interest in exploration properties that have merit. There can be no assurance that the Company will acquire a new mineral property in the near term, or at all, and that if a mineral property is acquired, it will have adequate financial resources to explore and develop such property. At September 30, 2013, the Company had working capital of approximately \$1.2 million.

The Company is a reporting issuer in British Columbia, Alberta and Ontario. The Company's financial year-end is December 31 and it trades on the NEX board of the TSX Venture Exchange under the symbol ODX.H. Dundee Corporation holds, directly and indirectly, approximately 36.9% of the issued and outstanding common shares of the Company.



**Selected Consolidated Financial Information (1)**

	<b>September 30,</b>		<b>December 31,</b>	
	<b>2013</b>		<b>2012</b>	
<b>Financial Position</b>	<b>\$</b>		<b>\$</b>	
Cash	<b>1,194,232</b>		1,474,903	
Total assets	<b>1,269,261</b>		1,551,783	
Shareholders' equity	<b>1,264,374</b>		1,536,920	
	<b>3<sup>rd</sup> quarter ended September 30,</b>		<b>Nine-months ended September 30,</b>	
	<b>2013</b>		<b>2012</b>	
	<b>2013</b>		<b>2012</b>	
<b>Operations</b>	<b>\$</b>		<b>\$</b>	
Management and administration	<b>46,299</b>	75,775	<b>193,625</b>	265,912
Business development	<b>16,170</b>	362	<b>33,154</b>	103,761
Fair value adjustment of marketable securities	<b>(2,951)</b>	34,437	<b>5,735</b>	151,027
Interest income	<b>(3,411)</b>	(4,597)	<b>(11,226)</b>	(14,734)
<b>Net loss for the period</b>	<b>(56,107)</b>	(105,977)	<b>(221,288)</b>	(505,966)
<b>Basic and diluted loss per share</b>	<b>(0.00)</b>	(0.00)	<b>(0.01)</b>	(0.01)
	<b>Cash flows</b>			
Operating activities			<b>(231,611)</b>	(301,887)
Investing activities			-	-
Financing activities			-	-

(1) The selected consolidated financial information was derived from the Company's September 30, 2013 condensed interim consolidated financial statements, prepared in accordance with IFRS.

Since its incorporation, the Company has not paid any cash dividend on its outstanding common shares. Any future dividend payment will depend on the Company's financial needs to fund its exploration programs and any other factor that the board may deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.



## Results of Operations

The Company incurred a net loss of \$56,107 (nil per share) during the 3<sup>rd</sup> quarter ended September 30, 2013 and \$221,288 (\$0.01 per share) during the nine-month period ended September 30, 2013 compared to a net loss of \$105,977 (nil per share) during the 3<sup>rd</sup> quarter ended September 30, 2012 and \$505,966 (\$0.01 per share) during the nine-month period ended September 30, 2012. During the nine-month periods ended September 30, 2013 and 2012, the Company did not conduct any field exploration work but continued to assess a number of mineral properties.

Management and administration expenses decreased during the reporting period when compared to the 3<sup>rd</sup> quarter ended September 30, 2012 due mainly to reduced administration, office and professional fees expenses. Business development expenses are a function of the requirement to work with external parties and include expenses related to the assessment of mineral projects. The fair value adjustment of marketable securities is based on the 3,000,000 shares that the Company holds in Ariana Resources plc, a London-based mineral exploration company.

Management and administration expenses are summarized as follows:

	3 <sup>rd</sup> quarter ended September 30,		Nine-months ended September 30,	
	2013	2012	2013	2012
	\$	\$	\$	\$
Employee benefits	6,352	8,126	18,112	24,237
Administrative and consultants	22,794	32,406	71,004	99,832
Office	14,593	21,331	40,286	56,769
Investor relations and travel	160	1,571	2,529	5,891
Professional fees	(874)	11,174	45,373	64,069
Reporting issuer costs	3,159	681	16,312	14,611
Loss on foreign exchange	115	486	9	503
	<b>46,299</b>	<b>75,775</b>	<b>193,625</b>	<b>265,912</b>

## Liquidity and Capital Resources

At September 30, 2013, the Company had working capital of \$1,214,954 (including cash of \$1,194,232) compared to working capital of \$1,479,846 at December 31, 2012. Working capital is currently being used to pursue and evaluate new resource projects and for general corporate purposes.

The Company anticipates that based on current liquidities, it has sufficient funds to provide for general and administrative expenditures for at least the next 12 months, which are estimated at \$300,000 per annum. However, the Company has no cash flow generating operation and therefore manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. The Company's ability to acquire new projects and to continue funding exploration programs and to meet its corporate and administrative obligations is dependent on the Company's ability to obtain additional financing, when required, through



various means, including but not limited to equity financing. The amount and timing of additional funding may be impacted by, among others, the strength of the capital markets.

### Selected Quarterly Financial Information

Period ended	Revenues (\$000)	Net loss (\$000)	Basic loss	Diluted loss
			per share	per share
			\$	\$
September 30, 2013 (1)	-	(56.1)	(0.00)	(0.00)
June 30, 2013 (2)	-	(107.0)	(0.00)	(0.00)
March 31, 2013 (3)	-	(58.2)	(0.00)	(0.00)
December 31, 2012 (4)	-	(333.7)	(0.01)	(0.01)
September 30, 2012	-	(106.0)	(0.00)	(0.00)
June 30, 2012 (5)	-	(198.2)	(0.01)	(0.01)
March 31, 2012 (6)	-	(201.8)	(0.01)	(0.01)
December 31, 2011	-	(108.8)	(0.00)	(0.00)

(1) Includes business development expenses of \$16,170.

(2) Includes business development expenses of \$11,656.

(3) Includes business development expenses of \$5,328.

(4) Includes business development expenses of \$33,915.

(5) Includes business development expenses of \$29,286.

(6) Includes business development expenses of \$74,113.

### Capital Management

The Company defines capital that it manages as shareholders' equity. When managing capital, the Company's objectives are a) to ensure the entity continues as a going concern; b) to increase the value of the entity's assets; and c) to achieve optimal returns to shareholders. These objectives will be achieved by identifying the right exploration projects, adding value to these projects and ultimately taking them to production or obtaining sufficient proceeds from their disposal. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. As at September 30, 2013, managed capital was \$1,264,374 (\$1,536,920 at December 31, 2012).

The Company currently does not hold an interest in any mineral properties but continues to assess new mineral properties and seeks to acquire an interest in properties if the Company believes that they have merit and if it has adequate financial resources to do so. As such, the Company is dependent on external financing to fund its activities. Until such time as the Company enters into an agreement to acquire a



mineral property, the Company will minimize discretionary disbursements and will reduce or eliminate expenditures that are of limited strategic value.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the 3<sup>rd</sup> quarter ended September 30, 2013. The Company is not subject to any externally imposed capital requirements at September 30, 2013.

### **Off-Balance Sheet Arrangements**

As of September 30, 2013, the Company had no off-balance sheet arrangements.

### **Related Party Transactions**

During the 3<sup>rd</sup> quarter and the nine-month period ended September 30, 2013, the Company paid or accrued administration expenses of \$29,366 and \$80,619, respectively to Reunion Gold Corporation, a related party by virtue of common directors and management (\$37,021 and \$99,514, respectively during the 3<sup>rd</sup> quarter and the nine-month period ended September 30, 2012). These transactions were conducted in the normal course of operations of the Company and on normal terms and conditions.

The remuneration to directors and key management of the Company totalled \$9,585 during the 3<sup>rd</sup> quarter ended September 30, 2013 and \$28,957 during the nine-month period ended September 30, 2013 (\$10,700 during the 3<sup>rd</sup> quarter ended September 30, 2012 and \$40,919 during the nine-month period ended September 30, 2012).

### **New Accounting Pronouncement**

On January 1, 2013, the Company adopted Amendments to IAS 1, *Presentation of Financial Statements*, issued by the IASB in June 2011. These amendments require items presented in the statement of other comprehensive income to be categorized according to whether the items will or will not be reclassified to income at a future date. The adoption of these amendments did not impact the Company's financial results.

### **Financial Instruments**

The Company's financial instruments consist of cash, marketable securities and accounts payable and accrued liabilities. Other than marketable securities, the fair value of these financial instruments approximates their carrying value, given that they will mature shortly. A plus or minus 10% change in the value of the marketable securities would affect shareholders' equity by approximately \$4,900 (\$5,700 at December 31, 2012).



## Outstanding Share Data

As at November 20, 2013, the Company has 36,231,486 common shares issued and outstanding and 1,975,000 stock options with an exercise price of Can \$0.20, expiring in June 2014.

## Financial Risk Factors

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include liquidity risk, currency risk and credit risk. Where material, these risks are reviewed by the board of directors of the Company.

### *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. At September 30, 2013, the Company's working capital totals \$1,214,954 (\$1,479,846 at December 31, 2012). Current liabilities of \$4,887 are due within the next 3 months. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

### *Currency risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. In the normal course of its operations, the Company has limited exposure to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates since most of the Company's business transactions are denominated in Canadian dollars, which is the Company's functional currency. At September 30, 2013 and December 31, 2012, the marketable securities held by the Company are denominated in British pounds. The impact on profit or loss and on equity of a 10% increase or decrease in the British Pound versus the US dollar would be \$4,900 at September 30, 2013 (\$5,700 at December 31, 2012).

### *Credit risk*

Credit risk is the risk of an unexpected loss if a party to its financial instrument fails to meet its contractual obligations. At September 30, 2013, the Company's financial assets exposed to credit risk consist primarily of cash, which is held with a large Canadian-based financial institution. Credit risk is therefore not considered significant.

## Trends

The Company anticipates that it will continue to experience net losses until such time, if any, as revenue generating activity is commenced. The Company's future financial performance is dependent on many



external factors. Both the price of, and the market, for, precious and base metals are volatile, difficult to predict and subject to changes in domestic and international political, social and economic environments. Circumstances and events, such as the ongoing volatility in the capital markets, could materially affect the future financial performance of the Company.

### **Other Risks and Uncertainties**

The identification, acquisition and financing of mineral properties is a highly competitive and speculative process which even a combination of careful evaluation, experience and knowledge may not eliminate. The Company currently has no interest, and no right to earn an interest, in a mineral property. There is no assurance that the Company will be acquiring any such interest in the short term or at all. The risks below are not the only ones the Company may face. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected.

#### *Limited financial resources*

To acquire, explore and develop mineral properties, the Company will need to obtain additional financing from external sources. There is no assurance that the Company will be able to obtain such financing on favourable terms, or at all. Failure to obtain financing could result in delay or indefinite postponement of further exploration and development of properties. Major expenses are generally required to acquire and develop mineral properties and there is no assurance that exploration and development programs on mineral properties will result in a profitable commercial mining operation.

#### *Competition*

The mineral exploration and mining business is competitive in all its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and the acquisition of attractive mineral properties. The ability of the Company to acquire a mineral property of merit, purchase required equipment, and hire qualified personnel in the future will depend on its ability to identify, arrange, negotiate, select or acquire suitable properties or prospects for mineral exploration, source suitable equipment and hire qualified people. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects, sourcing equipment or hiring people.

#### *Dependence on key personnel*

The Company is dependent on the services of its senior management to find a new mineral property of merit and finance such acquisition. The loss of any such individuals could have a material adverse effect on the Company's operations.



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### *Conflicts of interest*

Certain directors of the Company are also directors, officers or shareholders of other natural resource companies. Situations may arise where the directors and officers of the Company may be in competition with the Company. Any conflicts of interest will be subject to and governed by the law applicable to directors' conflicts of interest. In the event that a conflict of interest arises at a meeting of the Company's directors, a director who has a conflict will abstain from voting on the matter in respect of which he is in a position of conflict. In accordance with applicable laws, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

### **Cautionary Note Regarding Forward-Looking Information**

Certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information relates to future events or the Company's future performance and includes, but is not limited to, statements with respect to minimum spending requirements during the next 12 months, the potential acquisition of new mineral properties and the ability to finance such acquisition. Minimum spending requirements of \$300,000 during the next 12 months are based on management estimates, but due to unforeseen costs, this amount can be higher. There can be no assurance that the Company will acquire a new mineral property in the near term, or at all, and that if a mineral property is acquired, it will have adequate financial resources to explore and develop such property. The Company's management is highly qualified in identifying and acquiring mineral exploration properties of merit. However, the business of mineral exploration is highly competitive. To find a property of merit, the Company is competing with other mining companies, many of which have greater financial, technical or other resources than the Company. Given the nature of capital market demand for speculative investment opportunities such as mineral projects, there is no assurance that financing will be available in the appropriate amount when required. Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the sections above. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

### **Additional Information and Continuous Disclosure**

This MD&A has been prepared as at November 20, 2013. Additional information on the Company is available through regular filings of press releases and financial statements on SEDAR ([www.sedar.com](http://www.sedar.com)) and on the Company's web site ([www.odysseyresources.com](http://www.odysseyresources.com)).