ELISSA RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

THREE AND SIX MONTHS ENDED JUNE 30, 2015

1450 – 700 West Georgia Street
Vancouver, BC
V7Y 1K8
Tel: 604-669-7330

Set out below is a review of the activities, results of operations and financial condition of Elissa Resources Ltd. ("ELI", "Elissa", or the "Company") and its subsidiaries for the three and six months ended June 30, 2015. The discussion below should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the period ended June 30, 2015 and consolidated financial statements for the year ended December 31, 2014. Those consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures included in the following Management Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated. This MD&A has been prepared as at August 25, 2015.

The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol ELI.

Additional information related to the Company is available on SEDAR at www.sedar.com and the Company's website at www.elissaresources.com.

BACKGROUND AND CORE BUSINESS

Elissa Resources Ltd. and its subsidiaries (collectively, the "Company" or "Elissa") is an exploration stage company. Its principal business activity is the acquisition, exploration and development of resource properties, principally in the United States. Elissa was incorporated under the Company Act (British Columbia) on October 11, 2007 under the name Elissa Energy Inc. On February 5, 2010, the Company changed its name to Elissa Resources Ltd. The Company maintains its registered office at 2080 – 777 Hornby Street, Vancouver, British Columbia, Canada V6Z 1S4.

The Company has historically been focused on mineral exploration and its principal asset is the Thor REE Property in southwestern Nevada. The Company has identified a significant business opportunity in a private technology development company, Spectrum Optix Inc. The Company is investigating a possible change of business once a due diligence period is completed.

COMPANY HIGHLIGHTS

Letter of Intent with Spectrum Optix Inc.

The Company has entered into a multi-stage, binding Letter of Intent ("LOI" or "Agreement") with Spectrum Optix Inc. ("Spectrum"), a private technology development company, headquartered in Calgary, Alberta. To date, the Company has earned a 6.6% interest in Spectrum by advancing $200,000 ($245,000 advanced as at June 30, 2015). Details of the LOI are included in the accompanying unaudited condensed consolidated financial statements for the period ended June 30, 2015.

Spectrum is developing technologies relating to imagery and light concentration for lens and image capture based systems. Spectrum's core technology is focused on a novel approach to collecting and concentrating an electromagnetic wave, such as a visible light, and, if required by the application, maintaining the original image at high levels of quality and compactness. Spectrum's technology employs flat surfaces and holds potential for significant consolidation to the length of lens stacks found in traditional light capture based systems such as cameras and telescope lenses in addition to improvements to quality, clarity and resolution of imagery. Due to anticipated reductions to the length of the lens stacks and the employment of flat surfaces, a potential decrease of lens manufacturing costs is quite possible. Imaging applications are being explored by Spectrum that utilize both pre- and post-optical imaging solution improvements.

Spectrum has executed and reviewed initial optical simulations using its core technology. Spectrum will now be pursuing the targeted development of its first lens system for imaging. The next phase of optical modelling and engineering will be focused on enhancing image resolution performance for its first lens system. This will include testing image and energy retention abilities across multiple wavelengths while maintaining Spectrum's compact lens stack design. These tests are being conducted on a precision optical workbench.

Upon successful conclusion of the initial phase, Spectrum would thereafter move onto additional phases of its prototype build. The company's primary objective, post prototype, will be to begin incorporating its technologies into multiple verticals within a variety of industries. A comprehensive market and industry cost and impact analysis will be conducted by Spectrum, at which point the company would intend to enter into application-specific, license agreements and arrangements with established corporations.

Spectrum is currently seeking patent protection for certain of its optical technologies through multiple provisional patent applications. Elissa previously retained a leading Canadian intellectual property law firm practicing exclusively in intellectual property and technology law - Smart & Biggar - to assist with patent strategies including prior art searches that were successfully concluded.. Spectrum thereafter engaged Christie Parker Hale LLP, an established U.S. intellectual property law firm to assist in developing the company's intellectual property patents and additional patent strategies. Risks associated with patentability and other aspects of the patenting processes can be found in the *Risk Factors* section of this document.

Proposed Change of Business and Financing

The Company is currently halted pending a change of business applicable with the TSX-V to transition from a Resource Issuer to a Technology Issuer (as defined by the policies of the TSX-V).

The Company's near term focus will be to continue exercising its options to acquire, in the aggregate, 100% of Spectrum. The Company has entered into a sponsorship agreement with Haywood Securities Inc. as per its current Change of Business. (the "COB")

Upon completion of the COB, Elissa intends to change its name to Nexoptic Technology Corp., or such other name as the board of directors may determine. The TSX-V will assign a new trading symbol at the time of a formal name change.

Elissa intends to complete a private placement of at least 6,670,000 units of Elissa (the "Units") at an issue price of $0.12 per Unit, for gross proceeds of at least $800,400 (the "Private Placement"), which is not conditional on the completion of the COB.

Each Unit is comprised of one common share in the capital of Elissa (the "Elissa Shares") and one common share purchase warrant (each a "Warrant"). Each Warrant will entitle the holder to purchase one additional Elissa Share at an exercise price of $0.20 for a period of two years from the date of issuance of the Units. If, during this two year period and after the expiry of the 4 month hold period on the Elissa Shares and the Warrants, the closing price of the Elissa Shares is at least $0.40 for a period of 10 consecutive trading days, Elissa may, at its option, accelerate the expiry date of the Warrants by issuing a news release and giving written notice thereof all holders of Warrants, and, in such case, the Warrants will expire on the earlier of: (i) the 30th day after the date on which the news release is disseminated by Elissa; and (ii) the original expiry date. The net proceeds from the Private Placement are intended to primarily be used to fund Elissa's further investment in Spectrum pursuant to the terms of the Investment Agreement and for general working capital purposes. Subject to the approval of the TSX-V, Elissa may pay finder's fees on all or portions of the aforementioned Private Placement.

RESOURCE PROPERTIES

THOR RARE EARTH PROPERTY

On December 15, 2009, the Company's 100% owned subsidiary, Red Hill Energy (US) Inc., agreed to acquire the Thor REE Property located in southwestern Nevada. The Company has provided a deposit as security against potential future reclamation work relating to its Thor REE Property. As at June 30, 2015, a total of US $19,758 (December 31, 2014 - US $19,758) has been lodged with the Nevada office of the U.S. Bureau of Land Management.

Historic exploration information is available on previous filings. During the six months ended June 30, 2015, the Company continued to review its geological data, perform reclamation work and pay annual Bureau of Land Management maintenance fees on the claims.

Expenditures on resource properties are as follows:

June 30, 2015	**Thor REE**
Balance, December 31, 2014	$ 1,861,319
Foreign exchange on translation	116,382
Property total, June 30, 2015	$ 1,977,701

December 31, 2014		Thor REE		South Standby		Total
Balance, December 31, 2013	$	1,666,408	$	59,446	$	1,725,854
Acquisition costs		-		40,576		40,576
Exploration expenditures						
Geological consulting		3,257		-		3,257
Staking and maintenance fees		20,978		-		20,978
Reclamation costs		13,412		-		13,412
Total addition of exploration expenditures		37,647		-		37,647
Foreign exchange on translation		157,264		2,264		159,528
Write-off of property		-		(102,286)		(102,286)
Property total, December 31, 2014	$	1,861,319	$	-	$	1,861,319

Mel Klohn, P.Geo, a Qualified Person under the meaning of Canadian National Instrument 43-101, is a consultant to the Company and responsible for the technical content of this Management's Discussion and Analysis.

OUTLOOK

The Company's focus in the near term will be advancing its interest under the Spectrum LOI and completing the COB.

The Company considers the Thor REE Project to be a significant asset. Should the Company's COB be successful, the Company would contemplate the sale of the Thor REE Project.

Summary of Quarterly results

	June 30, 2015	March 31, 2015	December 31, 2014	September 30, 2014
Interest income	-	-	-	-
Net loss for the period	(239,939)	(93,007)	(195,790)	(98,353)
Comprehensive income (loss) for the period	(287,405)	74,342	(124,312)	(12,135)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.00)

	June 30, 2014	March 31, 2014	December 31, 2013	September 30, 2013
Interest income	685	2,034	2,729	2,996
Net loss for the period	(221,045)	(119,041)	(184,091)	(488,202)
Comprehensive loss for the period	(284,498)	(49,067)	(127,609)	(534,147)
Basic and diluted loss per share	(0.01)	(0.00)	(0.01)	(0.01)

Results of Operations for the three month period ended June 30, 2015 compared to 2014

The comprehensive loss for the three month period ended June 30, 2015 was $287,405 (2014 –$284,798). Significant changes to the comprehensive loss are explained as follows:

- The President has suspended invoicing the Company resulting in a decline to management fees of $Nil (2014 - $21,000) for the current period.
- Office and administration has increased by $7,731 to $25,859 (2014 - $18,128) resulting from an increased rent expense.
- Professional fees increased by $38,341 to $58,355 (2014 - $20,014) as there have been additional costs associated with the Spectrum LOI and potential changes to the Company's focus.

- Shareholder communications and filings increased by $25,532 to $31,082 (2014 - $5,550) as there have been additional costs associated with the Spectrum LOI and potential changes to the Company's focus.
- Write-off of resource property of $Nil (2014 – $101,609) due to the write-off of the South Standby Property in 2014.

Results of Operations for the six month period ended June 30, 2015 compared to 2014

The comprehensive loss for the six month period ended June 30, 2015 was $213,063 (2014 –$333,865). Significant changes to the comprehensive loss are explained as follows:

- The President has suspended invoicing the Company resulting in a decline to management fees of $Nil (2014 - $42,000) for the current period.
- Office and administration has increased by $17,209 to $46,652 (2014 - $29,443) resulting from an increased rent expense.
- Professional fees increased by $37,779 to $74,696 (2014 - $36,917) as there have been additional costs associated with the Spectrum LOI and potential changes to the Company's focus.
- Shareholder communications and filings increased by $17,659 to $46,093 (2014 - $28,434) as there have been additional costs associated with the Spectrum LOI and potential changes to the Company's focus.
- Write-off of resource property of $Nil (2014 – $101,609) due to the write-off of the South Standby Property in 2014.

LIQUIDITY AND CAPITAL RESOURCES

Cash has increased by $233,541 to $397,366 at June 30, 2015 from a balance of $163,825 as at December 31, 2014. The Company had working capital of $121,958 as at June 30, 2015.

Overall cash utilization for operating activities was comparable in 2015 to 2014. In 2015, the Company expended $354,534 in operating activities as compared to $259,792 in 2014. In 2014 write-off of the South Standby Property was 101,609. Investing activities resulted in a net cash outflow of $145,000 in 2015 which was forwarded to Spectrum pursuant to the LOI. Investing activities consumed $14,558 in 2014 related predominantly to exploration and evaluation activities.

The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing.

Management is actively targeting sources of additional financing through alliances with financial entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. If adequate financing is not available when required, the Company may be required to delay, scale back or eliminate various programs and may be unable to continue in operation. The Company may seek such additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests.

During the period ended June 30, 2015, the Company received shareholder approval to complete a share consolidation on the basis of one new common share for each three common shares outstanding.

Following approval for the consolidation, the Company completed a private placement of 15,000,000 units (the "Units") at a price of $0.05 per Unit for gross proceeds of $750,000. Each Unit is comprised of one common share and one share purchase warrant (each a "Warrant"). Each Warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.10 until April 16, 2017. The Company issued 488,000 common shares valued at $24,400 and paid $14,240 as finders' fees.

Management will apply funds from the Units as funds for investment according to the agreement with Spectrum over the short term and for working capital. Additional funds will be required to satisfy the investment in the Spectrum agreement, invest in the Thor REE property and to maintain general working capital. The contractual commitments of the Company are not significant and the Company may sustain operations by reducing overhead and delaying investment.

OUTSTANDING SHARE DATA

At the date of this report the Company has 26,313,648 issued and outstanding common shares, 703,333 outstanding stock options with a weighted average exercise price of $0.47 and 19,088,250 warrants with a weighted average exercise price of $0.27.

OFF STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

At June 30, 2015, the Company had no material off statement of financial position arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

PROPOSED TRANSACTIONS

The Company does not have any proposed transactions in process other than as discussed elsewhere in this document.

RELATED PARTY TRANSACTIONS

Key management personnel comprise of the Chief Executive Officer and Directors of the Company. The remuneration of the key management personnel is as follows:

	2014	2013
Payments to key management personnel:		
Salaries and short-term benefits	$ 46,266	$ 48,000

During the six months ended June 30, 2015, the Company was charged management fees of $Nil (2014 - $42,000), accounting fees of $Nil (2014 - $24,000) and rent of $Nil (2014 - $5,055) by a company controlled by a director and officer of the Company. As at June 30, 2015, the amount owed to that company was $216 (December 31, 2014 - $12,078). The amount due to the related party has no specific terms of repayment, is unsecured and non-interest-bearing.

During the six months ended June 30, 2015, the Company was charged legal fees of $37,387 (2014 - $5,213) by S. Paul Simpson Law Corp., a law firm of which an officer of the Company is an employee.

During the six months ended June 30, 2015, the Company was charged accounting fees of $17,953 (2014 - $Nil) by a company of which the CFO is a significant shareholder.

As at June 30, 2015, the amount of $20,095 (December 31, 2014 - $36,187) included in accounts payable is due to related parties. All balances are unsecured, non-interest-bearing, have no fixed repayment terms and are due on demand.

CRITICAL ACCOUNTING ESTIMATES

The Company's accounting policies are described in notes 2 and 3 of its consolidated financial statements for the year ended December 31, 2014. The preparation of the consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported expenses during the period. Actual results could differ from these estimates. Management considers the following estimates to be the most critical in understanding the judgments and estimates that are involved in the preparation of the Company's consolidated financial statements and the uncertainties that could impact the results of operations, financial condition and cash flows:

The key areas of judgment applied in the preparation of the condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- The recoverability of the carrying value of the Company's investment

  The fair value of the Company's investment in Spectrum requires management to determine whether there are any indications of impairment. Management evaluates the legal standing of the underlying assets of the investment and reviews the progress and development of the underlying assets in the period when making the assessment of whether there are indications of impairment for the investment.

- The carrying value of resource properties and the recoverability of the carrying value

  Assets or cash-generating units ("CGUs") are evaluated at each reporting date to determine whether there are any indications of impairment. The Company considers both internal and external sources of information when making the assessment of whether there are indications of impairment for the Company's resource properties.

  Management uses several criteria in its assessments of economic recoverability and probability of future economic benefit including geologic and metallurgic information, economic assessments/studies, accessible facilities and existing permits.

- The determination of the Company's functional currency

  The functional currency of the Company and its subsidiaries is the currency of the primary economic environment, and the Company reconsiders the functional currency if there is a change in events and conditions, which determined the primary economic environment.

The key estimates applied in the preparation of the condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities is the provision for income taxes and recognition of deferred income tax assets and liabilities and fair value of the Company's investment in Spectrum, which requires management to make certain estimates regarding the value of those shares in relation to unquoted share prices (refer to *Financial Instruments and Other Instruments*).

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2014.

New standards not yet adopted

IFRS 9 *Financial Instruments (Revised)*

IFRS 9 was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing derecognition requirements from IAS 39 *Financial instruments: recognition and measurement*. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Company's condensed consolidated interim financial statements has not yet been determined.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Financial instruments

Cash is carried in the statement of financial position at fair value using a level 1 fair value measurement. Receivables, accounts payable and accrued liabilities are carried at amortized cost. The Company considers that the carrying amount of these financial assets and liabilities measured at amortized cost to approximate their fair value due to the short term nature of the financial instruments.

The Company's investment in Spectrum is valued using a level 3 fair value measurement. The Company evaluates the fair value of the investment in the equity of Spectrum by reference to recent equity placements in Spectrum, based on negotiated prices between the Company and Spectrum, an unrelated party, and by evaluating the fair value changes relative to changes in Spectrum's net assets.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with a high-credit quality financial institution.

Receivables mainly consist of government sales tax ("GST") receivable from the Government of Canada. The Company believes that the credit risk concentration with respect to receivables is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at June 30, 2015, the Company had a working capital of $377,175 (December 31, 2014 - $121,958). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

a) Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Management believes the interest rate risk is low given the current low global interest rate environment.

b) Foreign currency risk

The Company's property development and exploration work occurs in the USA in US dollars. As such, the Company is exposed to foreign currency risk in fluctuations. Fluctuations in the exchange rate between the Canadian dollar and US dollar may have a material adverse effect on the Company's business and financial condition.

As at June 30, 2015, the Company's net foreign denominated financial assets are as follows:

	Foreign currency	Canadian dollar equivalent
US Dollar	$ 18,670	$ 23,065

Based on the above, assuming all other variables remain constant, a 5% weakening or strengthening of the Canadian dollar against the US dollar would result in an increase/decrease of approximately $1,153 (December 31, 2014 - $1,324) in the Company's net loss.

c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The Company closely monitors commodity prices to determine the appropriate strategic action to be taken by the Company.

RISK FACTORS

The principal activity of the Company will be, for the present and near term, to continue exercising its options to acquire, in the aggregate, 100% of Spectrum Optix as per its proposed Change of Business from a TSX-V Mining Issuer to a TSX-V Technology Issuer. As per its mineral resource holdings (the Thor Rare Earth Project in Nevada), mineral exploration is inherently risky. There is intensive government legislation from state, provincial, federal, municipal and aboriginal governments, surrounding the exploration for and production of minerals from our and any mining operations. Exploration and development is also capital intensive and the Company currently has no source of income. Only the skills of its management and staff in mineral exploration and exploration financing serve to mitigate these risks, and therefore constitute one of the main assets of the Company. Additionally, the Company diligently continues with its COB processes in relation to the binding LOI with Spectrum Optix Inc.

The Company has its cash deposited with a large, federally insured, commercial bank which it believes to be creditworthy. Federal deposit insurance covers deposit balances up to $100,000. Therefore, the majority of the Company's cash on deposit exceeds federal deposit insurance available.

Spectrum LOI

As per the current Change of Business, the Company has identified several new risk factors which will be significant to investors:

- the Company may not have access to financing on acceptable terms or at all in order to exercise the options under the LOI;
- the Company and Spectrum (the "Companies") may not receive all necessary regulatory approvals;
- the funding contemplated by the LOI may not be sufficient to substantially develop Spectrum's technologies or to fund the patent process in any or all jurisdictions of interest;
- Spectrum may fail to complete its first prototype vertical when expected or at all;
- the conditions to the options under the LOI may not be otherwise satisfied or the Companies may not complete all other necessary documentation;
- the patent application and approval process is lengthy and its outcome cannot be predicted in advance such that the filing of patent applications may not result in Spectrum being granted any patents when expected or at all;
- some aspects of Spectrum's technology may not be eligible for patent protection or patent applications may not be filed or prosecuted;
- patent protection is limited to only the legal jurisdictions in which patent applications are filed and successfully prosecuted to issuance;
- third parties may seek to challenge any patents Spectrum or the Companies receive or they may have difficulty licensing or enforcing intellectual property rights; and
- other risks inherent with the patent process, transactions of this type and development of new technologies or the business of Spectrum and/or Elissa.

Title

Title to mineral properties, as well as the location of boundaries on the grounds may be disputed. Moreover, additional amounts may be required to be paid to surface right owners in connection with any mining development. At all of such properties where there are current or planned exploration activities, the Company believes that it has either contractual, statutory, or common law rights to make such use of the surface as is reasonably necessary in connection with those activities. Although the Company believes it has taken reasonable measures to ensure proper title to its properties, there is no guarantee that title to its properties will not be challenged or impaired.

Successful challenges to the title of the Company's properties could impair the development of operations on those properties.

The Company's properties include unpatented mining claims, patented mining claims, and mineral rights on private lands. The Company's properties on unpatented mining claims, is land owned and administered by the U.S. government. A valid unpatented mining claim is an interest in real property that can be bought, sold, mortgaged, devised, leased and taxed, but it is always subject to the paramount title of the U.S. and the rights of third parties to use the surface of the claim in a manner that does not unreasonably interfere with the claimant's activities. Unpatented mining claims are mining claims located and staked on available federal public domain land in accordance with the U.S. General Mining Law of 1872, with dimensions not to exceed 600 feet by 1500 feet for lode claims (which constitute the great majority of the Company's unpatented mining claims), or 20 acres for placer claims. The process of locating an unpatented mining claim is initiated by the locator. Unpatented mining claims can be staked without any invitation from or grant by the federal government or any state government. A valid unpatented mining claim must include a discovery of valuable minerals. Prior to discovery, however, a mining claimant has a possessory right to conduct mineral exploration and development activities on the claim. The locator of a valid unpatented mining claim has the right to explore for, develop and mine minerals discovered on the claim, subject to compliance with the annual maintenance requirements of the U.S. Federal Land Policy and Management Act of 1976, which currently requires timely payment of an annual maintenance fee in order to maintain an unpatented mining claim. Unpatented mining claims are unique property interests, and are generally considered to be subject to greater title risk than private real property interests because the validity of unpatented mining claims is often uncertain. This uncertainty arises, in part, out of the complex federal and state laws and regulations that supplement the U.S. General Mining Law of 1872. Also, unpatented mining claims and related rights, such as rights to use the surface, are always subject to possible challenges by third parties or contests by the federal government. The validity of an unpatented mining claim, in terms of both its location and its maintenance, is dependent on strict compliance with a complex body of federal and state statutory and decisional law. In addition, there are few public records that definitively control the issues of validity and ownership of unpatented mining claims.

In recent years, the U.S. Congress has considered a number of proposed amendments to the General Mining Law, as well as comprehensive reform legislation. Although no such legislation has been adopted to date, there can be no assurance that such legislation will not be adopted in the future. If ever adopted, such legislation could, among other things, impose royalties on production from currently unpatented mining claims located on federal lands. If such legislation is ever adopted, it could have an adverse impact on earnings from the Company's operations, and it could reduce estimates of the Company's present resources and the amount of the Company's future exploration and development activity on federal lands.

Permits and Licenses

Although the Company either currently holds or has applied for or is about to apply for all consents which it requires in order to carry out its current drilling programs, the Company cannot be certain that it will receive the necessary permits and licenses on acceptable terms or at all, in order to conduct further exploration and to develop its properties. The failure to obtain such permits, or delays in obtaining such permits could adversely affect the operations of the Company. Government approvals and permits are currently and may in the future be required in connection with the operations of the Company. To the extent such approvals are required and not obtained; the Company may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties.

Exploration and Development Efforts May Be Unsuccessful

There is no certainty that the expenditures to be made by the Company in the exploration and development of its properties as described herein will result in discoveries of mineralized material in commercial quantities. Most exploration and development projects do not result in the discovery of commercially mineable ore deposits and no assurance can be given that any particular level of recovery of ore reserves will in fact be realized or that any identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. Estimates of reserves, mineable deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grade of ore ultimately mined may differ from that indicated by drilling results. Short term factors relating to ore reserves, such as the need for orderly development of ore bodies or the processing of new or different grades, may also have an adverse effect on mining operations and on the results of operations. There can be no assurance that minerals recovered in small scale tests will be duplicated in large scale tests under on-site conditions or in production scale. Material changes in ore reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

Lack of Cash Flow

None of the Company's properties have advanced to the commercial production stage and the Company has no history of earnings or cash flow from operations. The Company does not expect to generate material revenue from mining operations or to achieve self-sustaining commercial mining operations for several years.

The Company has paid no dividends on its shares since incorporation and does not anticipate doing so in the foreseeable future. Historically, the only source of funds available to the Company is through the sale of its securities. Future additional equity financing would cause dilution to current shareholders.

No Mineral Resources or Reserves in Production

The properties in which the Company has an interest or right to earn an interest are in the exploration or pre-development stages only and are without a known body of ore in commercial production.

Uncertainty of Obtaining Additional Funding Requirements

Programs planned by the Company may necessitate additional funding, which could cause a dilution of the value of the investment to the shareholders of the Company. The recuperation value of mining properties indicated in the balance sheet depends on the discovery of mineralization that can be profitably exploited and on the Company's capacity to obtain additional funds in order to realize these programs.

The Company's exploration activities can therefore be interrupted at any moment if the Company is incapable of obtaining the necessary funds in order to continue any additional activities that are necessary and that are not described in the exploration programs outlined in the Company's geological report for its properties.

Mineral Prices May Not Support Corporate Profit

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral resources are developed, a profitable market will exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any substances discovered. The price of minerals is volatile over short periods of time, and is affected by numerous factors beyond the control of the Company, including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production due to improved mining techniques.

Competition

The mining industry is intensively competitive in all its phases. The Company competes with companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for the recruitment and retention of qualified employees.

Environmental Regulations

The current and future operations of the Company, including further exploration, development activities and commencement of production on its properties, requires permits from various Canadian and U.S. Federal, Provincial and State governmental authorities.

Such operations are subject to various laws governing land use, the protection of the environment, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, mine safety and other matters. There can be no assurance, however, that all permits which the Company may require for construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures, production costs, reduction in levels of production at producing properties, require abandonment or delays in development of new mining properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violation of applicable laws or regulations.

Uncertainty of Reserves and Mineralization Estimates

There are numerous uncertainties inherent in estimating proven and probable reserves and mineralization, including many factors beyond the control of the Company. The estimation of reserves and mineralization is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, metallurgical testing and production and the evaluation of mine plans subsequent to the date of any estimate may justify revision of such estimates. No assurance can be given that the volume and grade of reserves recovered and rates of production will not be less than anticipated. Assumptions about prices are subject to greater uncertainty and metals prices have fluctuated widely in the past. Declines in the market price of base or precious metals also may render reserves or mineralization containing relatively lower grades of ore uneconomic to exploit. Changes in operating and capital costs and other factors including, but not limited to, short-term operating factors such as the need for sequential development of ore bodies and the processing of new or different ore grades, may materially and adversely affect reserves.

Foreign Operations

The Company's foreign activities are subject to the risk normally associated with conducting business in foreign countries, including exchange controls and currency fluctuations, limitations on repatriation of earnings, foreign taxation, laws or policies of particular countries, labour practices and disputes, and uncertain political and economic environments, as well as risk of war and civil disturbances, or other risk that could cause exploration or development difficulties or stoppages, restrict the movement of funds or result in the deprivation or loss of contract rights or the taking of property by nationalization or expropriation without fair compensation. Foreign operations could also be adversely impacted by laws and policies affecting foreign trade, investment and taxation. The Company currently has exploration projects located in the U.S.

Operating Hazards and Risks Associated with the Mining Industry

Mining operations generally involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Hazards such as unusual or unexpected formations and other conditions are involved. Operations in which the Company has direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of precious and base metals, any of which could result in work stoppages, damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage. The Company may become subject to liability for cave-ins and other hazards for which it cannot insure or against which it may elect not to insure where premium costs are disproportionate to the Company's perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration activities.

Ability to Manage Growth

Should the Company be successful in its efforts to develop its mineral properties or to raise capital for other mining ventures it will experience significant growth in operations. If this occurs management anticipates that additional expansion will be required in order to continue development. Any expansion of the Company's business would place further demands on its management, operational capacity and financial resources. The failure to manage growth effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

Lack of a Dividend Policy

The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends received from the Company will remain subject to the discretion of the Company's board of directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

Possible Dilution to Present and Prospective Shareholders

The Company's plan of operation, in part, contemplates the accomplishment of business negotiations by the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares, or securities convertible into common shares, would result in dilution, possibly substantial, to present and prospective holders of common shares.

Dependence on Key Personnel

The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term. As the Company's operations expand, additional general management resources will be required, especially since the Company encounters risks that are inherent in doing business in several countries.

Conflict of Interest

Certain directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Lack of Trading Volume

The lack of trading volume of the Company's shares reduces the liquidity of an investment in the Company's shares.

Volatility of Share Price

Market prices for shares of early stage companies are often volatile. Factors such as announcements of mineral discoveries, financial results, and other factors could have a significant effect on the price of the Company's shares.

INFORMATION REGARDING FORWARD LOOKING STATEMENTS

Certain statements contained in this Management Discussion and Analysis constitute "forward-looking statements". These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. Information concerning the interpretation of drill results, mineral resource and reserve estimates and capital cost estimates may also be deemed as forward-looking statements as such information constitutes a prediction of what mineralization might be found to be present and how much capital will be required if and when a project is actually developed. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward looking statements included in this Management Discussion and Analysis should not be relied upon. These statements speak only as of the date of this Management Discussion and Analysis. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by forward-looking statements contained in this Management Discussion and Analysis. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- expectations concerning completion of the transactions contemplated under the LOI;
- the potential applications of Spectrum's technologies;
- the timing and expenditures required to develop such technologies, including development of Spectrum's first prototype vertical;
- the ability of the Companies to procure patent or other intellectual property protection for its technologies and to license or enforce such patents, if any;
- the supply and demand for, deliveries of, and the level and volatility of prices of mineral commodities under exploration;
- the availability of financing for the Company's exploration and development projects on reasonable terms;
- the ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the ability to attract and retain skilled staff;
- market competition;
- the accuracy of our resource estimate (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which it is based; and
- tax benefits and tax rates.

These forward-looking statements involve risks and uncertainties relating to, among other things, risks related to international operations, actual results of current exploration activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, as well as those factors discussed in the section "Risk Factors". Factors that could cause actual results to differ materially include, but are not limited to, the risk factors discussed in the section. The Company cautions that the foregoing list of important factors is not exhaustive. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, 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. The Company does not undertake to update any forward-looking statements that are incorporated by reference herein, except in accordance with applicable securities laws.

ADDITIONAL INFORMATION

Additional information regarding the Company can be found at www.sedar.com and the Company's website www.elissaresources.com.