

KOLA MINING CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED AUGUST 31, 2014

The following management's discussion and analysis ("MD&A") and financial review, prepared as at October 17, 2014, should be read in conjunction with the condensed consolidated interim financial statements and related notes for the three months ended August 31, 2014 of Kola Mining Corp. ("Kola" or the "Company"). The following disclosure and associated financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars.

Forward-looking Statements

This MD&A contains certain statements that may constitute "forward-looking statements". Forward-looking statements include but are not limited to, statements regarding future anticipated exploration programs and the timing thereof, and business and financing plans. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the Company's ability to identify one or more economic deposits on its properties, to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies.

Historical results of operations and trends that may be inferred from this MD&A may not necessarily indicate future results from operations. In particular, the current state of global securities markets may cause significant reductions in the price of the Company's securities and render it difficult or impossible for the Company to raise the funds necessary to continue operations.

All of the Company's public disclosure filings, including its most recent management information circular, material change reports, press releases and other information, may be accessed via www.sedar.com and readers are urged to review these materials.

Company Overview

The Company currently is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange ("TSXV") under the symbol "KM", the Frankfurt Stock Exchange Open Market under the trading symbol "C8M" and on the Pink Sheets under the symbol "KMNFF".

The Company is a junior mineral exploration company which is engaged in the acquisition, exploration and development of mineral properties. As of the date of this MD&A, the Company holds one remaining mineral property interest in Russia, carried at a nominal amount of \$1. During fiscal 2014, with new management, the Company completed a recapitalization by renegotiating its indebtedness and completion of a number of small equity financings to provide working capital. However, the Company remains in default of the performance criteria called for by the Souker License. The Souker License continues to be held by the Company's Russian subsidiary. See also "Mineral Property Update - Souker Project".

The Company requires additional financing to meet its ongoing levels of corporate overhead, retire existing liabilities and debt obligations. As a result of this uncertainty, there is significant doubt as to the Company's ability to continue as a going concern. While the Company has been successful in securing financings in the past, there can be no assurance that it will be able to do so in the future. Accordingly, this report does not give effect to adjustments, if any, which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the consolidated financial statements.

Board and Management

The current directors and officers of the Company are as follows:

| | |
|-----------------------|---|
| Mr. Nick DeMare | Director, President and Chief Executive Officer (“CEO”) |
| Mr. Harvey Lim | Director, Chief Financial Officer (“CFO”) |
| Mr. David Henstridge | Director |
| Mr. Michael Iannacone | Director |
| Ms. Mariana Bermudez | Corporate Secretary |

Mineral Property Update

Souker Project

In July 2007 the Company closed an agreement to acquire a 100% interest in a nickel-copper sulphide property (the “Souker Project”, consisting of a license (the “Souker License”) located in the Pechenga District of Murmansk Oblast, Russia. The Company then completed significant work programs on the Souker Project, the conclusion of which was that the Souker Project was uneconomical. Accordingly, during fiscal 2010 the Company recorded an impairment charge of \$30,084,726 to the carrying value of the Souker project in its financial statements and is carrying the Souker Project at a nominal value of \$1.

During the month of February 2013, the Russian authorities reviewed the Souker License for adherence with its licensing requirements and found compliance violations. The Company has missed a filing deadline with respect to a licensing application for the project. The Company’s subsidiary, Zao Rudprominvest, was charged a \$10,000 fine and given until October 21, 2013 to file the proper application with the authorities or face revocation of the Souker License. No filing has been made as of the date of this MD&A as the Company’s management considers the Russian government’s terms as being very difficult to meet. The Company has not received any notices of retraction of the Souker License.

Management is assessing its ongoing holding of the Souker Property in light of current conditions and the concession status, specifically, compliance with work commitments. Management believes its interests may be better served by disposal of the asset for nominal consideration. The asset is currently carried at a nominal amount of \$1.

Selected Financial Data

The following selected quarterly financial information is derived from the unaudited condensed consolidated interim financial statements of the Company and prepared using IFRS.

| | Fiscal 2015 | Fiscal 2014 | | | | Fiscal 2013 | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Aug 31/14 \$ | May 31/14 \$ | Feb 28/14 \$ | Nov 30/13 \$ | Aug 31/13 \$ | May 31/13 \$ | Feb 28/13 \$ | Nov 30/12 \$ |
| Operations: | | | | | | | | |
| Revenues | Nil |
| Expenses | (18,729) | (17,672) | (29,608) | (64,720) | (11,694) | (37,085) | (21,739) | (121,983) |
| Other Items | 515 | 7,822 | (17,212) | 70,359 | 3,007,530 | (100,119) | (181,049) | 88,192 |
| Net income (loss) | (18,214) | (9,850) | (46,820) | 5,639 | 2,995,836 | (137,204) | (202,788) | (33,791) |
| Basic and diluted earnings (loss) per share | (0.00) | (0.00) | (0.01) | 0.00 | 0.44 | (0.04) | (0.04) | (0.00) |
| Statement of Financial Position: | | | | | | | | |
| Working capital (deficiency) | (928,283) | (910,069) | (900,219) | (876,774) | (927,549) | (4,081,237) | (3,517,859) | (3,330,689) |
| Total assets | 54,950 | 58,705 | 61,361 | 85,787 | 71,164 | 12,435 | 14,367 | 28,104 |
| Total long-term liabilities | Nil |

Results of Operations

Three Months Ended August 31, 2014 Compared to Three Months Ended May 31, 2014

During the three months ended August 31, 2014 (“Q1”) the Company reported a net loss of \$18,214 compared to a net loss of \$9,850 for the three months ended May 31, 2014 (“Q4”), an increase in loss of \$8,364. The fluctuation

arose primarily due to the exchange rate fluctuation experienced on the US Dollar denominated advances, under which the Company recorded a foreign exchange gain of \$7,631 in Q4 compared to a foreign exchange gain of \$330 in Q1.

Three Months Ended August 31, 2014 Compared to Three Months Ended August 31, 2013

During the three months ended August 31, 2014 (the “2014 period”) the Company reported a net loss of \$18,214 (\$0.00 per share) compared to a net income of \$2,995,836 (\$0.44 per share) for the three months ended August 31, 2013 (the “2013 period”), an increase in loss of \$3,014,050.

During the 2013 period, the Company focused on recapitalizing the Company. New management was appointed and significant steps were undertaken to deal with the Company’s indebtedness. During this period the Company:

- (i) concluded negotiations with Petesteri Enterprises Limited (“Petesteri”) to eliminate the US \$1,800,000 owed plus all accrued interest. In addition, DBM Capital Partners Ltd. (“DBM”) was owed a US \$90,000 finder’s fee, plus accrued interest, due upon payment of the Petesteri indebtedness. This amount was also eliminated. Accordingly, the Company recognized a gain of \$2,518,964 on the reversal of the debt and all accrued interest;
- (ii) received loans totalling \$523,000 from a private company owned by the President. Proceeds from the loans were primarily used by the Company to fully retire the \$500,000 principal portion of the convertible debentures. In addition, the debenture holders agreed to waive all accrued interest owing and the Company recognized a gain of \$247,241 on the reversal of the accrued interest; and
- (iii) conducted a detailed review of all old accounts payable and accrued liabilities related to prior Company operations. Management has determined that \$261,002 of the amounts will never be paid and, as a result, the Company has reversed these costs.

General and administrative expenses increased by \$7,035, from \$11,694 during the 2013 period to \$18,729 during the 2014 period . Specific expenses of note during the 2014 period are as follows:

- (i) incurred \$3,100 (2013 - \$2,550) with Chase Management Ltd. (“Chase”) a private corporation owned by Mr. Nick DeMare, the President/CEO of the Company, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare; and
- (ii) the Company agreed to compensate its directors and officers for professional services rendered at an amount which totals \$4,550 per month. During the 2014 period the Company recorded total amounts of \$13,650 (2013 \$nil). As at August 31, 2014, \$68,250 remained unpaid and is included in accounts payable and accrued liabilities. See also “Transactions with Related Parties”.

Cash Flows

During the 2014 period the Company did not complete any financings.

During the 2013 period the Company completed private placements totalling 3,150,000 units for total gross proceeds of \$94,500. The proceeds were used for general working capital purposes. In addition the Company issued 653,250 common shares on the exercise of warrants for proceeds of \$65,325. Furthermore, during the 2013 period the Company successfully concluded negotiations to settle certain of its indebtedness. See also “Results of Operations”.

Financial Condition / Capital Resources

As at August 31, 2014, the Company had cash resources of \$52,162, a decrease of \$2,508 from \$ \$54,670 as at May 31, 2014. The decrease in cash resources is attributed to the use of cash in operating activities during the 2014 period.

As at August 31, 2014, the Company had a working capital deficiency \$928,283, which includes loans and advances totalling \$911,476. In the immediate term, the Company’s ability to continue as a going concern is dependent upon the continued support of its President, its ability to confirm the validity of its claim to the Souker License and/or acquire additional mineral property interest, to continue to raise additional capital to fund its ongoing corporate activities and retire its loans and advances. Additional capital may be sought from existing shareholders from the sale of additional common shares or other equity or debt instruments. There is no assurance such additional capital

will be available to the Company on acceptable terms or at all. Accordingly, this report does not give effect to adjustments, if any, which would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the condensed consolidated interim financial statements.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Proposed Transactions

The Company has no proposed transactions.

Critical Accounting Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingencies. Such estimates primarily relate to unsettled transactions and events as of the date of the consolidated financial statements. These estimates are subject to measurement uncertainty. Actual results could differ from and affect the results reported in these consolidated financial statements.

Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are:

- (i) the estimated fair value of the Company's financial assets and liabilities, are by their nature, subject to measurement uncertainty;
- (ii) contingencies are resolved only when one or more events transpire. As a result, the assessment of contingencies inherently involves estimating the outcome of future events; and
- (iii) the assessment of the Company's ability to raise sufficient funds to finance its exploration and administrative expenses invokes judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

A detailed summary of all the Company's significant accounting policies is included in Note 3 to the May 31, 2014 audited annual consolidated financial statements.

Changes in Accounting Policies

There are no changes in accounting policies.

Transactions with Related Parties

(a) Transactions with Key Management Personnel

During the three months ended August 31, 2014 and 2013 the following amounts were incurred with respect to the Company's President and CEO (Mr. DeMare) and the Company's CFO (Mr. Lim):

| | 2014 \$ | 2013 \$ |
|--------------------------------|--------------|------------|
| Professional fees - Mr. DeMare | 4,800 | - |
| Professional fees - Mr. Lim | 3,300 | - |
| | <u>8,100</u> | <u>-</u> |

As at August 31, 2014, \$40,500 (2013 - \$nil) remained unpaid.

(b) *Transactions with Other Related Parties*

- (i) During the three months ended August 31, 2014 and 2013 the following amounts were incurred with respect to non-management directors (Messrs. Henstridge and Iannacone) of the Company:

| | 2014 \$ | 2013 \$ |
|------------------------------------|--------------|------------|
| Professional fees - Mr. Henstridge | 3,300 | - |
| Professional fees - Mr. Iannacone | 2,250 | - |
| | <u>5,550</u> | <u>-</u> |

As at August 31, 2014, \$27,750 (2013 - \$nil) remained unpaid.

- (ii) During the three months ended August 31, 2014 the Company incurred a total of \$3,100 (2013 - \$2,550) to Chase, a private corporation owned by Mr. DeMare, for accounting and administration services provided by Chase personnel, excluding Mr. DeMare. As at August 31, 2014, \$3,100 (2013 - \$1,800) remained unpaid.
- (c) During fiscal 2014 the Company received loans totalling \$523,000 from a private company owned by Mr. DeMare. During fiscal 2014 the Company repaid \$9,452. As at August 31, 2014, \$513,548 (2013 - \$516,460) remained outstanding. Terms of the loans have not yet been finalized.
- (d) During fiscal 2014 directors and/or officers of the Company and family members purchased 1,600,000 units of a private placement at a price of \$0.03 per unit and 366,000 units of a private placement at a price of \$0.07 per unit.

Financial Instruments and Risk Management

Categories of Financial Assets and Financial Liabilities

Financial instruments are classified into one of the following categories: fair value through profit or loss (“FVTPL”); held-to-maturity investments; loans and receivables; available-for-sale; and other financial liabilities. The carrying values of the Company’s financial instruments are classified into the following categories:

| Financial Instrument | Category | August 31, 2014 \$ | May 31, 2014 \$ |
|--|-----------------------------|-----------------------------------|--------------------------------|
| Cash | FVTPL | 52,162 | 54,670 |
| GST receivable | Loans and receivables | 187 | 134 |
| Accounts payable and accrued liabilities | Other financial liabilities | (71,756) | (56,967) |
| Loans and advances | Other financial liabilities | (911,476) | (911,806) |

The Company’s financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

- Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.
- Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.
- Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The recorded amounts for GST receivable, accounts payable and accrued liabilities and loans and advances approximate their fair value. The Company's cash under the fair value hierarchy is measured using Level 1 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and GST receivable. Management believes that the credit risk concentration with respect to financial instruments included in cash and GST receivable is remote.

Liquidity Risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

| | Contractual Maturity Analysis at August 31, 2014 | | | | |
|--|---|---------------------------------|-------------------------------|--------------------------------|---------------------|
| | Less than 3 Months \$ | 3 - 12 Months \$ | 1 - 5 Years \$ | Over 5 Years \$ | Total \$ |
| Cash | 52,162 | - | - | - | 52,162 |
| GST receivable | 187 | - | - | - | 187 |
| Accounts payable and accrued liabilities | (71,756) | - | - | - | (71,756) |
| Loans and advances | (911,476) | - | - | - | (911,476) |

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. These fluctuations may be significant.

(a) Interest Rate Risk

The Company is exposed to interest rate risk to the extent that the cash bears floating rates of interest. The interest rate risk on cash is not considered significant.

(b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major transactions are transacted in Canadian Dollars and US Dollars. The Company also maintains cash deposits in US Dollars with its Canadian bank. As such, the fluctuation of the Canadian Dollar in relation to the US Dollar will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. At August 31, 2014, 1 Canadian Dollar was equal to 0.92 US Dollar.

Balances are as follows:

| | US \$ | CDN \$ Equivalent |
|--------------------|------------------|------------------------------|
| Cash | 399 | 433 |
| Loans and advances | (366,484) | (397,928) |
| | <u>(366,085)</u> | <u>(397,495)</u> |

Based on the net exposures as of August 31, 2014 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the US Dollar would result in the Company's net loss being approximately \$36,100 higher (or lower).

Risks and Uncertainties

An investment in the Company's common shares is highly speculative and subject to a number of risks and uncertainties. Only those persons who can bear the risk of the entire loss of their investment should consider investing in the Company's common shares.

The Company competes with other mining companies, some of which have greater financial resources and technical facilities, for the acquisition of mineral concessions, claims and other interests, as well as for the recruitment and retention of qualified employees.

The Company is in compliance in all material regulations applicable to its exploration activities. Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory and environmental approvals. There is no assurance that such approvals can be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The Company's material mineral properties are located in Russia and consequently the Company is subject to certain risks, including currency fluctuations and possible political or economic instability which may result in the impairment or loss of mining title or other mineral rights, and mineral exploration and mining activities may be affected in varying degrees by political stability and governmental regulations relating to the mining industry.

Investor Relations Activities

During the three months ended August 31, 2014 and 2013 the Company did not maintain any investor relations arrangements.

Outstanding Share Data

The Company's authorized share capital is unlimited common shares with no par value. As at October 17, 2014, there were 9,095,998 issued and outstanding common shares and 1,017,400 warrants outstanding at exercise prices ranging from \$0.10 to \$0.20 per share.