

# **CARMAX MINING CORP.**

## **Management's Discussion and Analysis**

**For the Three Months Ended**

**October 31, 2013**

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**Three Months Ended October 31, 2013**  
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**INTRODUCTION**

The following discussion and analysis, prepared as of December 18, 2013 has been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Company's comparatives amounts in this MD&A have been presented in accordance with IFRS. All amounts are stated in Canadian dollars unless otherwise indicated.

The following information should be read in conjunction with the condensed interim unaudited financial statements for the three month period ended October 31, 2013 and the audited financial statements for the year ended July 31, 2013 and related notes to those financial statements, all of which are available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Statements in this report that are not historical facts are forward looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward looking statements.

Additional information related to the Company is available for view on SEDAR at [www.sedar.com](http://www.sedar.com).

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Certain statements contained in this MD&A constitute "forward-looking statements". Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below and as detailed under **RISK AND UNCERTAINTIES** in this MD&A.

Risk factors that could affect the Company's future results include, but are not limited to, risks inherent in mineral exploration and development and mining activities in general, volatility and sensitivity to market prices for commodities, changes in government regulation and policies including environmental regulations and reclamation requirements, receipt of required permits and approvals from governmental authorities, competition from other companies, ability to attract and retain skilled employees and contractors, and changes in foreign currency exchange rates. Further information regarding these and other factors which may cause results to differ materially from those projected in forward-looking statements are included in the Company's filings with securities regulatory authorities. The Company does not undertake to update any forward-looking statement that may be made from time to time by the Company or on its behalf, except in accordance with applicable securities laws.

**NATURE OF BUSINESS AND OVERALL PERFORMANCE**

Carmax Mining Corp. (the "Company") is a natural resource company engaged exploring mineral properties in Canada.

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As at October 31, 2013, the Company had cash and short term investments on hand of \$425,697 compared to \$328,863 at July 31, 2013.

Resource property costs increased to \$7,661,724 at October 31, 2013 compared to \$7,585,639 at July 31, 2013. During the period the exploration expenditures were predominantly incurred as a result of camp maintenance at undertaken at the Eaglehead property.

As of October 31, 2013, the Company has two mineral property interests being a 50% interest in the Whiskey Jack Creek property located in the Cairo Township of the Matachewan Area of the Larder Lake mining district of the Province of Ontario, and a 100% interest in the Eaglehead property located in the Liard Mining Division of the Province of British Columbia.

The Operator of the Whiskey Jack Creek property is Alexandria Minerals Corp., with whom the Company is currently negotiating a joint venture agreement.

The Eaglehead property consists of 26 contiguous claims comprised of 353 cells and 4 mineral units encompassing approximately 94 square kilometers.

The Company acquired its 100% interest in Eaglehead property by paying \$350,000 cash, issuing 300,000 shares and by fulfilling a minimum exploration commitment of \$6,000,000 on the Eaglehead property.

The Eaglehead property is burdened by a 2.5% net smelter return royalty of which 1.5% can be purchased for \$2,000,000.

**SELECTED ANNUAL INFORMATION**

The following financial data prepared in accordance with generally accepted accounting principles stated in Canadian dollars is presented as at July 31 of each of the 2013, 2012 and 2011 fiscal years:

	<b><u>FISCAL YEARS ENDED</u></b>		
	<b>JULY 31</b>	<b>JULY 31</b>	<b>JULY 31</b>
	<b>2013</b>	<b>2012</b>	<b>2011</b>
Total revenue	\$ -	\$ -	\$ -
Net loss before interest and income taxes	\$ (350,502)	\$ (755,028)	\$ (752,634)
Net loss for the year	\$ (343,963)	\$ (743,679)	\$ (665,356)
Basic and diluted loss per share	\$ (0.01)	\$ (0.03)	\$ (0.04)
Total Assets	\$ 8,538,357	\$ 8,859,050	\$ 10,185,626
Total Long Term Liabilities	\$ 34,200	\$ -	\$ -
Cash Dividends per share	\$ -	\$ -	\$ -

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**RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED OCTOBER 31, 2013**

The Company incurred a net loss of \$37,650 and comprehensive loss of \$37,650 during the three month period ended October 31, 2013, compared to a net loss of \$67,532 and comprehensive loss of \$60,532 for comparative period ended October 31, 2012. The most significant differences in expenses incurred from one period to the next resulted from an decrease in consulting fees to \$1,500 (2012 - \$14,750) investor relations fees decreased to \$nil (2012 - \$7,500) as a result of the decreased fees associated with the investor relations contract with KJN Management Ltd; office and sundry expenses decreased to \$7,846 (2012 - \$9,887); professional fees decreased to \$4,811 (2012 - \$9,217); promotion and entertainment decreased to \$nil (2012 - \$559); shareholder communications costs increased to \$1,584 (2012 - \$284); transfer agent and regulatory fees decreased to \$779 (2012 - \$1,493), and travel expenses decreased to \$nil (2012 - \$4,109).

Interest income decreased to \$910 (2012 - \$2,167) as a result of the Company on average holding lower cash balances during the current period than those held in the comparative period.

Finally the Company recorded other comprehensive income of \$nil (2012 - \$7,000) as a result of the Company's investment in Alexandria Minerals Corporation being marked to market value at the respective period ends.

Exploration expenditures on the Whiskey Jack Creek property during the three month period ended October 31, 2013 totaled \$nil, and exploration expenditures including decommissioning provisions incurred on the Eaglehead property totaled \$76,085.

Eaglehead Property

Historically a total of 24,902 metres (81,701 feet) has been drilled in 95 drill holes on the Eaglehead property. During the four years ended July 31, 2010, the Company has drilled a total of 36 holes representing 12,669 metres (41,566 feet). Previous operators drilled a total of 59 holes for a total of 12,233 metres (40,135 feet) on the property.

During October 31, 2010 the Company retained Agnerian Consulting Ltd to undertake a review of exploration results to date and prepare a 43-101 compliant report, which was completed and filed on SEDAR on January 12, 2011. (See [www.sedar.com](http://www.sedar.com).)

During the year ended July 31, 2011 and through to October 31 2011, the Company undertook a drill program which consisted of 8,300 metres drilled in 25 holes. The exploration program concentrated on both infill drilling and extension drilling of both the East and Bornite zones, in order to estimate NI 43-101 compliant Mineral Resources as per recommendations in the 43-101 report prepared by Agnerian Consulting earlier in the year.

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The sample cores were sent for assay analysis at Acme Laboratories in North Vancouver B.C, and a summary of the mineralized intercepts can be found on SEDAR at [www.sedar.com](http://www.sedar.com)

The assay results to date indicate extensions to previously known mineralized zones with Cu, Mo, Ag, and Au values with grades ranging from 0.16% Cu to 3.33% Cu over drill core intervals ranging from 3 m to 161 m. The individual mineralized zones in both areas range in horizontal (true) thickness from 5 m to 80 m.

The mineralized zones in both areas extend more than 400 m at depth within hydrothermally altered and mineralized zones that are approximately 500 m wide and 700 m to 800 m long.

During the fiscal year ended July 31, 2012 the company engaged Roscoe Postle Associates Inc. (RPA) of Toronto to complete an independent estimate of NI 43-101 compliant Mineral Resources of the East and Bornite zones taking into consideration the results received from the 2011 exploration program. The report has been completed and a NI 43-101 compliant technical report was filed on SEDAR on June 29, 2012.

The NI 43-101 report Inferred Mineral Resources estimate includes only two of the six mineralized target areas that have been identified on the property. The resources are based on a program of diamond drilling 8,300 metres in 25 holes in 2011, as well as historical drilling.

The Inferred Mineral Resource estimate totals 102.5 million tonnes at an average grade of 0.29% Cu, 0.010% Mo, 1.9 g/t Ag, and 0.08 g/t Au. The resources were estimated at a cut-off grade of 0.16% copper equivalent ("CuEq") and contain approximately 662 million pounds copper, 22 million pounds molybdenum, 6.3 million ounces silver, and 265,000 ounces gold.

The Mineral Resources are contained within two conceptual open pits, the East and Bornite zones, and constitute approximately 69% of total mineralization above the grade cut-off. The breakdown of the Mineral Resources of the two zones is shown in Table 1.

<b>TABLE 1 INFERRED MINERAL RESOURCES as of May 16, 2012</b>											
<b>CARMAX MINING CORP. - EAGLEHEAD PROJECT</b>											
<b>Zone</b>	<b>Cut-off (% CuEq)</b>	<b>Tonnes (Mt)</b>	<b>% Cu</b>	<b>Cu (Mlbs)</b>	<b>% Mo</b>	<b>Mo (Mlbs)</b>	<b>g/t Ag</b>	<b>Ounces Ag</b>	<b>g/t Au</b>	<b>Ounces Au</b>	<b>% CuEq</b>
East	0.16	61.6	0.28	375.8	0.011	14.9	2.1	4,193,000	0.06	126,100	0.35
Bornite	0.16	40.9	0.32	286.5	0.008	7.2	1.6	2,084,000	0.11	138,700	0.40
<b>Total</b>	<b>0.16</b>	<b>102.5</b>	<b>0.29</b>	<b>662.3</b>	<b>0.010</b>	<b>22.1</b>	<b>1.9</b>	<b>6,277,000</b>	<b>0.08</b>	<b>264,800</b>	<b>0.37</b>

Notes:

1. CIM definitions were followed for Mineral Resources.
2. Mineral Resources are estimated using long-term metal prices of US\$4.00/lb. Cu, US\$17.00/lb. Mo, US\$1,400/oz Au, and a US\$/CAD\$ exchange rate of 1.00.
3. The copper equivalent (CuEq) calculation includes a provision for different metallurgical recoveries and smelter pay-out.
4. Metallurgical and payable recoveries are assumed to be 80% for base metals and 67% for gold.
5. Silver was not used to determine CuEq values.

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6. Mineral Resources were estimated using a pit discard cut-off grade of 0.16% CuEq.
7. The numbers for tonnage, average grade, and contained metals are rounded figures.
8. These resources are constrained by a Whittle optimized pit shell and constitute approximately 69% of total mineralization of the block model within a conceptual open pit.

The company notes that due to non-standard sampling techniques in historic drilling, some of the past drill holes were not included in the current in-pit resource estimate.

Exploration to date has outlined at least six areas with porphyry-type copper-molybdenum mineralization on the property. Prior published drill results have indicated that the East Zone and the Bornite Zone host west-northwest trending porphyry type Cu-Mo mineralization within variably hydrothermally altered granodioritic rocks. In general, low grade gold and silver values are associated with Cu-Mo mineralization. The mineralized zones in both areas range in horizontal thickness from 5 m to 70 m within a hydrothermally altered and mineralized zone ranging from 200 m to 250 m in total width.

The company also notes that Cu-Mo mineralization is open along strike and at depth, and extends across the contact zone between the granodiorite and felsic volcanic rocks.

### **Resource Estimation**

The estimate was carried out using a block model constrained by 3D wireframes of the principal mineralized domains. Grades for copper, molybdenum, and gold were interpolated into the blocks using Inverse Distance to the Third Power (ID<sup>3</sup>) weighting. The estimate was further constrained by a Whittle pit shell, generated to demonstrate that the mineralized bodies have a reasonable probability of economic extraction, as stipulated in NI43-101 and the CIM Definition Standards and Guidelines.

On the basis of a statistical analysis of the sample data, top cuts applied to the Eaglehead sample data were 7.5% Cu, 0.250% Mo, 50 g/t Ag, and 2.5 g/t Au. These top cuts were applied to the sample assays prior to compositing.

The block model used comprises an array of 10 m x 10 m x 5 m blocks, oriented parallel to the property grid. A bulk density of 2.7 t/m<sup>3</sup> was applied.

The resulting estimate of Mineral Resources was classed as Inferred.

RPA has recommended additional drilling and related work, with a proposed exploration budget of approximately \$2.5 million. This includes 8500 metres of drilling in 28 holes, as well as additional ground geophysics, structural mapping, detailed mineralogical studies and metallurgical testing. All of this would lead to an updated Mineral Resource estimate upon completion.

### **Whiskey Jack Creek Property**

A 2008-2009 winter drill program consisting of 3 diamond drill holes was been completed by Carmax's partner, Alexandria Minerals Corp. ("Alexandria") on the Whiskey Jack Creek property.

The three holes were drilled stepping out from drill hole MAT-08-7 drilled in late 2007 which returned 2.25 g/t Au over 6.00 m at a depth of 165.5m.

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Alexandra recommended a further drilling program on the claims, but no additional work has been done since 2009.

The Company is currently in negotiations with Alexandria to formalize the Joint Venture arrangement, to allow further exploration of the property.

**Summary of Quarterly Results**

The following is a summary of the Company's quarterly results for the period from November 1, 2011 to October 31, 2013 reported in Canadian currency.

	<u>QUARTER ENDED</u>			
	<u>OCTOBER 31,</u> <u>2013</u>	<u>JULY 31,</u> <u>2013</u>	<u>APRIL 30,</u> <u>2013</u>	<u>JANUARY 31,</u> <u>2013</u>
Total revenue	\$ -	\$ -	\$ -	\$ -
Net loss before income taxes	\$ (37,650)	\$ (53,531)	\$ (124,076)	\$ (99,824)
Net income (loss) for the period	\$ (37,650)	\$ (52,531)	\$ (124,076)	\$ (99,824)
Basic income (loss) per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

  

	<u>QUARTER ENDED</u>			
	<u>OCTOBER 31,</u> <u>2012</u>	<u>JULY 31,</u> <u>2012</u>	<u>APRIL 30,</u> <u>2012</u>	<u>JANUARY 31,</u> <u>2012</u>
Total revenue	\$ -	\$ -	\$ -	\$ -
Net loss before income taxes	\$ (67,532)	\$ (516,359)	\$ (82,534)	\$ (50,659)
Net income (loss) for the period	\$ (67,532)	\$ (516,359)	\$ (82,534)	\$ (50,659)
Basic income (loss) per share	\$ (0.00)	\$ (0.02)	\$ (0.00)	\$ (0.00)

The Company reported a net loss of \$37,650 for the three month period October 31, 2013 compared to \$67,532 for the comparable three month period ended October 31, 2012. The basic loss per share for the three month period ended October 31, 2013 was (\$0.00) versus (\$0.00) for the comparable period of 2012.

**RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED OCTOBER 31, 2013**

The Company incurred a net loss of \$37,650 and comprehensive loss of \$37,650 during the three month period ended October 31, 2013, compared to a net loss of \$67,532 and comprehensive loss of \$60,532 for comparative period ended October 31, 2012. The most significant differences in expenses incurred from one period to the next resulted from an decrease in consulting fees to \$1,500 (2012 - \$14,750) investor relations fees decreased to \$nil (2012 - \$7,500) as a result of the decreased fees associated with the investor relations contract with KJN Management Ltd; office and sundry expenses decreased to \$7,846 (2012 - \$9,887).

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Professional fees decreased to \$4,811 (2012 - \$9,217); promotion and entertainment decreased to \$nil (2012 - \$559); shareholder communications costs increased to \$1,584 (2012 - \$284); transfer agent and regulatory fees decreased to \$779 (2012 - \$1,493), and travel expenses decreased to \$nil (2012 - \$4,109).

Interest income decreased to \$910 (2012 - \$2,167) as a result of the Company on average holding lower cash balances during the current period than those held in the comparative period.

Finally the Company recorded other comprehensive income of \$nil (2012 - \$7,000) as a result of the Company's investment in Alexandria Minerals Corporation being marked to market value at the respective period ends.

Exploration expenditures on the Whiskey Jack Creek property during the three month period ended October 31, 2013 totaled \$nil, and exploration expenditures including decommissioning provisions incurred on the Eaglehead property totaled \$76,085.

**RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JULY 31, 2013**

The Company incurred a net loss of \$52,531 and comprehensive loss of \$51,531 during the three month period ended July 31, 2013, compared to a net loss of \$516,359 and comprehensive loss of \$520,359 for comparative three month period ended July 31, 2012.

The most significant differences in expenses incurred from one period to the next resulted from a decrease consulting fees to \$1,000 (2012 - \$26,250); investor relations fees decreased to \$nil (2012 - \$9,500) as a result of the cancellation of the investor relations contract with KJN Management Ltd; management fees were consistent at \$15,000 (2012 - \$15,000); office and sundry expenses increased to \$7,232 (2012 - \$6,991); professional fees decreased to \$20,511 (2012 - \$36,040) as a result of lower audit and legal fees; promotion and entertainment decreased to \$1 (2012 - \$779); shareholder communications costs decreased to \$1,390 (2012 - \$3,788); share based payments decreased to \$nil (2012 - \$350) as no options were granted or vested in the year; transfer agent and regulatory fees decreased to a recovery of \$380 (2012 - \$1,178), and travel expenses increased to \$1,690 (2012 - \$831).

Interest income decreased to \$825 (2012 - \$2,399) as a result of the Company on average holding lower cash balances during the current period than those held in the comparative period.

Finally the Company recorded an other comprehensive gain of \$1,000 (2012 - loss of \$4,000) as a result of the Company's investment in Alexandria Minerals Corporation being marked to market value at the respective period ends and write off of exploration and evaluation assets decreased to \$nil (2012 - \$411,151) upon the abandonment of the Goldtip property.

During the three month period ended July 31, 2013, exploration expenditures on the Whiskey Jack Creek property totaled \$nil, and exploration expenditures incurred on the Eaglehead property including decommissioning costs totaled \$63,214.



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**LIQUIDITY**

As at October 31, 2013, the Company has total assets of \$8,501,394.

The primary assets of the Company were cash and short term investments of \$124,457 and \$301,240 respectively, a BC mining and exploration tax credit receivable of \$252,042, other receivables of \$16,901; reclamation deposits of \$135,000 and two mineral property interests with a capitalized value of \$7,661,724. The Company also had working capital of \$660,002. It is management's opinion that the Company has adequate working capital to meet the Company's obligations as they come due and that the Company is not exposed to any significant liquidity risks at this time.

**CAPITAL RESOURCES**

At October 31, 2013, the Company's capital resources consist of interests in two mineral properties. The Company's 50% interest in the Whiskey Jack Creek property located in Cairo Township, Matachewan Area, Larder Lake mining district in Province of Ontario has been valued at \$478,392; and the Company's 100% interest in the Eaglehead property located in the Liard Mining Division in British Columbia which has been valued at \$7,183,332 including decommissioning costs. These amounts totaling \$7,661,724 equal the deferred exploration expenditures (net of BC mining exploration tax credits), and acquisition costs made in respect of the properties to October 31, 2013.

**OFF BALANCE SHEET ARRANGEMENTS**

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

**TRANSACTIONS WITH RELATED PARTIES**

Related party transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company, and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

At October 31, 2013, included in accounts payable is \$nil (July 31, 2013 - \$433) owing to a company controlled by an individual director and \$8,455 (July 31, 2013 - \$6,788) owing to a company controlled by an officer for services rendered to the Company. The amounts payable are non-interest bearing, unsecured and have no specific terms of repayment.

During the three month periods ended October 31, 2013 and 2012, the Company also incurred the following expenses charged by directors, officers or companies controlled by the directors or officers:

- a) Paid or accrued management fees of \$15,000 (2012 - \$15,000) to a company controlled by Jevin Werbes.
- b) Paid or accrued professional fees of \$3,800 (2012 - \$4,500) to a company controlled by Matthew Wright.

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- c) Paid or accrued wages included in office administration costs of \$6,750 (2012 - \$6,750) to Bev Funston.
- d) Paid or accrued rent of \$6,900 (2012 - \$6,300) to Ansell Capital Corp, a company with common directors and officer.
- e) Paid or accrued consultancy fees of \$nil (2012 - \$750) to a company controlled by Chris Healey.
- f) Capitalized into deferred exploration costs \$7,425 (2012 - \$nil) of fees charged by a company controlled by Jeff Poloni.
- g) Capitalized into deferred exploration costs \$nil (2012 - \$3,500) of fees charged by a by Jeff Poloni.

During the three month period ended October 31, 2013 management and administration was provided to the Company by Calico Management Corp. (Calico) a Company controlled by Jevin Werbes. The Company received \$5,000 per month. Upon the appointment of Jevin Werbes as President, the Company entered into a management contract with Calico. The agreement is was a minimum term of twelve months, expiring on October 14, 2011. Pursuant to the agreement, Calico was to receive \$3,000 (subsequently amended to \$4,000 then \$5,000) per month over the term of the agreement. The agreement can be terminated by Calico by giving 90 days written notice to the Company and by the Company delivering twelve months written notice to Calico after the expiry of the initial term. Upon the completion of the initial term the agreement became a month to month arrangement with the Company.

**FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

As at October 31, 2013 the Company's financial instruments consist of cash, short term investment, investment, accounts payable and accrued liabilities and decommissioning provision.

The fair value of these financial instruments approximate carrying value since they are short term in nature and are receivable or payable on demand.

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

a) Credit Risk

The Company's credit risk is primarily attributable to cash, short term investments, reclamation deposits and the investment. Cash, short term investments, and reclamation deposits are held with one reputable Canadian chartered bank which is closely monitored by management. The investment consists of shares of Alexandria Minerals Corp, a publicly listed entity. Management believes that the credit risk concentration with respect to financial instruments included in cash, short-term investments and amounts receivable is minimal.

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b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2013, the Company held cash and short term investments aggregating \$425,697 (July 31, 2013 - \$328,863) and had current liabilities of \$36,345 (July 31, 2013 - \$35,798). All of the Company's current liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

c) Market Risk

i) Interest Rate Risk

The Company had cash balances and short term investments, and no interest bearing debt. 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 creditworthiness of its banks.

ii) Foreign Currency Risk

The Company's functional currency and the reporting currency is the Canadian dollar. Periodically the Company incurs charges on its operations for settlement in currencies other than its functional currency and any gain or loss arising on such transactions is recorded in operations for the year.

The Company does not participate in any hedging activities to mitigate any gains or losses which may arise as a result of exchange rate changes.

As at October 31, 2013, the Company held no financial assets or liabilities which were denominated in currencies other than the Canadian dollar.

iii) Commodity Price Risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. To mitigate price risk, the Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. The preparation of the financial statements also requires management to exercise judgment in the process of applying the accounting policies.

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On an on-going basis, management evaluates its judgments and estimates in relation to assets, liabilities and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances, as the basis for its judgments and estimates. Revisions to accounting estimates are recognised prospectively from the period in which the estimates are revised. Actual outcomes may differ from those estimates under different assumptions and conditions.

Critical Accounting Estimates

The following are the key estimate and assumption uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

Impairment

Assets, especially exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the recoverable amount requires estimates and assumptions such as discount rates, exchange rates, commodity prices, future capital requirements and future operating performance.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Notes 10 and 11 of the audited financial statements for the year ended July 31, 2013.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Decommissioning Provisions

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement of tangible long-lived assets, when those obligations result from the acquisition, construction, development or normal operation of the assets. The net present value of future rehabilitation cost estimates is capitalized to the amount of the related asset along with a corresponding increase in the decommissioning provision in the period incurred. Provisions are determined by discounting the risk-adjusted expected future cash flows to take into consideration risks and uncertainties involving the transaction. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

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The decommissioning cost is depreciated on the same basis as the related asset. The liability is progressively increased each period as the effect of discounting unwinds, creating an expense recognition in the statement of operations. Based on management's best estimate, the Company has recorded \$34,200 with respect to the Eaglehead exploration and evaluation property at October 31, 2013 (July 31, 2013 - \$nil).

Going concern

Financial statements are prepared on a going concern basis unless management either intends to liquidate the Company or to cease trading, or has no realistic alternative to do so. Assessment of the Company's ability to continue as a going concern requires the consideration of all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This information includes estimates of future cash flows and other factors, the outcome of which is uncertain. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern those uncertainties are disclosed. Management has determined that disclosure is not required in these statements.

Exploration and evaluation expenditures

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available.

If, after the expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the statement of operations in the period the new information becomes available.

Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

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**SUBSEQUENT EVENT**

None

**OTHER INFORMATION**

**Outstanding Share Data**

A breakdown of the Company's issued common share position is as follows:

The following details the common shares, share purchase warrants, and stock options outstanding as of the date of this MD&A.

*Common Shares*

	Number of Shares
Authorized Unlimited common shares, without par value	
Issued Balance at October 31, 2013 and December 18, 2013	27,515,998

*Stock Options*

Number of Shares	Exercise Price	Expiry Date
725,000	\$0.26	October 27, 2015
875,000	\$0.20	June 17, 2016
50,000	\$0.20	September 7, 2016

(1) Stock Options

Stock Options have been granted under the Company's current stock option plan which has been approved by shareholders. Under the terms of the plan, the number of unissued treasury shares equal to 20% of the Company's issued and outstanding shares on a rolling basis have been set aside for the grant of incentive stock options.

Options granted under the Plan contain the following provisions:

- all options will be non-transferable;
- no more than 5% of the issued shares may be granted to any one individual in any 12 month period;
- no more than 2% of the issued shares may be granted to a consultant or any employee performing investor relations activities, in any 12 month period;
- disinterested shareholder approval must be obtained for any reduction in the exercise price of an outstanding option, if the option holder is an insider; and

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- options will be reclassified in the event of any consolidation, subdivision, conversion or exchange of the Corporation's common shares.

There are no other potential share issuance obligations outstanding as of December 31, 2013.

**INVESTOR RELATIONS CONTRACT**

On October 15, 2010, the Company entered in an Investor Relations/Corporate Development agreement KJN Management Ltd. ("KJN").which expired on October 14, 2011. Pursuant to the agreement KJN received \$3,000 (later amended to \$4,500) per month over the term of the agreement. In June 2012 KJN agreed to reduce the contractual fees charged to \$2,500 to assist the Company to preserve cash. In December 2012 the contract terminated.

**CONTRACTUAL OBLIGATIONS**

None

**RISKS AND UNCERTAINTIES**

**Limited Operating History**

The Company is in the early stages of mineral property exploration and development. As a result, it is difficult to evaluate the Company's prospects, and its future success is more uncertain than if it had a longer or more proven history of operations.

**History of Losses**

The Company has incurred net losses every period since inception and as of October 31, 2013, had an accumulated deficit of \$4,240,112.

**No History of Dividends**

Since incorporation, the Company has not paid any cash or other dividends on its common stock and does not expect to pay such dividends in the foreseeable future, as all available funds will be invested primarily to finance its mineral exploration programs. The Company will need to achieve profitability prior to any dividends being declared.

**Dilution**

The Company does not generate any revenues from operating and does not have sufficient financial resources to undertake by itself all of its planned activities. The Company has limited financial resources and has financed its operations primarily through the sale of securities such as common shares. The Company will need to continue its reliance on the sale of such securities for future financing, resulting in dilution to the Company's existing shareholders.

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**Capital and Liquidity Risk**

The amount of financial resources available to invest for the enhancement of shareholder value is dependant upon the size of the treasury, profitable operations, and a willingness to utilize debt and issue equity.

Due to the size of the Company, financial resources are limited and if the Company exceeds growth expectations or finds investment opportunities it may require debt or equity financing. There is no assurance that the Company will be able to obtain additional financial resources that may be required to successfully finance transactions or compete in its markets on favourable commercial terms.

**Acquisition and Expansion Risk**

The Company intends to expand its operations through organic growth and depending on certain conditions, by identifying a proposed qualifying transaction. There can be no assurance that the Company will be able to identify, acquire or profitably manage additional properties or businesses.

**Dependence on Key Personnel**

Loss of certain members of the executive team or key operational leaders of the company could have a disruptive effect on the implementation of the Company's business strategy and the efficient running of day-to-day operations until their replacement is found. Recruiting personnel is time consuming and expensive and the competition for professionals is intense.

The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

**MD&A PREPARATION**

This MD&A was prepared as of December 18, 2013. This MD&A should be read in conjunction with the condensed interim unaudited financial statements for the three month period ended October 31, 2013 and the audited financial statements as at July 31, 2013. This MD&A is intended to assist the reader's understanding of **Carmax Mining Corp.** and its' operations, business, strategies, performance and future outlook from the perspective of management. The documents mentioned above, as well as news releases and other important information may be viewed through the SEDAR website at [www.sedar.com](http://www.sedar.com)

**Managements Responsibility for Financial Statements**

The information provided in this report, including the financial statements is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.



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Management maintains a system of internal controls to provide reasonable assurance that the company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Carmax Mining Corp's Board of Directors follows recommended corporate governance guidelines for public companies to ensure transparency and accountability to shareholders. The Board's Audit Committee meets with management quarterly to review the financial statement results, including the MD&A, and to discuss other financial, operating and internal control matters. The Audit Committee receives a report from the independent auditors annually, and is free to meet with them throughout the year.

December 18, 2013

On behalf of Management and the Board of Directors,

"Jevin Werbes"

Jevin Werbes  
President