

## **CANSTAR RESOURCES INC.**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

#### **FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2019**

#### **INTRODUCTION**

*This Management Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited condensed interim financial statements of Canstar Resources Inc. (the "Company" or "Canstar") for the three months ended September 30, 2019, and the audited financial statements for the year ended June 30, 2019 and related notes. The Company's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. This MD&A is made as of November 28, 2019.*

Additional information relating to the Company is on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.canstarresources.com](http://www.canstarresources.com).

#### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future prices of base and precious metals; success of exploration activities; cost and timing of future exploration and development; the estimation of mineral reserves and mineral resources; conclusions of economic evaluations; requirements for additional capital; and other statements relating to the financial and business prospects of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and is inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during permitting; the possibility that future exploration results will not be consistent with the Company's expectations; timing and availability of external financing on acceptable terms and in light of the current decline in global liquidity and credit availability; uncertainty of inferred mineral resources; future prices of base and precious metals; currency exchange rates; government regulation of mining operations; failure of equipment or processes to operate as anticipated; risks inherent in base and precious metals exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations; and uncertain political and economic environments. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, 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 information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

#### **DESCRIPTION OF THE BUSINESS**

The Company is a junior resource company focused primarily on the acquisition, exploration and development of mineral properties located in Canada. The shares of the Company began trading on the TSX Venture Exchange under the symbol "ROX" on April 8, 2005. The Company is a reporting issuer in the provinces of Ontario, Alberta and British Columbia.

The following table contains a brief description of the Company's core properties, post the transaction with Adventus Zinc Corporation ("Adventus") and Altius Minerals Corporation ("Altius") which was completed on July 30, 2018, which are the primary focus of the Company's exploration initiatives. Further details with respect to the core properties are also provided in this document under the section entitled "Overall Performance".

Description of Core Property	Target Mineralization	Ownership Interest
<p>The Buchans Property, consisting of 971 staked claims in 10 licenses totalling 24,275 hectares, abuts the north-west side of Company's Mary March Joint Venture and encompasses the majority of the north shore of Red Indian Lake.</p>	<p>Zinc-silver-lead-copper-gold</p>	<p>100% ownership held in Canstar's wholly owned subsidiary "Adventus Newfoundland Corporation" subject to a 2% NSR royalty payable to Altius.</p>
<p>The Mary March Joint Venture consists of four Fee Simple Grants consisting of five separate land parcels and covering 1,486.88 hectares and two map-staked licenses containing 8 claims and covering 200 hectares located approximately 20 kilometres east of the past producing Buchans mine, near Buchans Junction, Newfoundland.</p>	<p>Zinc-silver-lead copper-gold</p>	<p>A 56% interest and right of first refusal on the remaining 44% interest held by Glencore plc, the Company's joint venture partner.<sup>(1)</sup> The Company is the operator.</p>
<p>The Exploits Project was optioned on April 5, 2018 to purchase 90 mineral claims covering 2,250 hectares near Red Indian Lake in the Province of Newfoundland and Labrador. The Exploits Project, located approximately 5 km southwest of the Mary March Project, contains recently discovered massive sulphide boulders with geological similarities to the Duck Pond Deposit. The property currently consists of one map-staked license containing 79 claims and covering 1,975 hectares</p>	<p>Zinc-silver-lead-copper-gold</p>	<p>The Company entered into an option agreement with local prospectors to acquire a 100% interest in consideration for cash and share payments and a 1% net smelter return royalty. In May 2019, a decision was made to terminate the option agreement and accordingly, the property was written off.</p>

The Daniel's Harbour Property is located in coastal Western Newfoundland and consists of 243 claims in 2 licenses totalling 6,075 hectares. The Daniel's Harbour Property surrounds the former high-grade zinc mine operated by Teck Resources from 1975 to 1990.	Zinc	100% ownership subject to a 2% NSR royalty payable to Altius. During the year ended June 30, 2019, the Company reduced the number of claims held on this property and accordingly wrote-down the property by \$541,240.
The Katie Project is located in central Newfoundland and consists of 103 claims in 1 mineral license totalling 2,575 hectares. Exploration at the Katie Project is focused on zinc rich volcanic hosted massive sulphide system.	Zinc-silver-lead-copper-gold	100% ownership held in Canstar's wholly owned subsidiary "Adventus Newfoundland Corporation" subject to a 2% NSR royalty payable to Altius. Management decided not to pursue the property, and accordingly the property was written off in the year ended June 30, 2019.
The La Poile Project is located in south-western Newfoundland and consists of 28 claims in 2 mineral licenses totalling 700 hectares. The exploration target at the La Poile Project is a structurally modified zinc rich volcanogenic hosted massive sulphide system.	Zinc	100% ownership held in Canstar's wholly owned subsidiary "Adventus Newfoundland Corporation" subject to a 2% NSR royalty payable to Altius. Management decided not to pursue the property, and accordingly the property was written off in the year ended June 30, 2019.

Notes:

- (1) The Company is required to make a cash payment of \$2,000,000 within six months of commercial production. The Company's interest is also subject to a 1% NSR royalty due upon commencement of commercial production.

The Company also has three non-core properties, identified in the table below.

Description of Property	Target	Ownership Interest
The Miminiska Property, comprised of three contiguous, unpatented mineral claims totaling 44 claim units, located approximately 100 kilometres east of Pickle Lake, Ontario.	Gold	100% owned
The Kenora Gold Property, made up of 31 mining claim blocks comprised of 283 units for an area of 6,182 hectares. The property is located 20 kilometres east of the Town of Kenora.	Gold	Pursuant to an option agreement dated March 2, 2014, the Company earned a 100% interest by making cash payments of \$18,200 (paid in 2014 and 2015) and issuing 200,000 common shares (issued in 2016 and valued at \$8,000). During the year ended June 30, 2018, management decided to write the Kenora property down to its recoverable amount of \$20,000.

<p>The Slate Bay Property, comprised of 8 contiguous patented claims covering 128 hectares, located approximately 10 kilometres north of the town of Red Lake, Ontario, within the Red Lake greenstone belt.</p>	<p>Copper-gold-silver</p>	<p>A 75% earned interest in the property pursuant to an option and joint venture participation agreement entered into with Luxor Enterprises Inc. (Luxor) on February 4, 2002. On April 25, 2019, the Company entered into a definitive agreement with Angus Ventures Inc. (Angus), whereby it agreed to sell its 75% interest to Angus for consideration of \$30,000 and 70,000 shares in the common stock of Angus. Accordingly, the property was revalued at \$30,000 as at June 30, 2019. The sale to Angus was completed on November 6, 2019.</p>
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**An investment in the securities of the Company is highly speculative and involves numerous and significant risks and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors described below.**

### **OVERALL PERFORMANCE**

The Company is currently engaged in mineral exploration in Canada. The Company's exploration activities are at an early stage, and it has not yet been determined whether its properties contain recoverable ore. As a result, the Company has no current sources of revenue other than interest earned on cash, short-term investments and money market instruments, all of which were derived from issuances of share capital. There are no known deposits of minerals on any of the mineral exploration properties of the Company and any activities of the Company thereon will constitute exploratory searches for minerals.

### **Trends**

- Although the economic crisis which faced the financial sector in 2008 and 2009 has improved, the Company remains cautious in case the economic factors that have impacted the mining industry deteriorate even further.
- There are significant uncertainties regarding the prices of precious and base metals and other minerals and the limited availability of equity financing for the purposes of mineral exploration and development;
- The Company's future performance is largely tied to the outcome of future drilling results and the overall financial markets; and
- Current financial markets are likely to be volatile in Canada for the remainder of calendar 2019, reflecting ongoing concerns about the stability of the global economy. As well, concern about global growth may lead to further drops in the commodity markets. Uncertainty in the credit markets has also led to increased difficulties in borrowing/raising funds. Companies worldwide have been negatively affected by these trends. As a result, the Company may have difficulties raising equity financing for the purposes of base and precious metals exploration and development, particularly without excessively diluting the interest of current shareholders of the Company.

These trends may limit the Company's ability to discover and develop an economically viable mineral deposit.

### **The Buchans-Mary March Project**

The Buchans-Mary March Project consists of the Buchans Property and the Mary March Joint Venture. The Buchans-Mary March Project is the Company's flagship asset.

The Company acquired a 100% interest in the Buchans Property from Adventus Zinc Corporation ("Adventus") in exchange for common shares of the Company. Altius Minerals Corp. ("Altius") retains a 2% net smelter royalty on sales of mineral products from the Buchans Property. The Buchans Property currently comprises 979 map staked claims held under 12 map staked licenses covering an area of 25,961.88 hectares located between the communities of Buchans and

Buchans Junction in the Province of Newfoundland and Labrador, Canada.

The Buchans Property covers the majority of prospective Buchans Group stratigraphy that exists outside of the area of previous mining. Past production from the historic Buchans mining camp by the American Smelting and Refining Company (ASARCO) between 1928 and 1984 is reported by Kirkham (1987) to total 16.2 million tonnes of ore from 5 major orebodies having an average head grade of 14.51% zinc, 1.33% copper, 7.56% lead, 126 g/t silver and 1.37 g/t gold.

The Buchans Property is entirely underlain by the Ordovician Buchans Group which comprises a sequence of bimodal volcanic and volcanoclastic rocks of the Buchans River Formation which hosts all of the former producing massive sulphide deposits within the belt. Mineralization consists of sphalerite, galena, chalcopyrite, and lesser pyrite. Barite is the most abundant gangue mineral in the ores and alteration is characterized by quartz-chlorite-sericite +/- K-feldspar +/- carbonate.

The Company's primary exploration target for this project is a high-grade VMS deposit like those previously mined at Buchans. Although the Buchans area has had a long mining and exploration history, it was only during the period after the 1984 mine closure that thrust belt tectonic models emerged for the area, resulting in a simplified stratigraphic interpretation of the district geology and a more complex structural interpretation. The revised stratigraphic and structural models have opened new opportunities for exploration.

Prior to acquisition of the Buchans Property by the Company, Altius Minerals Corp carried out exploration programs on the Buchans Property holdings during the 2014 to 2016 period and these were initially focused on compiling historic data and interpreting it in light of the revised stratigraphic and structural interpretations. Work completed included re-logging of archived diamond drill core, digitizing and modelling of historic data sets (geochemical and geophysical surveys plus geology), characterizing physical property and other parameters of a historic rock sample library now held by the Newfoundland and Labrador Department of Natural Resources (NLDNR), and completion of limited field programs consisting of geological mapping and prospecting plus rock, till and soil sampling. Altius also participated in joint research with Memorial University of Newfoundland (MUN), funded by Research Development Corporation (RDC), to develop a till indicator mineral analysis system based on Scanning Electron Microscopy – Mineral Liberation Analysis® (SEM-MLA) methods. In addition to the above, Altius retained Geoscience North Ltd. in 2015 to carry out detailed digital geoscience database compilations for use in developing a fully integrated three dimensional (3D) geological-geophysical model of the Buchans district using the GOCAD® earth modelling platform. This was done to aid exploration targeting and is being developed as a key component of on-going property investigations. The following five initial exploration target areas defined by Altius are considered high in priority with respect to follow up investigations:

- Seal Pond Area - An alteration zone outlined in historic drilling and outcrop over an area of at least 0.3 x 6 km. Re-logging of the archived drill core by Altius in 2015 discovered stringer and massive sulphide mineralization that had not previously been sampled yielding up to 13.45% Zn, 0.4% Cu over 0.2m (drill hole SP-05-05). A soil geochemical survey over the target area by Altius in 2016 revealed a coincident Zn-Cu soil anomaly over an area of ~1800m x 700m and is defined by Zn in soil values of up to 582 ppm and Cu in soil values of up to 87.5 ppm.
- Mary March Brook Area – A historically documented occurrence of altered, mineralized felsic volcanoclastic yielding up to 0.46% Zn, 0.07% Cu and 4 g/t Ag from sampling by Altius in 2015.
- Lake 7 and 12 Alteration Zone - Occurs west of the main historically mined deposits at Buchans and is interpreted as structural repetitions of the highly favourable Buchans River Formation stratigraphy that hosts all of the base metal deposits mined to date in the camp. Spatial aspects of these alteration zones have been defined to date through study of historic core logs combined with selective re-logging of key holes by Altius and others. Results show that these alteration trends occur within thrust-bounded structural panels that have typically been drill tested at relatively wide hole spacings in the range of 200 m to 600 m. Occurrence in these zones of isolated, thin (< 10 cm) layers of base metal sulphide plus isolated, transported sulphide clasts and/or stockwork sulphide intervals associated with chlorite-pyrite alteration adds credibility to the assertion that potential exists in these panels for occurrence of economic base metal sulphide mineralization. The wide spacing of historic drill holes and generally shallow drilling leaves large portions of the zone untested.
- Skidder Dacite - In 1995, a historic UTEM survey over the area yielded several targets which were not followed up. A soil survey by Altius in 2014 outlined a coincident Cu-Zn soil anomaly over an area of ~100m x 900m that corresponded

with the historic electrical conductive anomalies and an area of outcrop and float of altered and mineralized felsic-mafic volcanic rocks. Prospecting by Altius during 2014 and 2015, yielded up to 0.46% Zn. A historic drill hole to the north of the soil anomaly also intersected 0.71% Cu over 1.5 m.

Adventus acquired the Buchans Property from Altius Minerals in 2017 and a 3,867 line km high resolution heliborne time domain electromagnetic (TDEM) survey over the Buchans Property was completed during June 2017. Several target areas have been identified from the survey and follow up programs are currently being undertaken.

As part of its summer 2019 field program at Buchans-Mary March, Canstar discovered a new high-grade copper-gold massive sulphide occurrence, at surface, approximately 1.8 km along strike of the historic Mary March discovery hole, representing a new massive sulphide in bedrock discovery in the Buchans Camp. Canstar intends to follow up this discovery with additional ground-based geochemical and geophysical surveys, including additional prospecting, to further refine targets for drilling.

### ***The Mary March Joint Venture***

The Company earned its initial 50% interest in the Mary March Joint Venture by incurring \$755,000 of property expenditures and issuing 100,000 common shares valued at \$16,000 and 100,000 warrants valued at \$8,600. The Company is also required to make a cash payment of \$2,000,000 within six months of commercial production. The Company's interest is also subject to a 1% NSR royalty due upon commencement of commercial production. The remaining 50% interest in the Joint Venture is held by Glencore, on which the Company maintains a right of first refusal. For exploration expenditures during 2013, 2014, 2015 and 2016, Glencore was subject to a voluntary reduction due to non-participation of these exploration programs. Canstar now holds a 56% interest in the Joint Venture and Glencore holds a 44% interest. Glencore did not contribute to the current program and accordingly, will be subject to an additional voluntary reduction.

The Mary March Joint Venture is comprised of four Fee Simple Grants consisting of five separate land parcels and covering 1,486.88Ha and two map-staked licenses containing 8 claims and covering 200Ha hectares and is located approximately 20 kilometres east of the past producing Buchans mine, near Buchans Junction, Newfoundland. High grade Cu-Pb-Zn-Ag-Au massive sulphides of economic significance were discovered on the Mary March Joint Venture by Phelps in 1999, but the core discovery areas of the property had been dormant since August 2000.

The Company resumed exploration on the property in 2012, completing a 2,320 meter drilling program, where semi-massive and massive sulphides were intersected in four holes MM-12-21, MM-12-23, MM-13-27, and MM-13-28. These results were followed up in Fall of 2013 by completing a 1,146 meter drilling program, where additional massive sulphides and stockwork mineralization was encountered in all three completed drillholes. The Company also completed a five-hole diamond drilling program during the summer of 2014 testing both the Mary March and Nancy April zones. Results of the program are encouraging, indicating further along-strike potential of Mary March and a thickening of the Nancy April system. The Company also completed Phase I Drilling at the Mary March Zone, which consisted of drilling in five holes as well as downhole EM surveys on three of the five drill holes. The 2014 and 2019 drill programs are described in more detail, by zone, in the following section.

### **Mary March Zone**

As part of the Company's exploration program, a number of targets were identified using geophysics. These targets were drill tested in August-September of 2014 with the extension of MM13-30 and a new hole, MM14-32. Highlights include:

- Borehole MM14-32 intercepted 11.5 meters 1.2% zinc, 0.2% lead, 1.8 g/t silver, 0.2 g/t gold from 431.5 to 443 meters
  - Including an interval of 3.6 meters grading 2.7% zinc, 0.1% copper, 2.4 g/t silver and 0.1 g/t gold nested in the above intercept from 435.9 to 439.5 meters.

The results of this drilling is tabulated below:

<b>BHID</b>	<b>From</b>	<b>To</b>	<b>Length</b>	<b>Zn%</b>	<b>Cu%</b>	<b>Pb%</b>	<b>Ag ppm</b>	<b>Au ppm</b>
MM14-32	399.68	407	7.32	0.21	0.06	0.01	1.4	0.05
including...	399.68	402	2.32	0.33	0.05	0.02	1.35	0.07
MM14-32	410.39	416.19	5.8	0.43	0.08	0.02	3.45	0.13
including...	411.64	414.47	2.83	0.54	0.14	0.02	5.08	0.17
MM14-32	431.5	443	11.5	1.18	0.16	0.04	1.77	0.12
including...	434.5	441.1	6.6	1.84	0.13	0.06	1.88	0.09
including...	435.9	439.47	3.57	2.73	0.03	0.1	2.39	0.11

The Company completed Phase I Drilling at the Mary March Zone in January-March of 2019. Phase I Drilling consisted of 1,901 metres of drilling in five drill holes, as well as downhole EM surveys on three of the five drill holes. Notable intercepts of this drilling include:

<b>Drillhole</b>	<b>From</b>	<b>To</b>	<b>Interval (m)</b>	<b>Zn%</b>	<b>Cu%</b>	<b>Pb%</b>	<b>Ag g/t</b>	<b>Au g/t</b>
MM19-36	108.1	108.2	0.1	0.01	1.84	0.05	42	0.209
	462	763	1	0.72	0.04	0.003	2.0	0.899
MM19-37	7.0	13.0	6.0	0.52	0.02	0.05	1.1	0.043
including...	9.0	10.0	1.0	2.01	0.07	0.03	1.5	0.041
	38.3	44.4	6.1	0.56	0.09	0.07	1.1	0.030
including...	41.3	42.3	1.0	1.94	0.06	0.06	2.5	0.058
MM19-38	60.3	61.8	1.5	0.72	0.10	0.002	0.6	0.014
	130.1	130.4	0.3	0.59	0.21	2.19	8.2	0.016

The Company will follow up its initial Phase I Drilling with a ground based regional lithogeochemical program, mapping and prospecting, coupled with core review and a structural re-interpretation, to refine future drill targets.

#### Nancy April Zone

A key development to the drilling results reported in Q2 2014 was the confirmation of the existence of a continuous stockwork zone formed by hydrothermal processes that are conducive to the development of volcanogenic massive sulphide ("VMS") deposits. The Company conducted a geophysical survey in the summer of 2014 to follow up on these results. An induced polarization ("IP") survey was conducted to ascertain whether the stockwork zone manifests a chargeable geophysical response, and how this response might continue spatially. The results of this survey outlined a number of chargeable anomalies including a linear coincident with known stockwork mineralization.

The Company tested several of these targets in September 2014 with a 4-hole drilling program with an additional extension of an existing hole drilled in 2013, totaling 1,724 meters. Three of the four holes intersected mineralization. Highlights include:

- Borehole MM14-33 intersected 5.33 meters 1.2% copper, 0.2% zinc, 4.9 g/t silver, 0.4 g/t gold from 66.5 to 71.8 meters
  - Including an interval of 2.3 meters grading 2.5% copper, 0.1% zinc, 8.6 g/t silver and 0.7 g/t gold nested in the above intercept from 69.5 to 71.8 meters.
- Borehole MM14-33 returned 93.7 meters of 1.0% zinc, 0.2% lead, and 2.9 g/t silver in stockwork sulphides
  - Including an interval of 10.2 meters of 3.4% zinc, 0.1% copper, 7.1 g/t silver and 0.3 g/t gold

In addition to MM14-32, diamond drill hole MM13-30 (see News Release dated January 21, 2014) was extended as part of this program in order to test a geophysical anomaly that was identified near the end of this hole. The extended hole encountered significant pyrite mineralization, however, assays did not return any significant results.

The remaining 3 holes reported were designed to test an extensive IP anomaly that is coincident with the Nancy April Horizon. The Nancy April deposit lies approximately 500 meters west of the Mary March deposit and was discovered in 1999 by Phelps. Phelps' discovery hole intersected 6.8 meters of 1.5% zinc, 0.8% copper and 0.6% lead. Geochemical work and re-logging on historic drill core completed by the Company in summer of 2013 noted strong alteration with minor mineralization downhole of Nancy April intersect and it was hypothesized that a footwall zone to a larger system may be present in the area. Drilling in Fall 2013 confirmed these results. The latest results are tabulated below:

BHID	From	To	Length	Zn%	Cu%	Pb%	Ag ppm	Au ppm
MM14-33	66.46	71.79	5.33	1.21	0.03	0.15	4.85	0.35
including...	69.54	71.79	2.25	2.49	0.03	0.1	8.64	0.72
MM14-33	128.66	129.58	0.92	0.03	2.09	1.8	19.96	0.46
MM14-33	200.88	294.54	93.67	0.05	0.15	1	2.92	0.03
including...	237	247.17	10.17	0.12	0.01	3.36	7.13	0.03
MM14-34	383.58	390.89	7.31	0.05	0.17	0.28	8.8	0.08
MM14-35	61.4	68.39	6.99	0.08	0.02	0.05	10.07	0.23

### ***The Exploits Project***

On April 5, 2018, the Company entered into an option agreement ("Option Agreement") with local prospectors ("Optionees") to purchase 90 mineral claims covering 2,250 hectares near Red Indian Lake in the Province of Newfoundland and Labrador ("Exploits Project"). The Exploits Project, located approximately 5km southwest of the Mary March Joint Venture, contains recently discovered massive sulphide boulders with geological similarities to the Duck Pond Deposit.

In consideration for entering into the Option Agreement, the Company will pay the Optionees \$10,000 in cash and issue to the Optionees the equivalent of \$5,000 in common shares. Assuming the completion of subsequent payments totaling \$30,000 to the Optionees in cash and the equivalent of \$30,000 to be paid in common shares by the third anniversary of the entering into the Option Agreement, Canstar will own a 100% interest in the mineral claims subject to a 1% royalty interest retained by the Optionees. The securities issued to the Optionees will be subject to a four month and one day statutory hold period. The Option Agreement is subject to the receipt of applicable regulatory approvals by Canstar being received on or before April 25, 2018 and the satisfaction of certain other closing conditions customary in

transactions of this nature. In May 2019, a decision was made to terminate the Option Agreement and the property balance was written off for accounting purposes during the year ended June 30, 2019.

### ***Daniel's Harbour Property***

The Daniel's Harbour Property is located in coastal Western Newfoundland and consists of 360 claims in 2 licenses totalling 9,000 hectares. The Daniel's Harbour project surrounds the former high-grade zinc mine operated by Teck Resources from 1975 to 1990 that produced approximately 7 Mt of ore grading ~7.8% Zn from 1975 to 1990.

The Mississippi Valley Type mineralization at Daniel's Harbour has clear structural and stratigraphic controls but no deep drilling has been completed to test obvious trends and favourable stratigraphy. There are sufficient untested parts of property to host significant resources located outside of mine site and four target areas have been identified which require further assessment with potential for follow-up drill testing. Zinc mineralization at Daniel's Harbour generally occurs in long, narrow, NE trending bodies. Of 21 zones mined at Daniel's Harbour, the largest was the "L" zone which extended over a length of 3,000 meters with a 30 meter maximum vertical thickness of ore.

Two types of zinc mineralization were exploited at in the "L" zone. The most common mineralization occurred as cavity fillings in a series of narrow (1/2 meter to 2 meters) pseudobreccia beds separated by barren massive "Grey Dolomite". The second type of mineralization, which was prevalent in the thickest portion of the "L" zone, consisted of veins which cut the pseudobreccia and consisted almost entirely of sphalerite, with minor quantities of pyrite, marcasite and galena. This mineralogy enabled good recoveries (98%) and production of a premium grade concentrate (63%).

Company management believes Daniel's Harbour has the potential to host additional high grade zinc lenses within the upper stratigraphy as well as at depth. Until recently, the Property has not been subject to modern exploration methodologies although several companies in addition to Canstar are now actively exploring the area.

Canstar engaged Abitibi Geophysics to undertake an OreVision induced polarization survey and a high resolution gravity survey in the fall of 2018 at Daniel's Harbour and these concluded in December 2018. Results from these surveys generated two gravity high targets that warrant drill testing as well as several other gravity anomalies that warrant further testing/investigation.

Canstar plans to undertake further work at Daniel's Harbour in early 2020 and the Company is currently planning the specifics of such. Canstar dropped a number of claims on the Daniel's Harbour Properties and accordingly these balances were written down during the year ended June 30, 2019.

### ***La Poile Project***

The Company holds a 100% interest in the La Poile Project (subject to a 2% NSR payable to Altius Minerals Corporation), located in southwestern Newfoundland, and which consists of 700 hectares. Access is by helicopter or all-terrain vehicles from a forest access road within 3km from the project. The exploration target is a structurally modified, zinc-rich volcanogenic hosted massive sulphide system. Massive sulphide mineralization is hosted near the contact within folded amphibolite-grade muscovite schist and quartzofeldspathic gneiss of the Ordovician Port aux Basques Complex. Historic exploration programs completed during the 1980s and 90s identified massive sulphide mineralization within a narrow (up to 1 m) by 3 km long horizon to drill depths of up to 400m. One historic channel sample across the massive sulphide horizon reported 6.1% Zn, 2.9% Pb and 21 g/t Ag over 1.9 m, and one narrow high-grade vein of 0.08m intersected in drilling at a depth of 300m reported 17.9% Zn, 7.1% Pb and 6 g/t Ag. A unit of disseminated sulphide mineralization, up to 70m thick in places, is footwall to the massive sulphide mineralization. The Company decided not to pursue the La Poile Project and accordingly, the property balance was written off during the year ended June 30, 2019.

### ***Katie Project***

The Company holds a 100% interest (subject to a 2% NSR payable to Altius Minerals Corporation) in one license, located in central Newfoundland, and which consists of 2,575 hectares. The project is accessible by vehicle by a 7 km forest access road connected to a paved highway. The exploration target is focused on a zinc-rich volcanic hosted massive sulphide system with appreciable gold-silver-lead and copper. Numerous mineralized floats have been found by historical

exploration programs and by Altius personnel within the project area. Examples of the results from higher grade boulders include: 25% Zn, 6.7% Pb and 8 g/t Au; 23.9% Zn and 228 g/t Ag; 3.3% Pb, 280 g/t Ag and 0.30 g/t Au. Previous trenching produced a 1.26 m long channel sample assaying 10.7% Zn, 0.38% Pb, 0.20% Cu, 33.4 g/t Ag and 1.1 g/t Au. A recent trenching program conducted by Altius produced a 0.6 m long channel sample assaying 7.27% Zn, 0.89% Pb, 44.6 g/t Ag and 1.8 g/t Au, and a 0.4m long channel sample assaying 15.5% Zn, 0.45% Pb, 0.27% Cu, 42 g/t Ag and 2.42 g/t Au. Historic drill programs have been haphazard but did successfully identify widespread alteration known to occur within these mineralizing systems. Exploration programs prior to the acquisition of the project by the Corporation have led to a better understanding of the stratigraphy and structure, leading to the development of a broad target ready for more advanced testing. The Company decided not to pursue the Katie Project and accordingly, the property balance was written off during the year ended June 30, 2019

	<b>Buchans- Mary March Properties</b>	<b>Katie Project</b>	<b>La Poile Project</b>	<b>Kenora Properties</b>	<b>Exploits Properties</b>	<b>Daniel's Harbour Properties</b>	<b>Slate Bay Properties</b>	<b>Total</b>
	\$	\$	\$	\$	\$	\$	\$	\$
<b>PROPERTY ACQUISITION COSTS</b>								
Balance, June 30, 2019	4,887,465	-	-	20,000	-	200,000	-	5,107,465
Balance, September 30, 2019	4,887,465	-	-	20,000	-	200,000	-	5,107,465
<b>DEFERRED EXPLORATION COSTS</b>								
Balance, June 30, 2019	2,644,683	-	-	-	-	-	30,000	2,674,683
Access	2,065	-	-	-	-	-	1,999	4,064
Administrative	39,456	-	-	-	-	-	-	39,456
Assaying	12,634	-	-	-	-	-	-	12,634
Field supplies	9,402	-	-	-	-	-	-	9,402
Geophysics and exploration	1,000	-	-	-	-	-	-	1,000
Labour and supervision	53,611	-	-	-	-	-	-	53,611
Travel	1,656	-	-	-	-	-	-	1,656
Balance, September 30, 2019	2,764,507	-	-	-	-	-	31,999	2,796,506
Total, September 30, 2019	7,651,972	-	-	20,000	-	200,000	31,999	7,903,971

	<b>Buchans- Mary March Properties \$</b>	<b>Katie Project \$</b>	<b>La Poile Project \$</b>	<b>Kenora Properties \$</b>	<b>Exploits Properties \$</b>	<b>Daniel's Harbour Properties \$</b>	<b>Slate Bay Properties \$</b>	<b>Total \$</b>
<b>PROPERTY ACQUISITION COSTS</b>								
Balance, June 30, 2018	65,884	-	-	20,000	15,000	-	-	100,884
Incurred	4,821,581	370,891	105,969	-	-	741,240	-	6,039,681
Balance, September 30, 2018	4,887,465	370,891	105,969	20,000	15,000	741,240	-	6,140,565
<b>DEFERRED EXPLORATION COSTS</b>								
Balance, June 30, 2018	2,089,161	-	-	-	-	-	-	2,089,161
Access	76,557	-	-	-	-	-	-	76,557
Administrative	1,185	-	-	-	-	-	-	1,185
Assaying	941	-	-	-	-	-	-	941
Field supplies	9,701	-	-	-	-	-	-	9,701
Geological consulting	29,789	-	-	-	-	-	-	29,789
Geophysics and exploration	2,800	-	-	-	-	-	-	2,800
Labour and supervision	4,096	-	-	-	-	-	4,096	8,192
Travel	12,238	-	-	-	-	-	-	12,238
Balance, September 30, 2018	2,226,468	-	-	-	-	-	4,096	2,230,564
Total, September 30, 2018	7,113,933	370,891	105,969	20,000	15,000	741,240	4,096	8,371,129

## SELECTED ANNUAL FINANCIAL INFORMATION

Fiscal Year	2019	2018	2017
Operating expenses	\$ 397,882	\$ 223,113	\$ 477,304
Loss from operations	397,882	223,113	477,304
Net loss for the year	1,396,138	1,508,770	475,275
Loss per share – basic and diluted	0.03	0.07	0.02
Total assets	8,050,327	3,895,761	3,719,600
Total liabilities	223,326	1,788,302	153,584

## RESULTS OF OPERATIONS

### Three months ended September 30, 2019 compared to three month ended September 30, 2018

Total operating expenses were \$19,751 for the three months ended September 30, 2019 compared to \$98,448 in the comparative period, a decrease of \$13,590. The main reason for the change was a \$41,927 decrease in share-based payments related to the stock options granted or vesting during the three months ended September 30, 2019. The share-based payment (recovery) of \$31,602 recorded during the three months ended September 30, 2019, was a result of revised expectations as to the number of options that will vest, due to the subsequent resignation of the Chief Executive Officer. There was a \$12,956 decrease in transfer agent and filing fees and \$30,741 decrease in shareholder information expenses compared to the comparative period, due to the increased costs of the Adventus/Altius transaction work that occurred in the comparative period.

## SUMMARY OF QUARTERLY RESULTS

The following table sets out selected quarterly results of the Company for the eight quarters prior to the effective date of this report. The information contained herein is drawn from the audited annual financial statements and unaudited interim financial statements of the Company.

Calendar Year	2019	2019	2019	2018
Quarter	September 30,	June 30,	March 31,	December 31,
Revenue	\$nil	\$nil	\$nil	\$nil
Working capital (deficiency)	(100,211)	42,263	142,293	482,338
Interest in exploration properties and deferred exploration and evaluation expenditures	7,903,971	7,782,148	8,917,232	8,681,878
Expenses	19,751	53,456	114,096	131,882
Net income (loss)	10,822	(1,117,091)	(142,717)	(37,882)
Net income (loss) per share <sup>(1)</sup>	0.00	(0.03)	(0.00)	(0.00)

Calendar Year	2018	2018	2018	2017
Quarter	September 30,	June 30,	March 31,	December 31,
Revenue	\$nil	\$nil	\$nil	\$nil
Working capital	888,272	(157,079)	27,257	113,058
Interest in exploration properties and deferred exploration and evaluation expenditures	8,371,129	2,190,045	3,360,608	3,337,893
Expenses	98,448	48,640	56,579	64,103
Net (loss)	(98,448)	(1,319,710)	(72,544)	(62,725)
Net (loss) per share <sup>(1)</sup>	(0.00)	(0.07)	(0.00)	(0.00)

Notes:

- (1) Net income (loss) per share on a diluted basis is the same as basic net income (loss) per share, as all factors, which were considered in the calculation, are anti-dilutive.

## RELATED PARTY TRANSACTIONS

During the three months ended September 30, 2018, the Company incurred \$nil (three months ended September 30, 2017 - \$5,209) for rent charged by a corporation of which two directors of the Company serve as the Chairman of the Board and a director.

The remuneration of directors and key management during the three months ended September 30, 2019 and 2018 were as follows:

	2019	2018
	\$	\$
Short-term benefits	30,000	16,385
Share-based payments (recovery)	(36,584)	9,531
	<u>(6,584)</u>	<u>25,916</u>

During the three months ended September 30, 2019, \$12,000 (three months ended September 30, 2018 - \$8,192) of short-term benefits was capitalized as deferred exploration expenditures and \$18,000 (three months ended September 30, 2018 - \$8,193) was included in management fees. The share-based payments (recovery) amount of \$36,584 reported during the three months ended September 30, 2019, was a result of changes the number of options granted to the Chief Executive Officer that are expected to vest. As of September 30, 2019, the Company owed a key management personnel \$nil (June 30, 2019 - \$27,077) and the amount was included in accounts payable and accrued liabilities. Subsequent to September 30, 2019, the Chief Executive Officer of the Company resigned and is entitled to receive a termination payment of \$30,000.

During the three months ended September 30, 2019, the Company incurred \$nil (three months ended September 30, 2018 - \$81,449) for professional fees and \$nil (three months ended September 30, 2018 - \$81,449) for share issue costs charged by Peterson McVicar LLP, a law firm of which a director is a partner. As at September 30, 2019, \$32,231 was due from this law firm (June 30, 2019 - \$32,231 payable to this law firm). This amount is unsecured, non-interest bearing and due on demand. The amount was included in accounts payable and accrued liabilities

During the three months ended September 30, 2019, the Company incurred \$1,505 (three months ended September 30, 2018 - \$3,759) for rent to a significant shareholder of the Company. As at September 30, 2019, \$nil was payable to this shareholder (June 30, 2019 - \$nil) and this amount was included in accounts payable and accrued liabilities.

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including directors (executive or non-executive) of the Company.

As at September 30, 2019, the directors of the Company together control 1,271,569 common shares or approximately 3% of the total common shares outstanding. A corporate investor controls 17,336,339 common shares, or approximately 39% of the total common shares outstanding. Another corporate investor who owns 26.6% of the corporate investor, also owns 2,419,024 common shares of Canstar. To the knowledge of directors and officers of Canstar, the remainder of the Company's outstanding common shares are widely held.

### **LIQUIDITY**

As at September 30, 2019, the Company had working capital deficiency of \$(100,211) compared to working capital of \$42,263 at June 30, 2019. The Company has no revenue from operations and is dependent on financings for working capital.

The Company's operating costs are expected to remain approximately the same during the remainder of fiscal 2019, while exploration costs will depend on the exploration program budget as approved by the directors.

### **WORKING CAPITAL RESOURCES**

Additional financings will be required to fund future exploration and for working capital purposes.

Most of the Company's requirements for capital to maintain its ownership level in its properties, as well as pay for exploration expenditures and administrative expenses have been met through the completion of private placements and the exercise of stock options and warrants. Typically, these monies have come from institutional and high net worth investors and the amounts raised have been a function of the level of market interest in the junior resource industry as well as the general level of interest in the equity and mineral commodity markets. The Company will have to rely on further equity financings in order to maintain an adequate liquidity base with which to support its general operations and exploration and development mandate.

The mineral exploration business is risky and most exploration projects will not become mines. The Company may offer other mining companies the opportunity to acquire interests in any of its properties in return for funding by such companies of all or part of the exploration and development of such properties. For the funding of any property acquisitions or exploration conducted by the Company, the Company depends on the issue of shares from treasury to investors. Such financing will depend, in turn, on various factors, such as a positive mineral exploration climate, positive stock market conditions, the Company's track record and the experience of management. If such financing is unavailable for any reason, the Company may become unable to retain its mineral interests and carry out its business plan.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company does not have any off-balance sheet arrangements.

### **PROPOSED TRANSACTIONS**

There are no proposed acquisitions or dispositions being contemplated by the Company as at the date of this report.

### **CRITICAL ACCOUNTING ESTIMATES**

Critical accounting estimates used in the preparation of the financial statements include the Company's estimate of the recoverable value of its mineral properties and related deferred exploration and evaluation expenditures, as well as the value of stock-based compensation. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The factors affecting stock-based compensation include estimates of when stock options and compensation warrants might be exercised and stock price volatility. The timing for exercise of options is out of the Company's control and will depend on a variety of factors, including the market value of the Company's shares and financial objectives of the share-based instrument holders. The Company used historical data to determine volatility in accordance with the Black-Scholes option pricing model. However, the future volatility is uncertain and the model has its limitations.

The Company's recoverability of its recorded value of its mineral properties and associated deferred exploration and evaluation expenses is based on current market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company operates in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, and the ability of the Company to obtain necessary financing to complete the development, and future profitable production or the proceeds of disposition thereof.

### **FUTURE ACCOUNTING CHANGES**

The Company has not yet adopted certain new IFRS standards, amendments and interpretations to existing standards, which have been published but are only effective in future periods. The Company does not currently expect the adoption of these new IFRS standards to have a material impact on its financial statements.

### **CHANGE IN ACCOUNTING POLICIES**

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for the Company's annual period beginning on July 1, 2019. There was no material impact on the Company's financial statements on adoption of this standard.

IFRIC 23 - Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax

filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRS 16 is effective for the Company's annual period beginning on July 1, 2019. There was no material impact on the Company's financial statements on adoption of this standard.

## **COMMITMENTS AND CONTINGENCIES**

### *Environmental Contingencies*

The Company's mining and exploration activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

### *Flow-Through Commitment*

As at September 30, 2019, pursuant to the issuance of 2,500,000 flow-through share receipts on April 17, 2018 (see Note(6(b))), which were converted to flow-through shares of the Company in July 2018, the Company is required to incur qualifying expenditures of approximately \$206,000 by December 31, 2019. The Company has indemnified the subscribers for any tax related amounts that become payable by the subscriber as a result of the Company not meeting its expenditure commitments.

## **FINANCIAL INSTRUMENTS**

The Company's activities expose it to a variety of financial risks: liquidity risk, market risk (including interest rate, foreign exchange rate and price risk) and credit risk.

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

### **Credit risk**

The Company's credit risk is primarily attributable to cash and cash equivalents and receivables included in amounts receivable and prepaid expenses. The Company has no significant concentration of credit risk arising from operations. Financial instruments included in amounts receivable and prepaid expenses consist of goods and services tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable and prepaid expenses is remote.

### **Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2019, the Company had a cash and cash equivalents balance of \$65,115 (June 30, 2019 - \$246,361) to settle current liabilities of \$132,886 (June 30, 2019 - \$141,326). The Company's ability to continue operations and fund its exploration property expenditures is dependent on management's ability to secure additional financing. Management is continuing to pursue various financing initiatives in order to provide sufficient cash flow to finance operations as well as funding its exploration expenditures. The Company's financial liabilities generally have contractual maturities of less than 30 days and are subject to normal trade terms.

### **Interest rate risk**

The Company has cash, cash equivalents and short-term investment balances subject to interest. Management does not believe the Company is exposed to significant interest rate risk.

### **Foreign currency risk**

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is not exposed to foreign exchange risk.

## **Price risk**

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

## **Sensitivity analysis**

Based on management's knowledge and experience in the financial markets, the Company believes the following movements are "reasonably possible" over a twelve-month period:

Cash, cash equivalents and short-term investments are invested with a Canadian chartered bank or a financial institution controlled by a Canadian chartered bank. Sensitivity to a plus or minus 1% change in rates, based on the balance of cash, cash equivalents and short-term investments at September 30, 2019, would affect the net income by plus or minus \$9,000 during a twelve-month period.

The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

## **CAPITAL MANAGEMENT**

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. The Company considers its capital to be equity, which is comprised of capital stock, share purchase warrants, broker compensation warrants, contributed surplus and deficit.

The properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration programs and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

- (i) maintaining a liquidity cushion in order to address any potential disruptions or industry downturns;
- (ii) minimizing discretionary disbursements;
- (iii) reducing or eliminating exploration expenditures that are of limited strategic value; and
- (iv) exploring alternative sources of liquidity.

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if the Company believes there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

The Company is not subject to any capital requirements imposed by a regulator or lending institution body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. The current capital resources are not currently sufficient to discharge its liabilities as at September 30, 2019. The Company will, in all likelihood, raise capital by public or private placements in fiscal 2020 for any future exploration.

## **SHARE CAPITAL**

### *Common shares*

There were no common shares issued during the three months ended September 30, 2019.

### Stock options

On September 4, 2018, the Company granted 1,300,000 options to purchase common shares of the Company to an officer and a consultant at an exercise price of \$0.30 per share, expiring on September 4, 2023. The options vest as to 1/3 on each of the first, second and third anniversaries of the grant date. Of these options, 1,200,000 expired, unexercised, subsequent to September 30, 2019.

The total value of share-based payments for the three months ended September 30, 2019 was a recovery of \$31,602 (2018 – expense of \$20,325).

Stock options outstanding for the Company at the date of this MD&A were as follows:

Options Granted	Exercisable Options	Exercise Price	Expiry Date
#	#	\$	
330,000	330,000	0.25	December 11, 2019
387,500	387,500	0.55	January 3, 2022
100,000	-	0.30	January 15, 2022
40,000	40,000	0.25	January 12, 2023
100,000	33,333	0.30	September 4, 2023
957,500	790,833	0.34	

### Warrants

Warrants outstanding for the Company at the date of this MD&A were as follows:

Number of Warrants	Exercise Price	Expiry Date
#	\$	
150,840	0.30	April 17, 2020
150,840	0.30	

### **RISKS AND UNCERTAINTIES**

*An investment in the securities of the Company is highly speculative and involves numerous and significant risks and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors described below.*

- *Exploration Stage Company and Exploration Risks*

The Company is a junior resource company focused primarily on the acquisition and exploration of mineral properties located in Canada. The properties of the Company have no established reserves. There is no assurance that any of the projects can be mined profitably. Accordingly, it is not assured that the Company will realize any profits in the short to medium term, if at all. Any profitability in the future from the business of the Company will be dependent upon developing and commercially mining an economic deposit of minerals, which in itself is subject to numerous risk factors. The exploration and development of mineral deposits involve a high degree of financial risk over a significant period of time that even a combination of management's careful evaluation, experience and knowledge may not eliminate. While discovery of ore-bearing structures may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration, development and production programs of the Company will result in profitable commercial mining operations. The profitability of the Company's operations will be, in part, directly related to the cost and success of its exploration and development programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves that are sufficient to commercially mine some of the Company's properties and to construct complete and install mining and processing facilities on those properties that are actually mined and developed.

- *No History of Profitability*

The Company is a development stage company with no history of profitability. There can be no assurance that the operations of the Company will be profitable in the future. The Company has limited financial resources and will require additional financing to further explore, develop, acquire, retain and engage in commercial production on its property interests and, if financing is unavailable for any reason, the Company may become unable to acquire and retain its mineral concessions and carry out its business plan.

- *Government Regulations*

The Company's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labor standards. In order for the Company to carry out its mining activities, its exploitation must be kept current. There is no guarantee that the Company's exploitation will be extended or that new exploitation will be granted. In addition, such exploitation could be changed and there can be no assurances that any application to renew any existing will be approved. The Company may be required to contribute to the cost of providing the required infrastructure to facilitate the development of its properties. The Company will also have to obtain and comply with permits and that may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Company will be able to comply with any such conditions.

- *Market Fluctuation and Commercial Quantities*

The market for minerals is influenced by many factors beyond the control of the Company such as changing production costs, the supply and demand for minerals, the rate of inflation, the inventory of mineral producing companies, the international economic and political environment, changes in international investment patterns, global or regional consumption patterns, costs of substitutes, currency availability and exchange rates, interest rates, speculative activities in connection with minerals, and increased production due to improved mining and production methods. The metals industry in general is intensely competitive and there is no assurance that, even if commercial quantities and qualities of metals are discovered, a market will exist for the profitable sale of such metals. Commercial viability of precious and base metals and other mineral deposits may be affected by other factors that are beyond the Company's control including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure and the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions, exchange controls, restrictions on production, as well as environmental protection. It is impossible to assess with certainty the impact of various factors that may affect commercial viability so that any adverse combination of such factors may result in the Company not receiving an adequate return on invested capital.

- *Mining Risks and Insurance*

The Company is subject to risks normally encountered in the mining industry, such as unusual or unexpected geological formations, cave-ins or flooding. The Company may become subject to liability for pollution, damage to life or property and other hazards of mineral exploration against which it or the operator if its exploration programs cannot insure or against which it or such operator may elect not to insure because of high premium costs or other reasons. Payment of such liabilities would reduce funds available for acquisition of mineral prospects or exploration and development and would have a material adverse effect on the financial position of the Company.

- *Environmental Protection*

The mining and mineral processing industries are subject to extensive governmental regulations for the protection of the environment, including regulations relating to air and water quality, mine reclamation, solid and hazardous waste handling and disposal and the promotion of occupational health and safety, which may adversely affect the Company or require it to expend significant funds.

- *Capital Investment*

The ability of the Company to continue exploration and development of its property interests will be dependent upon its ability to raise significant additional financing. There is no assurance that adequate financing will be available to the Company or that the terms of such financing will be. Should the Company not be able to obtain such financing, its properties may be lost entirely.

- *Conflicts of Interest*

Certain of the directors and officers of the Company may also serve as directors and officers of other companies involved in base and precious metal exploration and development and consequently, the possibility of conflict exists. Any decisions

made by such directors involving the Company will be made in accordance with the duties and obligations of directors to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matters in which they may have a conflict of interest.

- *Current Global Financial Conditions*

Current global financial conditions have been characterized by increased volatility, declining liquidity and the exit of a number of traditional investors from public markets. Access to public financing has been made more challenging by a global contraction of commercial and consumer credit markets. The ensuing decline in consumption has led to a marked erosion of investor confidence and risk tolerance. A major consequence/contributor to these factors may be seen in the unparalleled number of established financial institutions facing involuntary corporate reorganization, insolvency, bankruptcy and/or governmental intervention. While the most sensational of the corporate casualties have occurred in the United States, the global nature of today's economic reality has left no interrelated public market unscathed. These factors may affect the ability of the Company to obtain equity or debt financing in the future on terms favorable to the Company or at all. Any or all of these economic factors, as well as other factors not specifically identified herein, may cause a decline in asset values that could be deemed to be other than temporary, resulting in impairment losses. If such conditions continue, the Company's operations could be negatively impacted, and the trading price of its common shares may be adversely affected.

Securities of mining and mineral exploration companies, including the common shares of the Company, have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in Canada and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of the Company is also significantly affected by short-term changes in commodity prices, base and precious metal prices or other mineral prices, currency exchange fluctuation and the political environment in the countries in which the Company does business.

#### **DISCLOSURE OF INTERNAL CONTROLS**

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited annual financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited annual financial statements and (ii) the audited annual financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the years presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

#### **DISCLOSURE OF OUTSTANDING SHARE DATA (AS AT NOVEMBER 28, 2019)**

The Company's authorized capital consists of an unlimited number of common shares without par value, of which 44,500,473 are issued and outstanding as of the date of this MD&A. On a fully diluted basis the Company has 45,608,813 common shares outstanding assuming the exercise of 957,500 outstanding stock options and 150,840 warrants.

**APPROVAL**

The Board of Directors of the Company has approved the disclosure contained in the Management Discussion and Analysis. A copy of this report will be provided to anyone who requests it.

**OTHER MATTERS**

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.canstarresources.com](http://www.canstarresources.com).