

## **CANSTAR RESOURCES INC.**

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

#### **FOR THE YEAR ENDED JUNE 30, 2017**

##### **INTRODUCTION**

*This Management Discussion and Analysis ("MD&A") should be read in conjunction with the annual financial statements of Canstar Resources Inc. (the "Company" or "Canstar") for the year ended June 30, 2017, and the annual financial statements for the year ended June 30, 2016 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 October 13, 2017.*

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 held in fiscal 2017, which are or were 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  |
|---|------------------------------|---|
| The Mary March Property, comprised of 92 staked claims, 5 licenses, 1 lease and 2 patented lots, totaling 4,129 hectares, located approximately 20 kilometres east of the past producing Buchans mine, near Buchans Junction, Newfoundland.   | Zinc-silver-lead-copper-gold | 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.  |
| The Mary March Extension Property (formerly the XMET Option Property) was acquired on April 7, 2009 and is comprised of 34 claims staked in two contiguous blocks. The property is located immediately west and north of the Mary March property and may cover the extension of the geological horizon hosting the Mary March base and precious metal mineralization. | Zinc-silver-lead copper-gold | The 34 claims acquired by staking on April 7, 2009 are 100% owned by the Company, and not part of the Glencore joint venture.   |
| 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.   | Copper-gold-silver           | 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.   |
| The Kenora Gold Project, 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). |

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 a single non-core property, 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         |

**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 2016, 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 Mary March Property**

The Company earned a 50% interest in the property. The Company has earned this 50% interest in the Mary March property 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 property 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.

The Mary March Property is comprised of 92 staked claims, 5 licenses, 1 lease and 2 patented lots totaling 4,129 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 Property 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 recently completed an additional drilling program.

Mary March Property can be divided into two primary areas of exploration based on historic exploration as defined by areas where mineralization occurs and is separated by geological formations. To date, the Company defines the Mary March target and the Nancy April target as distinct areas and are separated by 400 meter distance between rock formations. MM13-29 and MM13-30 were designed to target the Mary March targets, and MM13-31 was designed to test the Nancy April target. Each area is described in the following sections.

#### 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          |

#### Nancy April Zone

A key development to the drilling results reports 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. Figure 2 shows the chargeability map over the Nancy April area.

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 1724 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:

| <b>BHID</b>  | <b>From</b> | <b>To</b> | <b>Length</b> | <b>Zn%</b> | <b>Cu%</b> | <b>Pb%</b> | <b>Ag<br/>ppm</b> | <b>Au<br/>ppm</b> |
|--------------|-------------|-----------|---------------|------------|------------|------------|-------------------|-------------------|
| 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              |

### ***Kenora Property***

The Kenora Gold Project represents four separate properties made up of 283 units for an area of 6,182 hectares. The properties are situated in the Wabigoon sub-province, and located approximately 20 km east of the Town of Kenora.

Results of the August 2016 mapping and geophysical induced polarization (“IP”) program confirms that several of these anomalies are associated with gold showings including the chief prospect on the Aviator trend known as the Ace Showing. The drill program will focus on further testing the efficacy of the IP results as a benchmark for future exploration on the project, as well as test some of the key zones identified through mapping and prospecting.

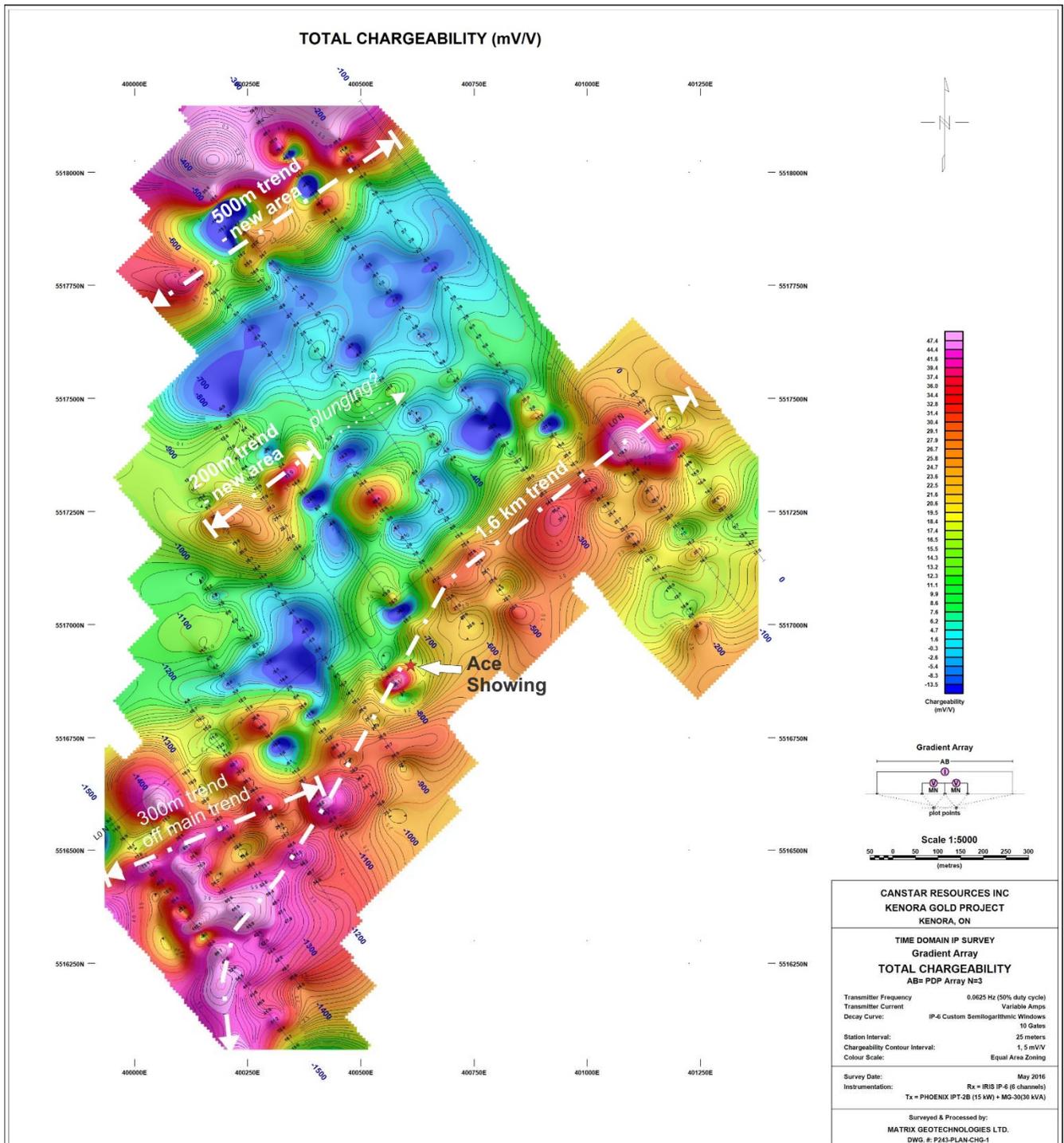


Figure 3. Colour contoured chargeability map for induced polarization survey showing observed trends

The

The Ace Showing on the Aviator trend has been trenched as has the Westin Showing on the Westin Trend. Both areas returned significant results and confirmed the presence of extensive and high-grade gold mineralized systems, including a 29.3 meter section (true width) averaging 3.1 g/t at surface over the Ace showing and two samples returning greater than 10 g/t gold on the Westin trend. Results from the Ace Showing followed up on the discovery of an 18.3 meter channel sample discovered in 2015 (see news release dated December 3rd, 2015). At the time, the length of this sample was limited by a lack of outcrop exposure. The latest trenching has allowed for greater exposure, and the Company has extended this channel to either side and are hoping these widths can be duplicated or extended with future exploration.

In January and February of 2016 the Company completed a 1,062-meter diamond drilling program testing a number of induced polarization and geological targets on the property. This first phase of drilling focused on targets located in proximal strike distance to the Ace Showing, along the structural trend identified as containing gold mineralization. A number of notable results from this program include:

- 0.5 g/t gold over 22.0 meters in KG-17-08 located 146 meters northeast of the Company's Ace Showing, including 1.0 g/t gold over 3.0 meters;
- 11.0 meters of 0.3 g/t gold from 109 to 120 meters (KG-17-01)
- 3.2 meters of 0.3 g/t gold from 74 to 77.2 meters (KG-17-01)

The depth-to-top of these zones are 77 meters for deeper zone and 63 meters for the shallower zone. The deeper of the two zones does not occur directly under the vertically dipping Ace Showing but rather 20 meters to the east of the showing. This may suggest the mineralization is dipping eastward and oblique to the stratigraphy or may represent an entirely new zone.

Results from the drilling program are tabulated below:

***Phase 1 drilling results for the Kenora Gold Project***

| Hole ID | Azimuth | Dip | From     | To     | Core Length | Gold (g/t) |     |
|---------|---------|-----|----------|--------|-------------|------------|-----|
| KG17-01 | 125     | -45 | 35.4     | 36.5   | 1.1         | 0.4        |     |
|         |         |     | 74.0     | 77.2   | 3.2         | 0.3        |     |
|         |         |     | 109.0    | 120.0  | 11.0        | 0.3        |     |
| KG17-02 | 145     | -45 | 48.0     | 50.0   | 2.0         | 0.3        |     |
|         |         |     | 80.0     | 81.0   | 1.0         | 0.5        |     |
| KG17-03 | 160     | -45 | 75.0     | 77.1   | 2.1         | 1.2        |     |
|         |         |     | 88.2     | 89.3   | 1.1         | 1.0        |     |
|         |         |     | 158.80   | 160.10 | 1.3         | 0.6        |     |
| KG17-04 | 117     | -45 | 52.4     | 53.0   | 0.6         | 0.3        |     |
|         |         |     | 82.0     | 83.0   | 1.0         | 0.3        |     |
|         |         |     | 84.0     | 85.0   | 1.0         | 0.4        |     |
| KG17-05 | 130     | -45 | 110.0    | 111.0  | 1.0         | 0.4        |     |
|         |         |     | 115.8    | 117.2  | 1.4         | 0.4        |     |
|         |         |     | 128.3    | 128.8  | 0.5         | 1.7        |     |
|         |         |     | 134.0    | 134.3  | 0.3         | 1.6        |     |
|         |         |     | 159.0    | 160.0  | 1.0         | 0.4        |     |
| KG17-06 | 305     | -45 |          |        |             | NSV        |     |
| KG17-07 | 310     | -45 |          |        |             | NSV        |     |
| KG17-08 | 310     | -64 | 43.0     | 65.0   | 22.0        | 0.5        |     |
|         |         |     | ...Incl. | 43.0   | 53.9        | 10.9       | 0.6 |
|         |         |     | ...Incl. | 58.0   | 65.0        | 7.0        | 0.7 |

|          |      |      |     |     |
|----------|------|------|-----|-----|
| ...Incl. | 62.0 | 65.0 | 3.0 | 1.0 |
|----------|------|------|-----|-----|

Over the summer of 2017 the Company completed a second phase of drilling. The program comprised of 11 drillholes testing geological targets as well as geophysical targets. Geological targets were derived through a series of trenching programs completed over the Spring of 2017. Geophysical targets were prioritized from the existing IP survey described above. The Company was able to access the Ace Showing in this program. The results for this drilling are pending and will be announced upon receipt.

The Kenora Gold Project represents an area of historic mining during the 19th and early 20th century, and has seen little exploration since that time. During its time of production, the area accounted for 55% of gold production in Ontario. Geologically the properties occur near the boundary of the English River and Wabigoon subprovinces. Gold occurrences on the Project are typically high-grade and associated with regionally extensive shear zones, as well as dilational breccias. Historic production in the area reports gold values ranging from 56 g/t to 186 g/t. Very little modern exploration has been conducted on the project and Management feels there is strong potential for the area to host numerous, significant deposits. Many of the reported occurrences occur along the same structure, demonstrating potential mineralization over several kilometers. In December 2016 the Company announced it would engage in a drilling program to be completed in Winter of 2017.

Canstar earned a 100% interest in the Kenora Project by making cash payments totalling \$18,200 over a two year term (paid in 2014 and 2015), and issuing 200,000 common shares upon the second anniversary (issued in 2016). The Optionors will maintain a 3% net smelter royalty ('NSR'), subject to a buy-back right of \$1,000,000 for the first 1.5% and \$3,000,000 for the remaining 1.5%, which would reduce the NSR to 0%. The agreement was subject to regulatory approval.

### ***The Slate Bay Property***

The Slate Bay property is comprised of 8 contiguous, patented claims covering 128 hectares and located about 10 kilometres north of the town of Red Lake, Ontario, within the productive Red Lake greenstone belt. In November 2005, the Company met all of the expenditure requirements to earn its 75% interest in the property and advised Luxor that it wished to establish a joint venture to further explore and develop the property. Under the terms of the agreement, the Company will act as manager of the joint venture.

In 2001 the Company completed detailed ground magnetic and IP surveys over the property and a 5-hole drill program testing a number of IP anomalies. The first hole intersected a 69.33 metre interval of Cu-Au-Ag mineralized breccia. Additional IP surveying in 2003 identified the faulted extension of the chargeability anomaly related to the mineralized zone and extended its total length to 1,000 metres. On September 20, 2005, a program of follow-up drilling consisting of four holes totaling 641 metres intersected a large copper-gold-silver mineralized skarn system, which is believed to have potential for continuity both laterally and to depth, with grades running to a high of 7.2 g/t gold, 5.81% copper and 183 g/t silver over narrow intervals within considerably longer sections of lower grade material.

In September 2008, the Company completed a further six holes on the property testing the skarn system at depth and along strike. The mineralized zone was intersected at an additional 50 metres depth and 100m along strike to the northeast of previous drilling. Analytical results confirm that the mineralization extends to depth and along strike, and is similar to previous results. \$214,971 in expenditures was written down on the property during the year ended June 30, 2009. The Slate Bay property is currently being reviewed, and the Company is open to potential joint venture or option.

|                                   | Mary March<br>Property<br>Mary March<br>Property<br>\$ | Kenora<br>Property<br>Kenora<br>Property<br>\$ | Total<br>Total<br>\$ |
|-----------------------------------|--|--|----------------------|
| <b>PROPERTY ACQUISITION COSTS</b> |  |  |                      |
| Balance, June 30, 2015            | \$ 65,884  | \$ 18,200                                      | \$ 84,084            |
| Incurring                         | -  | 8,000  | 8,000                |
| <b>Balance, June 30, 2016</b>     | <b>\$ 65,884</b>                                       | <b>\$ 26,200</b>                               | <b>\$ 92,084</b>     |

#### DEFERRED EXPLORATION COSTS

|                               |                     |                   |                     |
|-------------------------------|---------------------|-------------------|---------------------|
| Balance, June 30, 2015        |                     |                   |                     |
| Access                        | \$ 1,969,866        | \$ 77,779         | \$ 2,047,645        |
| Assaying                      | 8,124               | 79,289            | 87,413              |
| Field supplies                | -                   | 24,966            | 24,966              |
| Geological consulting         | -                   | 60,550            | 60,550              |
| Geophysics and exploration    | -                   | 64,125            | 64,125              |
| Geophysics surveys            | 9,100               | -                 | 9,100               |
| Labour and supervision        | -                   | 83,294            | 83,294              |
| Travel                        | -                   | 60,710            | 60,710              |
| Access                        | -                   | 43,339            | 43,339              |
| <b>Balance, June 30, 2016</b> | <b>1,987,090</b>    | <b>494,052</b>    | <b>2,481,142</b>    |
| <b>Total, June 30, 2016</b>   | <b>\$ 2,052,974</b> | <b>\$ 520,252</b> | <b>\$ 2,573,226</b> |

|                                   | Mary March<br>Property<br>\$ | Kenora<br>Property<br>\$ | Total<br>\$      |
|-----------------------------------|------------------------------|--------------------------|------------------|
| <b>PROPERTY ACQUISITION COSTS</b> |                              |                          |                  |
| Balance, June 30, 2016            | \$ 65,884                    | \$ 26,200                | \$ 92,084        |
| Common shares issued              | -                            | -                        | -                |
| <b>Balance, June 30, 2017</b>     | <b>\$ 65,884</b>             | <b>\$ 26,200</b>         | <b>\$ 92,084</b> |

#### DEFERRED EXPLORATION COSTS

|                               |                    |                  |                    |
|-------------------------------|--------------------|------------------|--------------------|
| Balance, June 30, 2016        | \$ 1,987,090       | \$ 494,052       | \$ 2,481,142       |
| Access                        | 294                | 11,241           | 11,535             |
| Assaying                      | -                  | 41,038           | 41,038             |
| Drilling                      | -                  | 64,181           | 64,181             |
| Field supplies                | 70                 | 40,090           | 40,160             |
| Geological consulting         | -                  | 96,405           | 96,405             |
| Geophysics and exploration    | 6,300              | -                | 6,300              |
| Geophysics surveys            | -                  | 5,893            | 5,893              |
| Labour and supervision        | -                  | 82,906           | 82,906             |
| Travel                        | -                  | 47,250           | 47,250             |
| <b>Balance, June 30, 2017</b> | <b>1,993,754</b>   | <b>883,056</b>   | <b>2,876,810</b>   |
| <b>Total, June 30, 2017</b>   | <b>\$2,059,638</b> | <b>\$909,256</b> | <b>\$2,968,894</b> |

## SELECTED ANNUAL FINANCIAL INFORMATION

| Fiscal Year                        | 2017      | 2016      | 2015      |
|------------------------------------|-----------|-----------|-----------|
| Operating expenses                 | \$477,304 | \$271,928 | \$278,735 |
| Loss from operations               | 477,304   | 271,928   | 278,735   |
| Net loss for the year              | 475,275   | 241,811   | 272,005   |
| Loss per share – basic and diluted | 0.00      | 0.00      | 0.00      |
| Total assets                       | 3,719,600 | 2,928,772 | 2,595,647 |
| Total liabilities                  | 153,584   | 95,313    | 84,006    |

## RESULTS OF OPERATIONS

### Three months ended June 30, 2017 compared to three month ended June 30, 2016

Total operating expenses were \$30,255 for the three months ended June 30, 2017 compared to \$48,620 in the comparative period, a decrease of \$18,365. Net loss for the three months ended June 30, 2017 was \$28,226 compared to \$48,620, a decrease of \$20,394. The main reasons for the change was a \$36,025 reduction in the allocation of management fees to operating expenses in the three months ended June 30, 2017 compared to the three months ended June 30, 2016, as a result of more exploration undertaken by management during the three months ended June 30, 2017.

### Year ended June 30, 2017 compared to year ended June 30, 2016

The net loss for the year ended June 30, 2017 was \$475,275 compared to \$241,811 for the year ended June 30, 2016. Expenses increased by \$205,376. The major increases were in share-based payments (increase of \$159,300 as a result of stock options valued at \$212,850 granted to certain directors and officers on January 3, 2017) and an increase of \$28,758 in transfer agent and filing fees, mainly due to the additional costs related to the share consolidation and subsequent stock split in 2017.

## SUMMARY OF QUARTERLY RESULTS <sup>(1)</sup>

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   | 2017      | 2017      | 2016         | 2016      |
|---|-----------|-----------|--------------|-----------|
| Quarter   | June 30,  | March 31, | December 31, | September |
| Revenue   | \$nil     | \$nil     | \$nil        | \$nil     |
| Working capital   | 595,956   | 745,467   | 1,011,273    | 1,186,128 |
| Interest in exploration properties and deferred exploration and evaluation expenditures | 2,968,894 | 2,846,344 | 2,684,672    | 2,609,323 |
| Expenses  | 30,255    | 319,694   | 65,581       | 61,774    |
| Net loss  | 28,226    | 319,694   | 65,581       | 61,774    |
| Net loss per share <sup>(1)</sup>   | 0.00      | 0.00      | 0.00         | 0.00      |

| Calendar Year   | 2016      | 2016      | 2015         | 2015      |
|---|-----------|-----------|--------------|-----------|
| Quarter   | June 30,  | March 31, | December 31, | September |
| Revenue   | \$nil     | \$nil     | \$nil        | \$nil     |
| Working capital   | 258,776   | 397,162   | 522,478      | 281,386   |
| Interest in exploration properties and deferred exploration and evaluation expenditures | 2,573,226 | 2,319,238 | 2,208,393    | 2,177,346 |
| Expenses  | 48,620    | 46,543    | 108,397      | 68,368    |
| Net loss  | 48,620    | 22,562    | 102,261      | 68,368    |
| Net loss per share <sup>(1)</sup>   | 0.00      | 0.00      | 0.00         | 0.00      |

Notes:

(1) Net loss per share on a diluted basis is the same as basic net loss per share, as all factors which were considered

in the calculation are anti-dilutive.

### **RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2017, the Company incurred \$20,838 (2016 - \$20,838) for rent charged by a corporation of which the Chairman of the Board and the President are directors of the Company.

The remuneration of directors and key management during the years ended June 30, 2017 and 2016 were as follows:

|                         | 2017           | 2016           |
|-------------------------|----------------|----------------|
|                         | \$             | \$             |
| Short-term benefits (i) | 135,923        | 103,794        |
| Share-based payments    | 193,500        | 53,550         |
|                         | <u>329,423</u> | <u>157,344</u> |

- (i) During the year ended June 30, 2017, \$78,406 (2016 - \$50,000) of short-term benefits was capitalized as deferred exploration expenditures and \$57,517 (2016 - \$53,794) was included in management fees.

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.

During the year ended June 30, 2017, the Company incurred \$27,038 (2016 - \$22,500) for professional fees charged by Peterson McVicar LLP, a law firm of which a director is a partner. Of this amount, \$8,508 (2016 - \$12,154) has been included in share issue costs in relation to these fees.

During the year ended June 30, 2016, officers and directors of the Company acquired 1,283,333 units of the private placement for gross proceeds of \$77,000.

### **LIQUIDITY**

As at June 30, 2017, the Company had working capital of \$595,956 compared to a working capital of \$258,776 at June 30, 2016. 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 calendar 2017, 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 exploration 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 exploration 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. These include:

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 3. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IAS 12 – Income Taxes (“IAS 12”) was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

## **Change in accounting policies**

IFRS 11 – Joint Arrangements (“IFRS 11”) was amended in May 2014 to require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. At July 1, 2016, the Company adopted this standard and there was no material impact on the Company's financial statements.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure,

materiality considerations do apply. At July 1, 2016, the Company adopted this standard and there was no material impact on the Company's financial statements.

## **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.

## **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 June 30, 2017, the Company had a cash and cash equivalents balance of \$718,075 (2016 - \$214,898) to settle current liabilities of \$153,584 (2016 - \$95,313). 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. Fair value

## **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 June 30, 2017, would affect the net loss by plus or minus \$7,100 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 Company expects that its current capital resources are sufficient to discharge its liabilities as at June 30, 2017. The Company will, in all likelihood, raise capital by public or private placements in fiscal 2017 for any future exploration.

## **SHARE CAPITAL**

Pursuant to a resolution approved at the 2012 AGM and approved by the TSX, the Company's stock option plan limit is a maximum issuance of 15,000,000 shares.

On January 3, 2017, the Company granted 2,475,000 stock options to certain directors, officers and consultants of the Company. Each stock option allows the holder to acquire one common share of the Company at an exercise price of \$0.11 for a period of 5 years. A grant date fair value of \$212,850 was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions: expected dividend yield of 0%; risk free interest rate of

1.14%; expected life of 5 years; and an expected volatility of 108% based on the Company's historical trading data. The options vested immediately on issuance.

The total value of share-based payments for the year ended June 30, 2017 was \$212,850, (2016 - \$53,550).

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

| Options<br>Granted | Exercisable<br>Options | Exercise Price | Expiry Date       |
|--------------------|------------------------|----------------|-------------------|
| #                  | #                      | \$             |                   |
| 500,000            | 500,000                | 0.10           | May 1, 2018       |
| 100,000            | 100,000                | 0.10           | July 17, 2018     |
| 2,450,000          | 2,450,000              | 0.05           | December 11, 2019 |
| 2,475,000          | 2,475,000              | 0.11           | January 3, 2022   |
| <u>5,525,000</u>   | <u>5,525,000</u>       |                |                   |

The weighted average exercise price of exercisable options as at June 30, 2017 was \$0.08 (2016 - \$0.12).

On December 23, 2015 and December 29 2015, the Company completed two tranches of a non-brokered private placement financing comprising an aggregate of 6,103,333 flow-through units at \$0.06 per unit for gross proceeds of \$366,200 of which \$23,863 was allocated to the flow-through premium. Each unit consists of one flow-through common share and one common share purchase warrant.

Each warrant entitles the holder to purchase one common share of the Company for a period of 24 months after closing at a price of \$0.10 in the first year after closing, and \$0.175 in the second year after closing if the holder so elects. When the closing price on the TSX Venture Exchange of the shares equals or exceeds \$0.175 per share in the first year after closing, or \$0.25 per share in the second year after closing, for a period of 20 consecutive trading days, the Company has the right to accelerate the expiry date of the warrants.

The grant date fair value of the warrants was estimated to be \$96,640 net of issue costs of \$1,564. The fair value of the warrants on the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 130%, risk-free interest rate of 0.50%, and expected life of 2 years.

Finders fees of \$1,100 were paid and 29,600 finders warrants were issued, valued at \$1,062. The finders' warrants are exercisable into units having the same terms as the private placement at an exercise price of \$0.06 for a period of two years.

On February 26, 2016, the Company issued 200,000 common shares at a fair value of \$0.04 per share pursuant to the acquisition of the Kenora Gold Project based on the quoted market price at the time of receipt.

On May 2, 2016, the Company completed a non-brokered private placement financing comprising an aggregate of 1,158,334 flow-through units and 1,881,866 hard-dollar units at \$0.06 per unit for gross proceeds of \$182,412. Each flow-through unit consists of one flow-through common share and one common share purchase warrant. Each hard-dollar unit consists of one common share and one common share purchase warrant.

Each warrant entitles the holder to purchase one common share of the Company for a period of 24 months after closing at a price of \$0.10 in the first year after closing, and \$0.175 in the second year after closing if the holder so elects. When the closing price on the TSX Venture Exchange of the shares equals or exceeds \$0.175 per share in the first year after closing, or \$0.25 per share in the second year after closing, for a period of 20 consecutive trading days, the Company has the right to accelerate the expiry date of the warrants.

The grant date fair value of the warrants was estimated to be \$48,685 net of issue costs of \$6,834. The fair value of the warrants on the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 113%, risk-free interest rate of 0.58%, and expected life of 2 years.

Finders' fees of \$6,811 were paid and 181,626 finders' warrants were issued, valued at \$4,174. The finders' warrants are exercisable into hard-dollar units having the same terms as the private placement at an exercise price of \$0.06 for a period of two years.

On August 2, 2016, the Company closed a non-brokered private placement for gross proceeds of \$1,043,795 through sale of 10,437,950 units at a price of \$0.10 per unit. Each unit was comprised of one common share and one-half of one common share purchase warrant. Each warrant shall entitle the holder to purchase one common share at a price of \$0.15 per common share until December 31, 2017.

The grant date fair value of the warrants was estimated to be \$179,570. The fair value of the warrants on the date of grant was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 127% based on the Company's historical trading data, risk-free interest rate of 0.55%, and expected life of 1.4 years.

Issue cost of \$70,822 were paid including 256,000 finders warrants issued, valued at \$14,082, of which \$12,159 was allocated to warrants. Each finders warrant is exercisable at \$0.10 into one common share and one-half of one common share purchase warrant and have the same terms as the units issued pursuant to the private placement.

As a result of the consolidation of the Company's common shares on a 10 for 1 basis and subsequent stock split on a 10 for 10 basis, 247,902 common shares were cancelled. Shareholders can receive cash consideration equal to \$0.12 per common share for the shares that were cancelled. Accordingly, the Company paid \$28,508 in relation to these cancelled shares.

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

| Number of Warrants | Exercise Price | Expiry Date       |
|--------------------|----------------|-------------------|
| #                  | \$             |                   |
| 5,298,975          | 0.15           | December 31, 2017 |
| 48,000             | 0.10*          | December 31, 2017 |
| 570,000            | 0.175          | December 29, 2017 |
| 14,800             | 0.06           | December 29, 2017 |
| 5,533,333          | 0.175          | December 23, 2017 |
| 3,040,200          | 0.10           | May 2, 2018       |
| 128,146            | 0.175          | May 2, 2018       |
| 14,633,454         | 0.15           |                   |

\* Each warrant is exercisable into one common share and one-half of one common share purchase warrant exercisable at \$0.15 until December 31, 2017.

## **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 52-1 09 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 OCTOBER 13, 2017)***

The Company's authorized capital consists of an unlimited number of common shares without par value, of which 102,758,522 are issued and outstanding as of the date of this MD&A. On a fully diluted basis the Company has 122,940,976 common shares outstanding assuming the exercise of 5,525,000 outstanding stock options, 14,633,454 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).