

# **SCIENTIFIC METALS CORP.**

(formerly Suparna Gold Corp.)

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

(Expressed in Canadian Dollars)

**Three Month Period Ended  
May 31, 2016**

**Report Date - June 14, 2016**

**SCIENTIFIC METALS CORP.**  
(formerly Suparna Gold Corp.)  
**Management's Discussion and Analysis**  
**Three Month Period Ended May 31, 2016**

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## **Introduction**

Scientific Metals Corp. ("Scientific" or the "Company") is a public company incorporated on October 12, 2006, under the laws of British Columbia, Canada. The Company completed a name change from Suparna Gold Corp. to Scientific Metals Corp. on May 6, 2016. The Company is a reporting issuer in British Columbia, Alberta and Ontario, and its common shares are listed and posted for trading on the TSX Venture Exchange ("TSX-V") under the trading symbol "STM". The Company's offices are located at 302 – 1620 West 8<sup>th</sup> Avenue, Vancouver, BC, V6J 1V4.

The Company is a natural resource company engaged in the acquisition, exploration and development of lithium properties in North America.

In accordance with Form 51-102F1, the following Management's Discussion & Analysis ("MD&A") provides a review of activities, results of operations and financial condition of Scientific for the three month period ended May 31, 2016. The following discussion and analysis should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements for the three month period ended May 31, 2016 and the audited annual consolidated financial statements for the years ended February 29, 2016 and February 28, 2015 which were prepared in accordance with IFRS. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars.

## **Exploration Property Overview**

### Deep Valley Property, Alberta

On June 6, 2016, Scientific acquired a 100% interest in the Deep Valley lithium property ("Deep Valley Property") in exchange for a cash payment of \$15,000 and the issuance of 4,000,000 common shares of the Company. The property is subject to an existing 3% net smelter royalty which 1% can be repurchased by the Company at any time in consideration for a cash payment of \$1,500,000.

The Company paid an arm's-length finder's fee of \$38,625 through the issuance of 386,250 common shares of the Company at a price of \$0.10 per share.

The Deep Valley Property is located in the Fox Creek-Sturgeon Lake area of west-central Alberta. The property encompasses 6,648 hectares (16,427 acres), and is located approximately 55 kilometres due west of the community of Fox Creek. The property is underlain by Leduc formation aquifers that are known to be highly enriched in lithium, potassium, boron, bromine and other commodities. Within the central part of the property, historical samples of formation waters (brines) have returned 140 milligrams per litre (parts per million), which are amongst the highest values recorded within the province of Alberta as reported by the ERCB in its report of October, 2011, entitled geological introduction to lithium-rich formation water with emphasis on the Fox Creek area of west-central Alberta (NTS 83F and 83K).

Commonly, during the early history of oil wells in the area, there is a high oil-to-water extraction ratio. However, at present, most wells produce excessive amounts of formation water in comparison with petroleum. The formation water is treated as a waste product during the petroleum extraction process, after which the brine is reinjected into the subsurface. The level of extractability of lithium and other elements from the waste formation water is unclear and may require new technologies (some of which are being introduced and tested in Nevada brines). This may or may not result in the extraction of all or any portion of those elements which are present in anomalous concentrations.

## **Exploration Property Overview (continued)**

### Paradox Basin Property, Utah

In May 2016, the Company entered into a letter of intent ("LOI") with an arm's-length private company to acquire the Paradox Basin Lithium Brine Property ("Paradox Basin Property") located in Utah. The Company can acquire a 100% interest in Paradox Basin under the following terms:

- Pay US\$65,000 cash and issue 4,500,000 common shares of the Company on closing of the transaction; and
- Pay US\$65,000 within 30 days of closing of the transaction.

The completion of the transaction is subject to a number of conditions precedent, including, without limitation, the parties having received all necessary regulatory, court and third party consents; orders (both interim and final), approvals, waivers, and authorizations, as may be required in respect of the acquisition (including the approval of the TSX-V). In addition, each party shall have completed their due diligence of the other party to their satisfaction, including, without limitation, Scientific being satisfied that it will acquire good and valid title to the Paradox Basin Property, free and clear of any and all liabilities and encumbrances.

The Paradox Basin Property consists of 334 mineral claims covering approximately 6,000 acres that contain eight historic oil and gas drill holes. The Paradox Basin Property exists over an area with historic fluid analysis ranging from 81 to 1,700 parts per million lithium in saturated minerals brines, which was previously disclosed by Voltaic Minerals Corp.'s press release of Feb. 18, 2016. Well No. 1 Long Canyon returned 500 ppm lithium. This well is located within 400 feet of the Paradox property and is fully enclosed by the boundary ("Concentrated Subsurface Brines in the Moab Region, Utah," Utah Geological and Mineralogical Survey, June, 1965). The brine was discovered in the 1960s when overpressurized oil exploration wells encountered blowouts upon drilling.

The Paradox basin area is a semi-desert region with an average of over 300 days of sunshine per year, existing infrastructure, and year-round access to road and rail.

The Paradox Basin Property is located approximately 4Km northwest of Intrepid Potash's Cane Creek operation, and is contiguous to the north of Voltaic Minerals Corp.'s Green Energy lithium property. As disclosed in Intrepid Potash's 2015 annual report, the Cane Creek operation produced 93,000 tonnes of potash in 2015 through solution mining and solar evaporation ponds. The Paradox Basin Property is approximately 530 miles east of Tesla's Gigafactory in Nevada.

The Company has not undertaken any independent investigation of the drill results, fluid analysis or other information contained in this MD&A, nor has it independently analyzed the results of the previous exploration work in order to verify the accuracy of the information or whether the information was prepared in accordance with the requirements of National Instrument 43-101. The Company believes that the historical drill results, fluid analysis and other information contained in this MD&A are relevant to continuing exploration on the Paradox Basin Property. The Company intends to conduct a review of recent and historic well logs, along with chemical analysis in the area and reprocessing of seismic data focusing on mineral brine. Evaluation of reservoir potential will be done in preparation for the re-entry of shut-in wells.

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**Selected Annual Information**

The following table sets out selected annual financial information for the last three financial years. The financial data has been prepared in accordance with IFRS:

<b>Years Ended</b>	<b>February 29, 2016</b>	<b>February 28, 2015</b>	<b>February 28, 2014</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Total Revenue	Nil	Nil	Nil
Operating Loss	(826,386)	(1,103,556)	(1,002,302)
- per share <sup>(1)</sup>	(0.01)	(0.01)	(0.01)
Loss and Comprehensive Loss	(871,624)	(13,789,163)	(803,051)
- per share <sup>(1)</sup>	(0.01)	(0.16)	(0.01)
Total Assets	113,520	458,221	13,530,120
Total Non-Current Financial Liabilities	Nil	Nil	Nil
Cash Dividends Declared	Nil	Nil	Nil

<sup>1</sup> - Fully diluted loss per share was not calculated as the effect was anti-dilutive.

**Summary of Quarterly Results**

The following table sets out selected unaudited consolidated financial information for the eight most recently completed quarters:

<b>Three Months Ended</b>	<b>May 31, 2016</b>	<b>February 29, 2016</b>	<b>November 30, 2015</b>	<b>August 31, 2015</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Total Revenue	Nil	Nil	Nil	Nil
Operating Loss	(481,053)	(208,055)	(176,538)	(246,954)
- per share <sup>(1)</sup>	(0.01)	(0.00)	(0.00)	(0.00)
Loss and Comprehensive Loss	(500,107)	(110,664)	(190,825)	(323,243)
- per share <sup>(1)</sup>	(0.01)	(0.00)	(0.00)	(0.00)

  

<b>Three Months Ended</b>	<b>May 31, 2015</b>	<b>February 28, 2015</b>	<b>November 30, 2014</b>	<b>August 31, 2014</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Total Revenue	Nil	Nil	Nil	Nil
Operating Loss	(239,719)	(426,038)	(261,493)	(205,915)
- per share <sup>(1)</sup>	(0.00)	(0.01)	(0.00)	(0.00)
Loss and Comprehensive Loss	(246,892)	(12,254,867)	(449,056)	(568,878)
- per share <sup>(1)</sup>	(0.00)	(0.14)	(0.01)	(0.01)

<sup>1</sup> - Fully diluted loss per share was not calculated as the effect was anti-dilutive.

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**Summary of Quarterly Results** (continued)

The only significant variations in the most recent eight quarters occurred during the following quarters:

May 31, 2016 - The loss and comprehensive loss materially increased due to stock-based compensation totaling \$231,777 being recorded after the Company granted 2,950,000 incentive stock options.

February 28, 2015 - The loss and comprehensive loss materially increased due to the impairment of the Company's Sara Creek Property in Suriname. As a result of market conditions and depressed commodity prices, the Company recorded an impairment charge totaling \$11,722,828 and placed the project on care and maintenance while it searched for a partner or buyer for the project.

**Overall Performance and Results of Operations**

Three Month Period Ended May 31, 2016

During the three month period ended May 31, 2016 ("Current Period"), the Company incurred a loss and comprehensive loss of \$500,107 as compared to \$246,892 during the three month period ended May 31, 2015 ("Prior Period"). Operating expenses for the Current Period were \$481,053 as compared to \$239,719 in the Prior Period.

The primary factors affecting the change in the loss from operations include:

- a) Investor relations costs increased from \$256 in the Prior Period to \$19,323 in the Current Period. This \$19,067 increase relates to the fact that the Company has recently engaged in an investor awareness campaign following the acquisition of the Deep Valley Property and the proposed acquisition of the Paradox Basin Property.
- b) Professional fees increased from \$23,269 in the Prior Period to \$38,317 in the Current Period. This \$15,048 increase is the result of increased legal fees associated with new property acquisitions and generally increased corporate activity.
- c) Share based compensation was \$231,777 in the Current Period versus \$Nil in the Prior Period due to the fact that 2,950,000 stock options were granted and immediately vested in the Current Period. No stock options were granted or vested in the Prior Period.
- d) Transfer agent and filing fees increased by \$6,663 in the Current Period over the Prior Period due to the TSX-V filing fees associated with the acquisitions of the Deep Valley Property and the Paradox Basin Property.

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**Capital Resources and Liquidity**

The Company's cash position was \$152,485 as at May 31, 2016, compared to \$1,299 as at February 29, 2016. The Company had a working capital deficiency of \$269,708 as at May 31, 2016, compared to \$619,333 as at February 29, 2016. The improvement in the Company's cash and working capital position was a direct result of two equity placements completed during the quarter. Since the Company does not generate any revenue from its existing assets it must fund all of its operational expenditures through the issuance of debt and equity.

During the three month period ended May 31, 2016, the Company borrowed an additional \$99,300 through the issuance of three year unsecured promissory notes. These notes bear interest at 10% per annum, compound annually, and are payable quarterly in cash. The Company repaid the principal portion of all of the promissory notes during three month period ended May 31, 2016, and subsequently repaid the accrued interest.

**Off Balance Sheet Arrangements**

The Company is not a party to any off-balance sheet arrangements or transactions.

**Disclosure of Outstanding Share Data**

The authorized capital of the Company consists of an unlimited number of common shares without par value.

Shares Issued and Outstanding

As at the Report Date there were 100,941,666 common shares issued and outstanding.

On May 4, 2016, the Company completed a non-brokered private placement of 6,000,000 units at \$0.05 per unit for gross proceeds of \$300,000. Each unit was comprised of a common share and a share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.10 until May 3, 2017. However, if the volume-weighted average closing price of the common shares of Scientific exceeds \$0.25 per share for more than 30 consecutive trading days, then Scientific may accelerate the warrant exercise period to a date which is 30 calendar days following the date that a press release is issued by Scientific announcing the reduced warrant exercise period.

On May 25, 2016, the Company completed a non-brokered private placement of 3,850,000 units at \$0.10 per unit for gross proceeds of \$385,000. Each unit was comprised of a common share and a share purchase warrant. Each warrant entitles the holder to purchase an additional common share at a price of \$0.15 until May 24, 2018.

All of the securities issued under these private placements are subject to a four-month resale restriction.

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**Disclosure of Outstanding Share Data (continued)**

Warrants

As at the Report Date, the Company had the following warrants outstanding:

<b>Expiry Date</b>	<b>Number</b>	<b>Weighted Average Exercise Price (\$)</b>
May 3, 2017	6,000,000	0.10
May 24, 2028	3,850,000	0.15
	9,850,000	0.12

Stock Options

As at the Report Date, the Company had the following stock options outstanding:

<b>Expiry Date</b>	<b>Number</b>	<b>Weighted Average Exercise Price (\$)</b>
July 20, 2016	2,425,000	0.52
October 27, 2016	150,000	0.33
March 12, 2017	100,000	0.53
May 17, 2021	2,950,000	0.12
	5,625,000	0.31

**Transactions with Related Parties**

The following summarizes the Company's related party transactions, not disclosed elsewhere in this MD&A, during the three month periods ended May 31, 2016 and 2015. The Company's key management personnel consists of the Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), certain directors and companies owned or controlled in whole or in part by them.

Key Management Compensation

	<b>2016 (\$)</b>	<b>2015 (\$)</b>
Management fees paid or accrued to a corporation controlled by Michelle Gahagan, CEO of the Company.	45,000	45,000
Consulting fees paid or accrued to a corporation controlled by James Welykochy, a director of the Company.	10,000	15,000
Professional fees paid or accrued to a corporation controlled by David Hughes, CFO of the Company.	1,000	-
Professional fees paid or accrued to Lesia Burianyk, former CFO of the Company.	-	13,500
<b>Total</b>	<b>56,000</b>	<b>73,500</b>

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**Transactions with Related Parties (continued)**

Other Related Party Payments

	<b>2016</b>	<b>2015</b>
	<b>(\$)</b>	<b>(\$)</b>
Office sharing and occupancy costs paid or accrued to a corporation in which David Hughes, CFO of the Company, is a director.	7,500	-
Interest expense paid or accrued to a corporation controlled by Wayne Tisdale, a director of the Company.	1,040	-
<b>Total</b>	<b>8,540</b>	<b>-</b>

- i) As at May 31, 2016, a total of \$299,208 (February 29, 2016 - \$251,958) was included in accounts payable and accrued liabilities owing to a corporation controlled by Michelle Gahagan, CEO of the Company, for management fees and reimbursable expenses.
- ii) As at May 31, 2016, a total of \$Nil (February 29, 2016 - \$5,250) was included in accounts payable and accrued liabilities owing to a corporation controlled by James Welykochy, a director of the Company, for consulting fees.
- iii) As at May 31, 2016, a total of \$4,100 (February 29, 2016 - \$3,100) was included in accounts payable and accrued liabilities owing to a corporation controlled by David Hughes, CFO of the Company, for professional fees.
- iv) As at May 31, 2016, a total of \$5,116 (February 29, 2016 - \$12,616) was included in accounts payable and accrued liabilities owing to a corporation controlled by Wayne Tisdale, a director of the Company, for reimbursable expenses.
- v) As at May 31, 2016, a total of \$Nil (February 29, 2016 - \$14,881) was included in accounts payable and accrued liabilities owing to a corporation in which David Hughes, CFO of the Company, is a director for office sharing and occupancy costs.
- vi) As at May 31, 2016, a total of \$Nil (February 29, 2016 - \$34,250) in notes payable and \$2,356 (February 29, 2016 - \$1,316) accrued interest was owing to a corporation controlled by Wayne Tisdale, a director of the Company.

**Subsequent Events**

Subsequent to May 31, 2016, the Company completed the acquisition of the Deep Valley Property by issuing 4,000,000 common shares and paying \$15,000 in cash. Additionally, the Company issued 386,250 common shares in settlement of a finder's fee associated with the transaction.

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### Commitments and Contingencies

As at May 31, 2016, the Company has identified the following commitments or contingencies:

- i) The Company has an obligation under a consulting agreement for payments of \$20,000 per month for a five year period beginning on July 15, 2011 and ending on July 15, 2016 as follows:

<u>Fiscal Year</u>	<u>Amount</u>
	(\$)
2017	30,000

In the event of termination, the Company will be required to pay in full any remaining balance.

- ii) The Company has deposited \$11,500 as collateral for a corporate credit card.
- iii) On August 1, 2015, the Company entered into a cost sharing arrangement agreement for the provision of office space and various administrative services. Under the terms of the agreement, the Company will pay \$2,500 plus GST per month commencing on September 1, 2015 and continuing until the expiration of the underlying head lease on July 31, 2018.

<u>Fiscal Year</u>	<u>Amount</u>
	(\$)
2017	22,500
2018	30,000
2019	12,500

### New Accounting Policies Adopted

The following standards and amendments to existing standards have been adopted by the Company effective March 1, 2016:

*IFRS 11, Joint arrangements*

This standard was amended to provide specific guidance on accounting for the acquisition of an interesting in a joint operation that is a business.

*IAS 16, Property, plant and equipment and IAS 38, Intangible assets*

These standards were amended to prohibit the use of revenue-based depreciation methods for property, plant and equipment and limit the use of revenue-based amortization for intangible assets.

*IAS 27, Separate financial statements and IFRS 1, First-time adoption of IFRS*

IAS 27 was amended to restore the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

*IAS 12, Income Taxes*

Amendments to IAS 12 to clarify the recognition of a deferred tax asset for unrealized losses.

**New Accounting Policies Adopted** (continued)

The adoption of these standards did not have an impact on the condensed consolidated interim financial statements.

**New Standards, Amendments and Interpretations to Existing Standards Not Yet Effective**

The following standards, amendments to standards and interpretations have been issued for annual periods beginning on or after January 1, 2018 but are not yet effective:

*IFRS 9, Financial instruments – Classification and Measurement*

IFRS 9 is a new standard on financial statements that will replace IAS 39, *Financial Instruments - Recognition and Measurement*.

IFRS 9 addresses classification and measurement of financial assets and financial liabilities as well as derecognition of financial instruments. IFRS 9 has two measurement categories for financial assets: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. Otherwise it is at fair value through profit or loss.

The Company has not yet assessed the potential impact of the application of this standard, nor determined whether it will adopt the standard early.

**Financial Risk Management**

*Financial risk management*

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, receivables, short-term investments, restricted deposits, notes payable and accounts payable and accrued liabilities.

The fair values of cash and short-term investments are measured on the statement of financial position using level 1 of the fair value hierarchy. The fair values of receivables, restricted deposits, and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

The carrying amounts of the notes payable approximate fair value as the interest rates were negotiated between the Company and an arm's length third party.

**Financial Risk Management** (continued)

*Financial instrument risk exposure*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

*Credit risk*

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company has material counterparties to its financial instruments including cash. The Company manages this credit risk by ensuring that these financial assets are placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist primarily of goods and services tax due from the government, and the balance is in good standing as at May 31, 2016.

*Liquidity risk*

The Company's cash is invested in business accounts which are available on demand. The Company has significant financial liabilities outstanding including accounts payable and accrued liabilities and notes payable. The Company is exposed to the risk that it may not have sufficient liquid assets to meet its commitments associated with these financial liabilities. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity transactions and long term debt.

*Interest rate risk*

The Company's bank account earns interest income at variable rates. The Company's future interest income is exposed to short-term rates. The effect of a 1% change in the interest rate is nominal.

*Foreign exchange risk*

The Company expects to continue to raise equity predominantly in Canadian dollars. The Company does not enter into derivative financial instruments to mitigate its exposure to foreign currency risk. The effect of a 1% change in the foreign exchange rate on the Company's cash and accounts payable and accrued liabilities held in foreign currencies is nominal.

*Commodity price risk*

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

### **Management of Capital**

The Company manages its common shares, stock options and share purchase warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its excess cash treasury invested in demand certificates of deposit with major financial institutions.

The Company does not expect that its current capital resources will be sufficient to carry its operations through its current operating year and will need to raise additional capital through equity financing.

There have been no changes to the Company's approach to capital management during the three month period ended May 31, 2016.

### **Risks and Uncertainties**

The Company is in the business of acquiring and exploring exploration and evaluation assets and, as such, is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Some of the possible risks include the following:

- a) The industry is capital intensive and subject to fluctuations in lithium prices, market sentiment, foreign exchange and interest rates. The recovery of the Company's investment in exploration and evaluation assets and the attainment of profitable operations are dependent upon the discovery and development of economic ore reserves and the ability to arrange sufficient financing to bring the ore reserves into production.
- b) The most likely source of future funds for further acquisitions and exploration programs undertaken by the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another interested party carrying out further exploration or development. If such exploration programs are successful, the development of economic ore bodies and commencement of commercial production may require future equity financings by the Company which are likely to result in substantial dilution to the holdings of existing shareholders.
- c) The Company's capital resources are largely determined by the strength of the resource markets and the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

**Risks and Uncertainties** (continued)

- d) The price of lithium greatly affects the value of and the potential value of its exploration and evaluation assets. This, in turn greatly affects its ability to raise equity capital, negotiate option agreements and form joint ventures.
- e) The Company must comply with health, safety, and environmental regulations governing air and water quality and land disturbances and provide for mine reclamation and closure costs. The Company's permission to operate could be withdrawn temporarily where there is evidence of serious breaches of such regulations, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations.
- f) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue exploration and development activities in the future.
- g) Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such assets may be subject to prior agreements or transfers and title may be affected by such undetected defects.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in any forward looking statement. The development and exploration activities of the Company are subject to various laws governing exploration, development, and labour standards which may affect the operations of the Company as these laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are, or were conducted.

**Additional Information**

In May 2016, the Company appointed Brian Kirwin to the board of directors, and he replaced Michelle Gahagan as the President and CEO of Scientific. Ms. Gahagan remains on the board of directors and has been appointed as Chair.

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

### **Forward-Looking Statements**

Except for statements of historical fact, this MD&A contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. In particular, forward-looking information in this MD&A includes, but is not limited to, statements with respect to future events and is subject to certain risks, uncertainties and assumptions. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and is subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the United States and globally; industry conditions, including fluctuations in commodity prices; governmental regulation of the mining industry, including environmental regulation; geological, technical and drilling problems; unanticipated operating events; competition for and/or inability to retain drilling rigs and other services; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for commodities; liabilities inherent in mining operations; changes in tax laws and incentive programs relating to the mining industry; and the other factors described herein under "Risks and Uncertainties" as well as in our public filings available at [www.sedar.com](http://www.sedar.com). Readers are cautioned that this list of risk factors should not be construed as exhaustive.

The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

### **Management's Responsibility for Financial Statements**

The Company's management is responsible for the presentation and preparation of these financial statements and the MD&A. The audited annual consolidated financial statements have been prepared in accordance with IFRS. The MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

**Garry Clark, PGeo, of Clark Exploration Consulting, is the qualified person as defined in NI 43-101, who has reviewed and approved the technical content in this MD&A.**

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**Corporate Information**

Directors:	Michelle Gahagan (Chair) Brian Kirwin James Welykochy Wayne Tisdale Garry Clark
Officers:	Brian Kirwin, President and CEO David Hughes, CFO Leah Martin, Corporate Secretary
Auditor:	Davidson and Company LLP Chartered Professional Accountants Suite 1200 – 609 Granville Street Vancouver, BC, V7Y 1G6
Legal Counsel:	Tingle Merrett Suite 639 - 1250 Standard Life Building 5 <sup>th</sup> Avenue SW Calgary, AB T2P 0M9
Transfer Agent:	Computershare Trust Company of Canada 2 <sup>nd</sup> Floor – 510 Burrard Street Vancouver, BC, V6C 3B9