

**Canadian Zeolite Corp. (formerly Canadian Mining Company Inc.)**  
**Management Discussion and Analysis**  
**For the year ended June 30, 2016**

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The following discussion and analysis of the operations, results, and financial position of the Company for the year ended June 30, 2016 should be read in conjunction with our Audited Consolidated Financial Statements and Related Notes for the years ended June 30, 2016 and June 30, 2015 which have been prepared under International Financial Reporting Standards ("IFRS"). This MD&A has been prepared as at October 28, 2016 unless otherwise indicated. All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars. Additional regulatory filings for the Company can be found on the SEDAR website at [www.sedar.com](http://www.sedar.com). The Company's new website is at [www.canadianzeolite.com](http://www.canadianzeolite.com).

**Forward-Looking Statements**

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

**Structure and Business Description**

Effective February 9, 2016 the Company continued into British Columbia from Alberta and changed its name to Canadian Zeolite Corp. At the same time, the Company's wholly-owned British Columbia subsidiary, formerly Canadian Zeolite Corp., changed its name to Canadian Mining Company Inc.

Canadian Mining Company Inc. (the "Company" or "Canadian Mining") was incorporated in Alberta under the name "Adamas Resources Inc." by Certificate of Incorporation dated June 5, 1987 issued pursuant to the provisions of the Business Corporations Act (Alberta). Prior to changing its corporate name to "CANADIAN MINING COMPANY INC." effective January 31, 2007, the Company underwent a number of name changes - to "Zeacan Products Ltd." on March 1, 1989, to "Canadian Zeolite Ltd." on June 15, 1993 to "The Canadian Mining Company Ltd." on November 19, 1996 and to "Zeo-Tech Enviro Corp." on April 10, 2000.

The head office of the Company is located at Suite 2300, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X2. The Company's registered and records office is located at Suite 1100, 1111 Melville Street, Vancouver, BC V6E 3V6.

The Company is a reporting issuer in the Provinces of British Columbia and Alberta. The common shares of the Company are listed on the TSX Venture Exchange (the "Exchange") under the trading symbol "CNZ", the Frankfurt Exchange under the trading symbol "ZEON" and are quoted on the OTCQB in the United States under the symbol "CNZCF".

The common shares of the Company have not been registered under the United States Securities Act of 1933, as amended (the "1933 Act"), and the Company does not file periodic reports with the United States Securities and Exchange Commission (the "SEC") pursuant to the requirements of Sections 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "1934 Act").

The Company has a wholly-owned inactive Arizona subsidiary incorporated April 17, 2007 under the name Canadian Mining Company of Arizona Inc. and a wholly-owned inactive subsidiary, Canadian Mining Company Inc. incorporated on April 26, 2013.

The Company's principal business activities are the evaluation, acquisition, exploration, development and operation of mineral properties in British Columbia and Arizona, U.S.A.

## **Mineral Properties**

### ***Bromley Creek Zeolite Project***

On November 30, 2015, the Company entered into a mining operations agreement, with a purchase option, with Absorbent Products Limited ("APL"). The purchase option terms grant APL the right to acquire a 50% interest in the Company's Bromley Creek Zeolite Project for a total purchase price of \$725,000. The purchase price may be paid by APL through cash or earn-in by payment of royalties to the Company of \$9.00 per metric ton mined and removed from the site. The parties have also entered into an Agency Agreement pursuant to which APL will pay to the Company a commission on all applicable sales of mineral mined or zeolite processed from the Bromley Creek Zeolite Project.

The Company has a Zeolite project in the Bromley Creek area located near Princeton, British Columbia. The Zeolite claims are subject to a \$1.50 per tonne royalty payable to an unrelated third party and a royalty payable to the government of British Columbia.

The mineral property claims have been leased from the British Columbia government and have expiration dates through to March 2017, all of which may be renewed for varying amounts. A thirty year mining lease for two of the zeolite claims was granted in 2000 and a quarry permit was issued in 2001 and in 2015.

The Company's property interest in its Bromley Creek Zeolite Project consists of a total of one mineral lease and six mineral claims as follows:

| <b>Tenure No.</b> | <b>Claim Name</b> | <b>Owner</b>  | <b>Map No</b> | <b>Expiry Date</b> | <b>Area<br/>(Hectares)</b> |
|-------------------|-------------------|---------------|---------------|--------------------|----------------------------|
| 380929            | Mineral Lease     | 142965 (100%) | 092H048       | 2016/ Dec /15      | 30.800                     |
| 510001            | Bromley #4        | 142965 (100%) | 092H          | 2017/ Mar /22      | 294.221                    |
| 510002            | Bromley #5        | 142965 (100%) | 092H          | 2017/ Mar /22      | 189.097                    |
| 510003            | Bromley #6        | 142965 (100%) | 092H          | 2017/ Mar /22      | 189.087                    |
| 510004            | Bromley #1        | 142965 (100%) | 092H          | 2017/ Mar /22      | 189.115                    |
| 510006            | Bromley #2        | 142965 (100%) | 092H          | 2017/ Mar /22      | 84.063                     |
| 510007            | Bromley #3        | 142965 (100%) | 092H          | 2017/ Mar /22      | 168.146                    |
| <b>TOTAL:</b>     |                   |               |               |                    | <b>1,144.529</b>           |

### ***Sun Group, British Columbia, Canada***

On November 30, 2015, the Company entered into a mining operations agreement, with a purchase option, with Absorbent Products Limited ("APL"). The purchase option terms grant APL the right to acquire a 50% interest in the Company's Sun Group Zeolite Project for a total purchase price of \$725,000. The purchase price may be paid by APL through cash or earn-in by payment of royalties to the Company of \$9.00 per metric ton mined and removed from the site. The parties have also entered into an Agency Agreement pursuant to which APL will pay to the Company a commission on all applicable sales of mineral mined or zeolite processed from the Sun Group Zeolite Project.

The Company acquired this contiguous claim group located in the Similkameen Mining District of British Columbia in March 2004. The total claim area is 948.935 hectares.

During the year ending June 30, 2012, the Company renewed its interest in the claims, filed a Notice of Work Application to conduct a 5,000 ft. drill program in order to bring this property to 43-101 compliance, and expended \$32,930 to this end.

During the year ending June 30, 2013, the Company completed a 2-phase drill program. Data obtained from this exercise will be used in the preparation of the 43-101 resource report and will confirm the size and grade of the Zeolite deposit.

The Company's Sun Group claims consist of the following:

|               | <b>Claim Name</b> | <b>Owner</b>  | <b>Map No:</b> | <b>Expiry Date:</b> | <b>Area<br/>(Hectares)</b> |
|---------------|-------------------|---------------|----------------|---------------------|----------------------------|
| 544975        | ZEO-TECH 1        | 142965 (100%) | 092H           | 2020/ Jan /31       | 21.087                     |
| 563611        | SUNDAY CREEK 1    | 142965 (100%) | 092H           | 2020/ Jan /31       | 84.349                     |
| 563612        | SUNDAY CREEK 2    | 142965 (100%) | 092H           | 2020/ Jan /31       | 189.758                    |
| 563613        | SUNDAY CREEK 3    | 142965 (100%) | 092H           | 2020/ Jan /31       | 126.505                    |
| 563614        | SUNDAY CREEK 4    | 142965 (100%) | 092H           | 2020/ Jan /31       | 126.525                    |
| 1012692       | SUNDAY CREEK 5    | 142965 (100%) | 092H           | 2020/ Jan /31       | 84.379                     |
| 601475        | SUNDAY CREEK 6    | 142965 (100%) | 092H           | 2020/ Jan /31       | 42.180                     |
| 602468        | SUNDAY            | 142965 (100%) | 092H           | 2020/ Jan /31       | 21.089                     |
| 733004        | ZEO-TECH 2        | 142965 (100%) | 092H           | 2020/ Jan /31       | 21.090                     |
| 733005        | ZEO-MAR 3         | 142965 (100%) | 092H           | 2020/ Jan /31       | 231.973                    |
| <b>TOTAL:</b> |                   |               |                |                     | <b>948.935</b>             |

### ***Bullard Pass Property***

In 2007 the Company staked the DB 1 to 176 mineral claims totalling 3,420 acres and acquired 476.52 acres of Arizona State land under mineral exploration permit #08-111861, for total land holdings of 3,896.52 acres located in the vicinity of the Harcuvar and Harquahala Mountains, Yavapai County, Arizona (the "Bullard Pass Property").

The Company has subsequently reduced its ownership interest in the Bullard Pass Property to 22 claims. The Company does not have intentions for further exploration of the property until such time as a new joint venture partner is secured.

### **Results of Operations**

The Company incurred a \$369,674 loss during the year ended June 30, 2016 compared to a \$305,997 loss during the same period of the prior year. The increase in the loss is primarily attributable to an increase of \$58,400 in financial consulting expenditures incurred to advance the exposure of the Company's zeolite projects. Promotional expenditures increased \$12,936 compared to the same period of the previous year as management focused efforts on raising additional capital and fostering interest in the Company's zeolite products. The Company earned \$2,813 in royalties which have been applied against the capitalized costs of the Bromley Creek mineral property. The Company also granted share based incentive options to consultants working in the Zeolite industry in order to retain expertise in this field, and charged \$48,301 to operations in this year, compared with \$65,761 in the prior year. Additional professional fees, mainly legal, of \$9,122 were incurred relating to agreements to secure processing of material, and with the Company's name change. The Company incurred an additional \$5,147 less in interest charges in respect of short term financing. General office expenses increased marginally by \$3,013 compared to the prior year period.

### **Investor Relations**

The Company's management is currently providing investor relations services.

### Selected Annual Information

|                                                      | Jun 30, 2016<br>(\$) | Jun 30, 2015<br>(\$) | Jun 30, 2014<br>(\$) |
|------------------------------------------------------|----------------------|----------------------|----------------------|
| <b>Financial results</b>                             |                      |                      |                      |
| Net loss for the year                                | 369,674              | 305,997              | 793,366              |
| Basic and diluted loss per share                     | 0.01                 | 0.01                 | 0.07                 |
| Exploration and evaluation expenditures (recoveries) | (8,757)              | 4,161                | 7,898                |
| <b>Balance sheet data</b>                            |                      |                      |                      |
| Cash and cash equivalents                            | 390,440              | 3,594                | 4,577                |
| Working capital surplus (deficit)                    | (817,326)            | (1,147,834)          | (1,010,875)          |
| Resource properties                                  | 243,826              | 252,583              | 248,422              |
| Total assets                                         | 661,772              | 280,527              | 272,084              |
| Deficit                                              | 12,527,591           | 12,157,917           | 11,851,920           |

### Selected Quarterly Financial Data

| Financial results:                                   | Jun 30, 2016<br>(\$)         | Mar 31, 2016<br>(\$)         | Dec 31, 2015<br>(\$)         | Sep 30, 2015<br>(\$)         | Jun 30, 2015<br>(\$)         | Mar 31, 2015<br>(\$)         | Dec 31, 2014<br>(\$)         | Sep 30, 2014<br>(\$)         |
|------------------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Net loss for the period                              | 142,114                      | 83,579                       | 83,060                       | 60,921                       | 146,472                      | 67,897                       | 42,122                       | 49,506                       |
| Basic/Diluted loss per share                         | 0.01                         | 0.005                        | 0.005                        | 0.00                         | 0.02                         | 0.01                         | 0.00                         | 0.00                         |
| Exploration and evaluation expenditures (recoveries) | (3,415)                      | (12,019)                     | 451                          | 6,226                        | (16,022)                     | 10,446                       | (1,331)                      | 11,068                       |
| <b>Balance sheet data:</b>                           | <b>Jun 30, 2016<br/>(\$)</b> | <b>Mar 31, 2016<br/>(\$)</b> | <b>Dec 31, 2015<br/>(\$)</b> | <b>Sep 30, 2015<br/>(\$)</b> | <b>Jun 30, 2015<br/>(\$)</b> | <b>Mar 31, 2015<br/>(\$)</b> | <b>Dec 31, 2014<br/>(\$)</b> | <b>Sep 30, 2014<br/>(\$)</b> |
| Cash and cash equivalents                            | 390,440                      | 3,693                        | 16,977                       | 3,715                        | 3,594                        | 5,148                        | 2,469                        | 10,016                       |
| Mineral properties                                   | 243,826                      | 247,241                      | 259,260                      | 258,809                      | 252,583                      | 268,605                      | 258,159                      | 259,490                      |
| Total assets                                         | 661,772                      | 275,425                      | 300,719                      | 286,639                      | 280,527                      | 292,255                      | 279,964                      | 288,678                      |
| Shareholders' equity                                 | (551,460)                    | (901,763)                    | (833,074)                    | (914,632)                    | (873,211)                    | (904,938)                    | (837,041)                    | (794,919)                    |

### Liquidity and Solvency

The Company has a history of losses, a working capital deficit of \$817,326 at June 30, 2016 (2015 - \$1,147,834) and an accumulated deficit of \$12,527,591 (2015 - \$12,157,917).

The Company's mineral properties are in the exploration and development stage. A royalty of \$2,813 was earned in the current year on product shipped from these operations. Historically, the Company's activities have been funded mainly through equity financing and the Company expects that it will continue to be able to utilize this source of financing until it identifies a feasible resource and develops cash flow from operations.

### Related party transactions

(a) During the year ending June 30, 2016, the Company entered into the following transactions with related parties:

- (i) The Company accrued management fees of \$108,000 (2015 - \$108,000) to a director and officer.
- (ii) The Company repaid advances from a directors amounting to \$1,451 (2015 - received \$48,641).
- (iii) The Company received advances from a director and insiders of the Company, for promissory notes in the principal amount of \$nil (2015 - \$25,000). The notes all bear interest at 10% per annum and were due on dates ranging from July 27, 2015 to January 21, 2016. During the year ended June 30, 2016, \$25,000 (2015 - \$5,000) plus accrued interest of \$3,377 was repaid.
- (iv) The Company has accrued interest expense of \$39,500 (2015 - \$46,967) in respect of five promissory notes in the principal amount of \$395,000 (2015 - \$420,000) issued to directors and insiders of the Company.
- (v) The Company accrued fees to an officer of the Company for accounting services included in administrative expenses of \$12,000 (2015 - \$12,000).
- (vi) The Company accrued fees to an officer of the Company for corporate secretarial services included in administrative expenses of \$9,000 (2015 - \$9,000).
- (vii) At June 30, 2016, amounts totaling \$663,609 (2015 - \$523,740) owing to related parties, have been included in accounts payable and accrued liabilities.

The above transactions were in the normal course of operations and were recorded at the exchange value which was the amount of consideration established and agreed to by the related parties.

(b) At the end of the period, related party loans and advances are comprised of the following:

|                                 | Promissory<br>notes | Advances      | Total             |
|---------------------------------|---------------------|---------------|-------------------|
| Balance at June 30, 2014        | 460,000             | 101,350       | \$ 561,350        |
| Loans                           | 25,000              | -             | 25,000            |
| Advances                        | -                   | 48,641        | 48,641            |
| Shares for debt                 | (65,000)            | -             | (65,000)          |
| Options exercised               | -                   | (35,500)      | (35,500)          |
| Balance at June 30, 2015        | 420,000             | 114,491       | \$ 534,491        |
| Advances repaid                 | -                   | (1,451)       | (1,451)           |
| Loans repaid                    | (25,000)            | -             | (25,000)          |
| Options exercised               | -                   | (35,700)      | (35,700)          |
| <b>Balance at June 30, 2016</b> | <b>395,000</b>      | <b>77,340</b> | <b>\$ 472,340</b> |

Compensation paid to key management personnel and non-executive directors is as follows:

|                                        | 2016       | 2015       |
|----------------------------------------|------------|------------|
| Accrued senior management compensation | \$ 129,000 | \$ 129,000 |
| Accrued interest on promissory notes   | 39,500     | 49,910     |
| Share-based compensation               | 7,248      | 52,612     |

### **Commitments**

During December 2015, the Company renewed the office lease for a twelve month period commencing January 01, 2016 with monthly payments of \$1,429 per month. At June 30, 2016, the commitment in terms of the lease amounted to \$8,574.

### **Significant Accounting Policies**

The Company's significant accounting policies are provided in Note 3 to the consolidated financial statements.

### **Future Accounting Changes**

#### **Standards and interpretations issued but not yet effective**

The following accounting standards and amendments are effective for future periods.

#### **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

The amendment clarifies circumstances in which an entity reclassifies an asset (or disposal group) from held for sale to held for distribution (or vice versa), and in circumstances which an entity no longer meets the criteria for held for distribution. This standard is effective for reporting periods beginning on or after January 1, 2016.

#### **IFRS 7 Financial Instruments**

The amendment clarifies the applicability of the amendments to IFRS 7 Disclosure–Offsetting Financial Assets and Financial Liabilities to condensed interim financial statements. This amendment is effective for reporting periods beginning on or after January 1, 2016.

#### **IAS 19 Employee Benefits**

The amendment clarifies the application of the requirements of IAS 19 Employee Benefits (2011) on determination of the discount rate to a regional market consisting of multiple countries sharing the same currency. This standard is effective for reporting periods beginning on or after January 1, 2016.

#### **IAS 34 Interim Financial Reporting**

The amendment clarifies the meaning of disclosure of information 'elsewhere in the interim financial report' and requires a cross reference. This amendment is effective for reporting periods beginning on or after January 1, 2016.

#### **IFRS 11 Joint Arrangements**

These amendments require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to: (a) apply all of the business combinations accounting principles in IFRS 3 and other IFRS standards, except for those principles that conflict with the guidance in IFRS 11; and (b) disclose the information required by IFRS 3 and other IFRS standards for business combinations. The amendments apply both to the initial acquisition of an interest in joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured). These amendments are effective for reporting periods beginning on or after January 1, 2016.

**IAS 27 Separate Financial Statements**

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements. This amendment is effective for reporting periods beginning on or after January 1, 2016.

**Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows)**

These amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. This standard is effective for reporting periods beginning on or after January 1, 2017.

**IFRS 9 Financial Instruments**

This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with IAS 39, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. This standard is effective for reporting periods beginning on or after January 1, 2018.

**IFRS 15 Revenue from Contracts with Customers**

The IASB issued IFRS 15, Revenue from Contracts with Customers, which provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. This standard is effective for reporting periods beginning on or after January 1, 2018.

**IFRS 16 Leases**

IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

The Company is currently reviewing the impact of these standards and does not anticipate a significant impact on the consolidated financial statements.

**Additional Information**

Other additional information relating to Canadian Zeolite Corp. may be found on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.canadianzeolite.com](http://www.canadianzeolite.com).

## **Critical Accounting Estimates**

The preparation of consolidated financial statements requires the Company, in conformity with Canadian International Financial Reporting Standards, to select from possible alternative accounting principles, and to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses for the periods reported. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in operations in the period in which they become known. The Company's accounting policies and estimates used in the preparation of the consolidated financial statements are considered appropriate in the circumstances, but are subject to judgments and uncertainties inherent in the financial reporting process.

The consolidated financial statements include the accounts of the Company and its wholly-owned inactive subsidiaries, Canadian Mining Company of Arizona Inc. and Canadian Mining Company Inc. All significant inter-Company transactions and balances have been eliminated upon consolidation.

## **Mineral exploration and evaluation expenditures**

### **Pre-exploration Costs**

Pre-exploration costs are expensed in the period in which they are incurred.

### **Exploration and Evaluation Expenditures**

Once the legal right to explore a property has been acquired, costs directly related to exploration and evaluation expenditures ("E&E") are recognized and capitalized, in addition to the acquisition costs. These direct expenditures include such costs as materials used, surveying costs, drilling costs, payments made to contractors and depreciation on plant and equipment during the exploration phase. Costs not directly attributable to exploration and evaluation activities, including general administrative overhead costs and share based payments to employees and consultants, are expensed in the period in which they occur.

When a project is deemed to no longer have commercially viable prospects to the Company, exploration and evaluation expenditures in respect of that project are deemed to be impaired. As a result, those exploration and evaluation expenditure costs, in excess of estimated recoveries, are written off to the statement of operations and comprehensive loss.

The Company assesses exploration and evaluation assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount.

Once the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be a mine under development and is classified as "mines under construction". Exploration and evaluation assets are also tested for impairment before the assets are transferred to development properties.

As the Company currently has no operational income, any incidental revenues earned in connection with exploration activities are applied as a reduction to capitalized exploration costs.

Mineral exploration and evaluation expenditures are classified as intangible assets.

## **Disclosure and Internal Controls**

Disclosure controls and procedures have been established to provide reasonable assurance that material information relating to the Company is made known to management, particularly during the period in which annual filings are being prepared. Furthermore, internal controls have been established to ensure the Company's assets are safeguarded and to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IRFS.

## **Risks and Uncertainties**

The Company is in the mineral exploration and development business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same type of business. Some of the possible risks include the following:

- The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates.
- The only source of future funds for further exploration programs, or if such exploration programs are successful for the development of economic ore bodies and commencement of commercial production thereon, which are presently available to 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 party carrying out further exploration or development.
- Any future equity financings by the Company for the purpose of raising additional capital may result in substantial dilution to the holdings of existing shareholders.
- The Company must comply with environmental regulations governing air and water quality and land disturbance and provide for mine reclamation and closure costs.
- 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 its exploration and development activities in the future.
- There is no certainty that the properties which the Company has deferred as assets on its balance sheet will be realized at the amounts recorded. These amounts should not be taken to reflect realizable value.

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 on forward-looking statements. The Company has not completed a feasibility study on any of its deposits to determine if it hosts a mineral resource that can be economically developed and profitably mined.

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

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

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information. The Company's CEO and CFO have confirmed to the Company that they are satisfied with the effectiveness of the Company's system of disclosure controls and procedures as at June 30, 2016 based upon their evaluation of the effectiveness of such disclosure controls and procedures.

## **Approval**

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets periodically with management and annually with the independent auditors to review the scope and results of the annual audit and to review the consolidated financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders of the Company. The Board of Directors of the Company has approved the consolidated financial statements and the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

### Off-Balance Sheet Arrangements

The Company did not enter into any off-balance sheet arrangements during the year.

### Share Capital Information

The Company is authorized to issue an unlimited number of common shares without par value.

At October 28, 2016:

The Company had 23,659,862 common shares issued and outstanding.

The Company had granted the following incentive stock options pursuant to its Stock Option Plan:

| <b>Number</b>    | <b>Exercise price</b> | <b>Expiry date</b> |
|------------------|-----------------------|--------------------|
| 600,000          | \$ 0.065              | May 22, 2017       |
| 400,000          | \$ 0.065              | June 24, 2017      |
| 175,000          | \$ 0.095              | November 25, 2017  |
| 200,000          | \$ 0.090              | January 29, 2018   |
| 600,000          | \$ 0.135              | June 22, 2018      |
| <b>1,975,000</b> |                       |                    |

The Company had the following share purchase warrants outstanding:

| <b>Number</b>    | <b>Exercise price</b> | <b>Expiry date</b> |
|------------------|-----------------------|--------------------|
| 600,000          | \$ 0.12               | October 31, 2016   |
| 400,000          | \$ 0.12               | December 3, 2016   |
| 470,000          | \$ 0.15               | June 9, 2017       |
| 3,530,000        | \$ 0.15               | June 22, 2017      |
| 1,018,666        | \$ 0.40               | September 6, 2017  |
| <b>6,018,666</b> |                       |                    |

### Subsequent Events

During July 2016, warrant holders exercised 500,000 warrants for gross proceeds of \$60,000.

During August 2016, option holders exercised 75,000 options for gross proceeds of \$7,125.

During September 2016, the Company completed a private placement of 1,000,000 units at \$0.30 per unit, realizing gross proceeds of \$300,000. Each unit consists of one common share and one common share purchase warrant, entitling the holder to acquire an additional common share at \$0.40 per share for a one year period. The Company paid a cash finder's fee of \$5,600 and issued 18,666 Broker Warrants on a portion of the funds raised.

On October 24, 2016 a warrant holder exercised 200,000 warrants for gross proceeds of \$30,000.

On October 26, 2016 a warrant holder exercised 200,000 warrants for gross proceeds of \$24,000.