

ICONIC MINERALS LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
QUARTER ENDED February 28, 2017

Dated: April 28, 2017

OVERVIEW

The following management discussion and analysis (“MDA”) of the financial position of Iconic Minerals Ltd. (the “Company”) and results of operations should be read in conjunction with the audited consolidated financial statements for the year ended August 31, 2016 and the unaudited condensed consolidated interim financial statements for the six months ended February 28, 2017. All monetary amounts referred to herein are in Canadian dollars unless otherwise stated. The financial statements together with this MDA are intended to provide investors with a reasonable basis for assessing the financial performance of the Company.

Additional information related to the Company is available for view on SEDAR at www.sedar.com, on the Company’s website at www.iconicmineralsltd.com, or by requesting further information from the Company’s head office in Vancouver.

FORWARD LOOKING STATEMENTS

Information contained in this MDA that is not historical fact may be considered “forward looking statements”. These forward looking statements sometimes include words to the effect that management believes or expects a stated condition or result. All estimates and statements that describe the Company’s objectives, goals or plans are forward looking statements. Since forward looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors, including such variables as new information regarding recoverable reserves, changes in commodity demand and prices, legislative, environmental and other regulatory or political changes, competition in areas where the Company operates, and other factors discussed herein. Readers are cautioned not to place undue reliance on this forward looking information.

DESCRIPTION OF BUSINESS

Iconic Minerals Ltd. (TSX-V: ICM) is a mineral exploration company focused on acquiring and exploring gold and lithium properties in Nevada and uranium and gold properties in Canada leading to NI43-101 compliant mineral resources in the near term.

In December 2015, the Company entered into a property option agreement with a related party to acquire a 100% interest in certain Lithium claims located in Nye County, Nevada. As of December 2016, the Company has expanded its Bonnie Claire lithium project to 921 claims comprising 18,420 acres (28.75 mi²).

The Company holds highly prospective gold exploration properties in Nevada with the potential to host both Carlin-type and Round Mountain style gold/silver deposits. The Company, through option agreements, has acquired 50% interests in the New Pass and Squaw creek properties located in Nevada.

In September 2011 the Company entered into an earn-in agreement to acquire up to a 70% interest in a lease in the Hercules Project located in Lyon County, Nevada. During fiscal 2014, the Company amended the earn-in agreement to obtain an additional 30% interest in the lease of the property (for a total of 100%). The terms of the amended underlying lease agreement are disclosed in the consolidated financial statements.

The Company’s property portfolio also consists of uranium, polymetallic and diamond, exploration and evaluation assets located in the Athabasca Basin in Saskatchewan.

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EXPLORATION AND EVALUATION ASSETS

A summary of the Company's exploration and evaluation assets at February 28, 2017 and August 31, 2016 are as follows:

	February 28, 2017 - \$ -	Current Expenditures - \$ -	August 31, 2016 - \$ -
United States			
New Pass, Nevada	1	-	1
Bonnie Claire Project, Nevada	1,699,920	269,376	1,430,544
Smith Creek Project, Nevada	108,686	108,686	-
Hercules Project, Nevada	1,229,567	2,340	1,227,227
Squaw Creek, Nevada	1	-	1
Total - USA	3,038,175	380,402	2,657,773
Canada			
Yellow Lake, Quebec	1	-	1
Four Lakes, Saskatchewan	1	-	1
Total – Canada	2	-	2
Total Exploration and Evaluation Assets	3,038,177	380,402	2,657,775

UNITED STATES

Overview

With the acquisition of a 100% interest in the Hercules Project the Company has focused its effort on bringing this bulk minable, heap leachable type target to production. The New Pass and Squaw Creek properties will be further explored once Hercules is advanced.

Lithium Project, Nevada

Bonnie Claire

In December 2015, the Company entered into a property option agreement with a related party to acquire a 100% interest in certain Lithium claims located in Nye County, Nevada.

The Company may earn its 100% interest in the property by: (a) reimbursing expenses not to exceed US \$20,000 for the property; (b) expending initial claim filing fees and expenses estimated to be US \$76,500; and (c) expending US \$100,000 for the first year exploration development program, and by thereafter completing additional work requirements for the second (US \$200,000), third (US \$400,000) and fourth (US \$600,000) year totaling US \$1,200,000.

The Vendor will retain a 4.5% NSR, 1.5% of which the Company shall have the right to buy back within 90 days of the property going into production for US \$2,000,000, and an additional 1.5% of which the Company shall have the right to buy back within 180 days of the property going into production for US \$4,000,000; and (b) a cash payment of US \$1,000,000 to be made by the Company to the Vendor upon the property attaining commercial production.

The Property is a lithium brine target. It is located within a valley that is over +20 miles (+30 km) long and 12 miles (20 km) wide into which streams from an +800 mi² (2,070 km²) drainage basin empty. The source rocks are quartz-rich volcanics that contain anomalous amounts of lithium. Sampling of salt flats within the basin indicates lithium values in salt samples ranging from 50 to 340 ppm. The deeper part of a gravity low within the valley is 12 miles (20 km) long, and initial estimates of the depth to bedrock ranges from 1,500 to 2,000 feet (460-610 m) within this low. The current claim block covers the gravity low and associated mud flats that could be used for evaporation ponds if significant lithium brines are discovered in drilling.

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By April, 2016 the Company had expanded its land holding to 784 claims comprising 15,680 acres (63.5 km²) and filed with the State of Nevada an application to appropriate groundwater for future operations. Zonge International initiated a magnetotellurics (MT) geophysical survey over a gravity low within the valley in May, 2016. The survey will identify the depth and extent of highly conductive brine layers as well as structural and stratigraphic contacts. In June 2016 the Company expanded the Bonnie Claire land position to 921 claims comprising 18,420 acres.

In June, 2016 the Company received a report by Frank Fritz of Fritz Geophysics, Fort Collins, Colorado on the MagnetoTelluric (MT) geophysical survey at the Bonnie Claire Project (the "Property"). The survey identified a widespread conductor interpreted to be a brine horizon with an average thickness of over 300 meters (985 feet). The low resistivity indicates a high salt content, because salt water is a good conductor. This layer has the characteristics of a potential lithium brine.

In the summer and fall of 2016 the Company drilled two exploration wells to test for lithium brine. Although the brines intersected contained marginal amounts of lithium, the sediments drilled were found to contain abundant lithium averaging over 1000 ppm. Initial leach tests of the sediments indicate recoveries of over 95% of the lithium using a dilute acid leach. Further metallurgical testing was initiated in late fall.

In March, 2017, McClelland Laboratories Inc. ("McClelland"), of Sparks, Nevada conducted the initial metallurgy. A series of bottle roll tests were completed using hydrochloric acid at various strengths for a period of 72 hours. Although the tests indicate that this method dissolves the lithium mineral, the high calcium carbonate content of the samples caused excessive consumption of acid. The use of deionized water instead of acid has been proven to solve this problem. Testing, has shown that deionized water leaches the lithium from the sediments more effectively. Further studies are underway using water with variable solid densities, and temperatures to optimize extraction.

Smith Creek

In October 2016, the Company entered into two Lithium Property Option Agreements with a non-arms' length vendor (the "Vendor") to acquire a 100% interest totaling 1,185 placer mining claims comprising 23,700 acres in Nevada ("Properties"). The Company may earn its 100% interest in the Properties by: (a) reimbursing the Vendor for all documented expenses, not to exceed US \$40,000 for each Property; (b) expending initial and annual claim filing fees and expenses being, US \$133,100 for the first Property ("Property A") and US \$193,000 for the second Property ("Property B"); and (c) also expending for exploration and development on each Property in the first year US \$200,000, second year US \$500,000, third year US \$500,000 and fourth year US \$1,000,000, totaling US \$2,000,000 for each Property; in total, the "Expenditures".

In the fall of 2016 the Company contracted Zonge Engineering of Reno, Nevada to do a MagnetoTelluric (MT) geophysical survey to test the property for potential conductors which indicate the presence of brine.

In March, 2017, the company completed an interpretation of the Magneto Telluric (MT) geophysical survey. The Survey was conducted along the long axes of the valley to determine the presence and the extent of the brine. The survey identified two probable brines. There is a thin, near surface anomaly that correlates with brine drilled by the USGS in a 1989 hydrology study of the basin. The USGS did not include an analysis of lithium within this study. The Survey also identified a deeper probable brine averaging 400 meters in interpreted thickness, which dips gently to the south and extends beyond the Survey to the north. The top layer of this brine anomaly occurs 200-500 meters below the surface. There were two major interpreted faults identified also.

Hercules Project, Nevada

In September 2011 the Company entered into an earn-in agreement to acquire up to a 70% interest in a lease to explore the Hercules Project located in Lyon County, Nevada. To acquire its interest in the lease, the Company was required to expend a total of US\$3,000,000 in staged expenditures on the property over a five year period. In October 2013, the Company amended the earn-in agreement to obtain an additional 30% in the lease (total 100%) in consideration of a one-time payment of US\$10,000. As a result, the Company is now responsible for the

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commitments of the underlying agreement, which was concurrently amended. The terms of the amended underlying lease agreement are disclosed in the consolidated financial statements.

The Hercules Project is located in the Como Mining District, Lyon County, Nevada, approximately 15 kilometers east of the Comstock Mine. Similar to Comstock the Hercules Project is a high level epithermal vein and disseminated gold/silver prospect occurring within Tertiary volcanic rocks. Iconic has agreed to explore the Project due to its potential for bulk minable heap leachable gold-silver mineralization as well as deeper high-grade and bonanza grade gold/silver. Two sub-parallel structural zones approximately 750 meters apart can be traced along surface for over 2,700 meters.

The Company completed a summer drilling program at Hercules during 2012 consisting of 12 Reverse Circulation and 8 core holes totaling 6,631 feet (2,021 meters). During the summer of 2014, surface alteration mapping was conducted at Hercules. The identification of broad outcrops of potentially mineralized material led to the design of a surface outcrop and trench sampling program. In January, 2015 the Company was granted a Plan of Operation (POO) permit by the Bureau of Land Management (BLM) which will allow drilling of additional 200+ holes. This drilling will allow determination of an NI 43-101 resource for the Project. Completion of this work remains subject to additional funding. Early in the spring of 2015 outcrop sampling was initiated. Sample lines are carefully surveyed, logged and channel sampled on 0.3 to 3.0 meter intervals. To insure quality control, standards and blanks are added before the samples are sent to ALS Chemex in Reno, Nevada for analysis. Results were published in 2015..

New Pass Property, Nevada

In April 2006 the Company received a mineral resource report on the New Pass project compiled by Sam S. Arentz III, P.E. of Sierra Environmental Engineers, Inc., Reno, Nevada. The report was prepared using NI 43-101 guidelines and standards and is identified as an addendum to the NI 43-101 report filed on SEDAR.

According to the Arentz report the New Pass project contains an Inferred Mineral Resource of 11.5 million tons (10.5 million tonnes) averaging 0.0226 oz/t (0.78 g/t) gold and 0.2214 oz/t (7.59 g/t) silver. This is equivalent to approximately 260,000 ounces of gold and 2.546 million ounces of silver. The shallow and largely oxidized nature of the resource indicates it may be amenable to open pit heap-leach mining methods.

On September 8, 2010, the Company filed an NI 43-101 technical report which included updated information on all of the drilling since the 2006 resource report. A Plan of Operation was granted in July, 2009 and bonded in November, 2009. In a news release dated June 11, 2013, the Company announced the results of the 11 holes exploration program completed during the period at the Company's New Pass property.

During fiscal 2016 the Company decided to concentrate its resources and efforts towards its Bonnie Claire and Hercules Project properties, and accordingly impaired the New Pass Property to a nominal value, but continues to hold the rights to further explore this property.

Squaw Creek Property, Nevada

The Squaw Creek property is located in the Ivanhoe Mining District, four miles northwest of the Hollister Deposit and is 15 miles southeast of the Ken Snyder Deposit in the Midas Mining District. Both the Ivanhoe Mining District and the Midas Mining District lie on the northwest strike projection of the Carlin Trend and within the Northern Nevada Rift. The Midas Mining District lies at the northwest end of a line of gold deposits, which extends to the southeast to the Rain deposit, south of Carlin. The property is a joint venture with McEwen Mining Inc. (Formerly White Knight Resources Ltd.)

According to the NI 43-101 report on the property, strongly anomalous gold mineralization has been consistently intersected in drill holes over an area 3 miles long by 1 mile wide. The Company conducted a geophysics survey of the property and a 3 holes deep core drilling program. The primary target is a high grade vein deposit like the Ken Snyder mine or the deeper part of the Ivanhoe (Hollister) mine.

During fiscal 2012 the Company decided to concentrate its resources and efforts towards its Hercules Project properties, and accordingly impaired the Squaw Creek Property to a nominal value, but continues to hold the rights to further explore this property.

CANADA

Saskatchewan

In July 2007, the Company acquired a 100% interest in certain mineral claims located in the Athabasca Basin, Saskatchewan.

Roughly one-third of the Four Lakes Property is located within the Athabasca Basin contiguous with the former producing Key Lake Uranium Mine; whereas the remaining claims encompass the NE-SW trending Wollaston Belt gneisses and granites that form the basement units to the Athabasca Basin. The Wollaston Belt hosts a number of sub-parallel NE-SW faults known for their uranium mineralization.

Quebec

In April 2013, the Company entered into a Property Option Agreement to acquire up to an 85% exclusive right and interest in and to certain surface and mineral rights comprising 1,784.59 hectares, in the James Bay area, Quebec, known as the Yellow Lake Property. During fiscal 2015, the agreement was extended for an additional two years.

Pursuant to the agreement, the Company may earn an initial 50% interest in the property by paying the optionors a total of \$50,000 cash (paid), issuing 125,000 common shares upon signing (issued), issuing 250,000 shares within 12 months (issued), and expending \$500,000 for exploration work by April 2017.

The agreement provides that the Company may acquire an additional 35% interest in the Yellow Lake Property for further expenditures and share issuances within 5 years. The agreement is subject to a 2% net smelter royalty (NSR), 1% of which may be purchased for \$1,500,000, and the Company has the right of first refusal to purchase the remaining 1% NSR.

Pursuant to an amending agreement, all exploration expenditure requirements have been extended by a further two years.

During fiscal 2016, the Company impaired the property to a nominal value as there are currently no plans for exploration in the near future.

Richard Kern, CPG #11494 and President/CEO of the Company, is the QP responsible for the technical disclosure contained in this document.

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SELECTED ANNUAL INFORMATION

The following table provides a brief summary of the Company's financial operations for the prior three fiscal years. For more detailed information, refer to the Company's financial statements for the years then ended.

	Years ended August 31	2016 - \$ -	2015 - \$ -	2014 - \$ -
Net loss	(4,913,836)	(644,537)	(430,239)	
Basic and diluted loss per share	(0.14)	(0.03)	(0.04)	
Total assets	3,198,880	4,565,476	4,222,939	
Total long term liabilities	2,043,353	2,217,423	2,176,754	
Total equity	(180,964)	665,712	126,712	

Year ended August 31, 2016: The Company recorded a net loss for the year of \$4,913,836 compared to \$644,537 in 2015. Significant variances in costs between the two years include business development, share based compensation, consulting fees and impairment of exploration and evaluation properties.

Business development increased to \$141,110 in 2016 (2015 - \$13,266) due to increased activities in search for new properties. Foreign exchange has a gain of \$16,657 (2015 - loss of \$141,174) due to changes in exchange rates between Canada and the United States. Consulting costs increased to \$274,138 (2015- \$99,868) as the Company increased the use of consultants to evaluate new potential acquisitions. Share based compensation increased to \$607,176 (2015 \$ 79,413) due to granting of stock options during the year. Impairment costs on the New Pass property in Nevada as well as the Yellow Lake property in Quebec resulted in an increase to \$3,419,871 (2015 - \$Nil).

At year end, there was a working capital deficiency of \$782,386 (2015 - \$1,635,402). Net cash used in operations was \$2,473,186 (2015 – \$329,130), net cash used in investing activities totaled \$582,205 (2015 \$132,103), and net cash provided by financing activities was \$3,332,484 (2015 – \$501,359).

Year ended August 31, 2015: The Company recorded a net loss for the year of \$644,537 compared to \$430,239 in 2014. Significant variances in costs between the two years include foreign exchange loss, office administration, stock based compensation and consulting fees.

Foreign exchange loss increased to \$141,174 in 2014 (2015 - \$34,943) due to significant drop in value of the Canadian dollar versus US dollar. Office administration decreased to \$87,045 (2014 \$132,474) as Company reduced its activities to conserve cash. Consulting costs increased to \$99,868 (2014- \$48,500) as Company increased the use of consultants. Share based compensation increased to \$79,713 (2014 \$ Nil) due to granting of stock options during the year.

As a result of changing market values of the Company's marketable securities, the Company recorded an unrealized loss of \$4,000 during the year (2014 –gain of \$800).

At year end, there was a working capital deficiency of \$1,635,402 (2014 - \$1,909,070). Net cash provided by (used in) operations was (\$329,130) (2014 – \$3,294), net cash used in investing activities totaled \$132,103 (2014 \$1,430), and net cash provided by (used in) financing activities was \$501,359 (2014 – (\$269)).

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Summary of quarterly financial results: The following is a summary of selected financial information compiled from the quarterly interim unaudited financial statements for eight quarters ending February 28, 2017:

	February 28, 2017	November 30, 2016	August 31, 2016	May 31, 2016
<i>Three months ending</i>	- \$ -	- \$ -	- \$ -	- \$ -
Total assets	3,335,841	3,092,782	3,198,880	6,115,802
Exploration and evaluation assets	3,038,177	2,868,026	2,644,775	4,973,063
Working capital deficiency	(1,073,427)	(1,133,966)	(782,386)	(30,380)
Long term liabilities	2,164,672	2,074,936	2,043,353	2,140,011
Shareholders' equity/(deficiency)	(145,922)	(386,766)	(180,964)	2,770,110
Net loss	(277,357)	(292,974)	(4,210,505)	(561,376)
Loss per share	(0.00)	(0.00)	(0.12)	(0.01)

	February 29, 2016	November 30, 2015	August 31, 2015	May 31, 2015
<i>Three months ending</i>	- \$ -	- \$ -	- \$ -	- \$ -
Total assets	4,812,672	4,585,581	4,565,476	4,360,386
Exploration and evaluation assets	4,720,491	4,560,743	4,518,537	4,345,649
Working capital deficiency	(1,724,202)	(1,770,830)	(1,635,402)	(1,478,228)
Long term liabilities	2,239,548	2,228,497	2,217,423	2,188,091
Shareholders' equity	756,741	561,416	665,712	658,330
Net loss	(36,147)	(105,808)	(195,597)	(183,928)
Loss per share	(0.00)	(0.00)	(0.01)	(0.01)

Comparison of operating results for the six months ended February 28, 2017 and February 29, 2016. The Company had a net loss of \$573,202 in the period compared to a net loss of \$141,955 in the prior year's comparable period. Most expenses were similar in both periods, with the most significant variances explained in the following table:

	<i>Six months ended</i>	February 28, 2017 - \$ -	February 29, 2016 - \$ -
Business Development		20,171	10,692
<i>The increase in business development relates to the Company increased activities in search for new properties acquisitions in the current period.</i>			
Consulting		243,280	26,500
<i>The increase in consulting relates to the Company's increased activities relating to financing and property acquisitions in the current period.</i>			
Share-based compensation		46,844	3,066
<i>The increase in share-based payment is due to the vesting of stock options during the period.</i>			
Professional fees		22,550	15,501
<i>The increase is due to additional tax matters</i>			
Interest expense		135,930	21,848
<i>The increase is due to change in the risk free rate used on long term debt from 2% to 3.2%, as well as interest on the short term loan incurred in the period.</i>			

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In the three month period ended February 28, 2017 and February 29, 2016: The Company had a net loss of \$276,557 in the period compared to a net loss of \$36,147 in the prior year's comparable period. Most expenses were similar in both periods, with the most significant variances explained in the following table:

	<i>Three months ended</i>	February 28, 2017 - \$ -	February 29, 2016 - \$ -
Consulting		127,602	12,000
<i>The increase in consulting relates to the Company's increased activities relating to financing and property acquisitions in the current period.</i>			
Share-based compensation		23,422	1,533
<i>The increase in share-based payment is due to the vesting of stock options during the period.</i>			
Professional fees		14,015	7,500
<i>The increase is due to additional tax matters</i>			
Foreign exchange (gain) loss		(22,889)	(42,532)
<i>The decrease in foreign exchange gain is due to the change in value of the Canadian dollar versus US dollar in prior year and the reduction of US denominated debt.</i>			
Interest expense		64,130	10,924
<i>The increase is due to change in the risk free rate used on long term debt from 2% to 3.2%, as well as interest on the short term loan incurred in the period.</i>			

LIQUIDITY AND CAPITAL RESOURCES

The Company has financed its operations to date primarily through the issuance of common shares, exercise of stock options and related party advances. The Company continues to seek capital through various means including the issuance of equity and/or debt.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

In October 2016, The Company entered into a loan agreement for USD \$100,000 with an interest rate of 12% per annum, payable on or before November 4, 2016. The Company negotiated an extension and repaid the loan during the period.

At February 28, 2017 the Company had a working capital deficiency of \$1,073,427 and a cumulative deficit of \$44,287,517. Management considers its cash-on-hand is not sufficient to fund its recommended exploration work, planned acquisition program and corporate overhead through the next twelve months. Accordingly, the Company is continuing to seek additional funds from existing shareholders and potential investors.

During the six months ended February 28, 2017 the Company expended \$380,402 on its Nevada properties,

During the six months ended February 28, 2017, 200,000 options were exercised for gross proceeds of \$15,000.

During the six months ended February 28, 2017, 750,000 warrants were exercised for gross proceeds of \$56,250.

On March 15, 2017 the Company issued 600,000 common shares on the exercise of options for proceeds of \$45,000 and issued 280,000 common shares on the exercise of warrants for proceeds of \$21,000.

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The Company has retained Brisco Capital Partners Corp. ("Brisco") to provide investor relations services which services include initiating and maintaining contact with the financial community and the Company's shareholders, investors and other stakeholders for the purpose of increasing awareness of the Company and its activities

The Consulting Agreement is for a term of one year. Brisco will receive a monthly fee of \$7,500 plus applicable taxes from the Company and is being granted stock options (the "Options") to acquire 500,000 common shares of the Company at an exercise price of \$0.30 per common share. The Options vest quarterly over a period of twelve months from the date of issuance and can be exercised for a period of two years from the date of grant.

Private Placements

On February 27, 2017, the Company closed the second tranche of a private placement by issuing a total of 3,363,636 Units at a price of \$0.11 per Unit, each Unit being comprised of one common share and one-half share purchase warrant, each whole warrant being exercisable into one common share on or before February 21, 2018 at \$0.20 per share. No finder's fee was paid in connection with this second tranche closing.

On December 22, 2016, the Company closed the first tranche of a private placement by issuing a total of 1,181,818 Units at a price of \$0.11 per Unit, each Unit being comprised of one common share and one-half share purchase warrant, each whole warrant being exercisable into one common share on or before December 21, 2017 at \$0.20 per share.

A total of \$6,600 cash and a non-transferable Broker's Warrant to purchase up to 60,000 shares of the Company at \$0.20 per share on or before December 21, 2017 was paid / issued as a finder's fee in connection with this first tranche closing.

On June 2, 2016, the Company closed the first tranche of private placement by issuing a total of 13,525,000 Units at a price of \$0.20 per Unit, each Unit being comprised of one common share and one-half share purchase warrant, each whole warrant being exercisable into one common share on or before June 1, 2018 at \$0.30 per share.

A total of \$158,150 cash and 309,900 Compensation Warrants were issued as finders' fees in connection with this first tranche closing. The Compensation Warrants are exercisable on or before June 1, 2017 into a total of 309,900 units at \$0.20 per unit. Each unit if and when issued will be comprised of one common share and one-half non-transferable share purchase warrant, each whole warrant being exercisable at \$0.30 per share on or before June 1, 2018.

On June 15, 2016 the Company closed the second tranche of private placement by issuing a total of 1,475,000 Units at a price of \$0.20 per Unit, each Unit being comprised of one common share and one-half share purchase warrant, each whole warrant being exercisable into one common share on or before June 14, 2018 at \$0.30 per share.

On March 18, 2016 the Company issued a total of 1,020,000 Units at a price of \$0.05 per Unit, each Unit being comprised of one common share and one-half share purchase warrant, each whole warrant being exercisable into one common share for a period of two (2) years from the date of issuance at \$0.075 in the first year, and thereafter at \$0.15 in the second year.

On March 28, 2016 the Company issued a total of 10,000,000 common shares at a price of \$0.05 per share, subject to a hold period under applicable Canadian securities laws expiring on July 29, 2016, and will be subject to such further restrictions on resale as may apply under applicable foreign securities laws.

The Company's future capital requirements will depend on many factors, including costs of exploration and development of the properties, cash flow from operations, costs to complete additional exploration, and competition and global market conditions. The Company's recurring operating losses and growing working capital needs will require that it obtain additional capital to operate its business.

The Company will depend on outside capital to complete the exploration and development of the resource properties. Such outside capital will include the sale of additional common shares. There can be no assurance that capital will be available as necessary to meet these continuing exploration and development costs or, if the capital

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is available, that it will be on terms acceptable to the Company. The issuances of additional equity securities by the Company may result in a significant dilution in the equity interests of its current shareholders. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the business and future success may be adversely affected.

RELATED PARTY TRANSACTIONS

Related party transactions were as follows:

During the six months ended February 28, 2017 and February 29, 2016, transactions with key management were as follows:

	2017	2016
	- \$ -	- \$ -
Management fees paid or accrued to the CEO and President	39,821	40,629
Consulting fees paid or accrued to a company controlled by the corporate manager	24,000	24,000
Office administration fees paid or accrued to a company controlled by the CFO	12,000	12,000
Office administration fees accrued to a company controlled by the corporate manager	27,000	27,000

The amounts due to key management personnel as at February 28, 2017 and August 31, 2016 were as follows:

	Feb 28, 2017	Aug 31, 2016
	- \$ -	- \$ -
Included in accounts payable are amounts due to the corporate manager or companies controlled by the corporate manager ⁽⁵⁾	3,368	44,084
Included in accounts payable are amounts due to a director ⁽⁴⁾	-	1,500
Included in accounts payable are amounts due to Richard Kern, director and a former director, or companies related to them ⁽¹⁾	510,690	489,968

¹ Richard Kern, President Director and CEO

² Richard Barnett, CFO & Secretary

³ Jurgen Wolf, Director

⁴ Huitt Tracey, Director

⁵ Joseph DeVries

⁶ Joseph Charland, Director (appointed Jan 5, 2016)

These transactions and the other related party transactions disclosed elsewhere in the financial statements were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

OTHER MATTERS

Outstanding Share Data: At the current date, the Company has 70,712,597 common shares outstanding.

Stock options: At the current date, there are 4,100,000 stock options outstanding.

Warrants: As of the current date, there are 9,364,900 warrants outstanding.

Compensation warrants: As of the current date, there are 309,900 compensation warrants outstanding which are exercisable into units comprised of one common shares and one-half non-transferable share purchase warrant. See Note 9 of financial statements.

Off-Balance Sheet Arrangements: The Company has not entered into any off-balance sheet arrangements.

FINANCIAL INSTRUMENTS – PRESENTATION AND DISCLOSURE

Financial assets and financial liabilities are recognized on the consolidated statement of financial position when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are required to be measured at fair value at initial recognition. Measurement in subsequent periods is dependent upon classification of the financial instruments as fair value through profit or loss (“FVTPL”), available for sale, loans and receivables, held to maturity, or other financial liabilities. For financial instruments classified as FVTPL, transaction costs are added to the initial fair value of the related financial instrument.

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets and liabilities classified as FVTPL are measured at fair value with changes in those fair values recognized in consolidated statement of operations. Financial assets classified as available for sale are measured at fair value with changes in those fair values recognized in Other Comprehensive Income. Financial assets classified as loans and receivables, held to maturity or other financial liabilities are measured at amortized cost using the effective interest rate method of amortization. Where a financial asset classified as held to maturity or available for sale has a loss in value which is considered to be other than temporary, the loss is recognized in the consolidated statement of operations.

The Company has classified cash and marketable securities as FVTPL, accounts payable and accrued liabilities and long-term liabilities as other financial liabilities.

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management, and have been examined and approved by the Board of Directors. The accompanying consolidated financial statements are prepared by management in accordance with International Financial Reporting Standards (“IFRS”) and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

ACCOUNTING POLICIES

New accounting standards adopted

The Company adopted new accounting standards during the period ended February 28, 2017. The new standards adopted, which had no effect on the Company are as follows:

IAS 32, Financial Instruments: Presentation is amended to clarify requirements for offsetting of financial assets and financial liabilities.

IAS 36, Impairment of Assets, is amended to address the disclosures required regarding the recoverable amount of impaired assets or cash generating units (CGUs) for periods in which an impairment loss has been recognized or reversed.

IAS 16 & IAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*

Amended to (i) clarify that the use of a revenue-based depreciation and amortization method is not appropriated, and (ii) provide a rebuttable presumption for intangible assets.

New standards, interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of February 28, 2017 and have not been applied in preparing these financial statements.

Effective for annual periods beginning on or after January 1, 2018

IFRS 15, *Revenue from Contracts with Customers*:

IFRS 15 is a new standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model in order to depict the transfer of promised goods or services to customers. IFRS 15 supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC-31, *Revenue – Barter Transactions involving Advertising Service*.

In May 2015, the International Accounting Standards Board ("IASB") proposed to defer the effective date to January 1, 2018. Early application of the Standard would still be permitted.

IFRS 9, *Financial Instruments – Classification and Measurement*

IFRS 9 is a new standard on financial instruments 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 de-recognition 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 early adopted these revised standards and none of these standards are expected to have a material effect on the financial statements.

RISKS

The Company is engaged in the exploration for and development of exploration and evaluation assets. These activities involve significant risks which careful evaluation, experience and knowledge may not, in some cases, eliminate. The commercial viability of any material deposit depends on many factors not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade, proximity to infrastructure. Government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations, have an impact on the economic viability of a mineral deposit.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts revenues and expenses during the reporting period. Actual results could differ from those estimates.

Annual losses are expected to continue until the Company has an interest in an exploration and evaluation asset that produces revenues. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon the continued support of its shareholders, obtaining additional financing and generating revenues sufficient to cover its operating costs. The accompanying consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

Any forward-looking information in the management discussion and analysis is based on the conclusions of management. The Company cautions that due to risks and uncertainties, actual events may differ materially from current expectations. With respect to the company's operations, actual events may differ from current expectations due to economic conditions, new opportunities, changing budget priorities of the Company and other factors.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. We have designed controls for this process and have conducted an evaluation which has identified potential weaknesses in such controls. Due to the limited number of staff, it is not feasible to attain complete segregation of incompatible duties. Weaknesses in the Company's internal controls over financial reporting allow for a greater likelihood that a material misstatement would not be prevented or detected.

DIRECTORS

Certain directors of the Company are also directors, officers and/or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploring natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required to act in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his/her interest and abstain from voting in the matter(s). In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at the time.