HONEY BADGER EXPLORATION INC.

Management's Discussion and Analysis
For The Six-Month Period Ended June 30, 2016

GENERAL

This Management's Discussion and Analysis ("MD&A") of Honey Badger Exploration Inc. (the "Company" or "Honey Badger") is intended to enable readers to view the company's performance, financial condition and future prospects through management's eyes and to provide material information to readers that may not be fully reflected in the financial statements.

This MD&A is intended to supplement and should be read in conjunction with the Consolidated Financial Statements and the notes thereto for the year ended December 31, 2015. All financial information in this MD&A has been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts presented in this MD&A are in Canadian dollars unless otherwise indicated.

Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.honeybadgerexp.com.

This MD&A is prepared as of August 29, 2016 and was approved by the Company's audit committee and by the Board of Directors on August 29, 2016.

CAUTIONARY STATEMENT ON FORWARD LOOKING STATEMENTS

Forward-looking information is broadly defined as disclosures regarding possible events, conditions or financial performance that is based on assumptions about future economic conditions and courses of action and includes future-oriented financial information with respect to prospective financial performance, financial position or cash flows that is presented either as a forecast or a projection.

This MD&A contains forward looking statements, including statements relating to going concern and capital raising and capital requirements, that are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated. Factors that could cause such differences include: changes in commodity prices, changes in equity markets, changes in costs and supply of materials relevant to the exploration and mine development, changes in governments, changes to government mining regulations as well as numerous other risk factors. See the ***Risks and Uncertainties*** section of this MD&A for additional disclosures.

Readers are cautioned not to place undue reliance on forward looking statements contained within this document, which speak only to the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, actual events may differ materially from stated expectations. Although the Company believes its expectations are reasonable, results may vary, and the Company cannot guarantee future results, levels of activity, performance or achievements.

QUALIFIED PERSON

Quentin Yarie, P.Geo, the Company's President and Chief Executive Officer is the Qualified Person, as defined by NI 43-101, who has reviewed and approved the technical information disclosed in this MD&A.

CORE BUSINESS AND OBJECTIVES

The Company is incorporated is involved primarily in the identification, acquisition and advancement of mineral exploration properties with a particular focus on mineral exploration projects located in northern Quebec. The Company does not operate any mines. The long-term business objectives of the Company are to:

1. advance the geological knowledge of its mineral exploration properties
2. develop exploration targets for sampling and drilling programs; and
3. target, review and, if the exploration risk is deemed acceptable, acquire and advance additional mineral properties it considers prospective in order to augment and strengthen its portfolio of properties.

The current exploration priority is the advancement of the LG Diamond property.

Risk factors that must be considered in connection with achieving the Company's core business objectives include the risk that exploration activities may not result in the discovery of minerals or definition of any mineral resources or reserves, that significant expenses could be incurred to define mineral reserves, and that environmental, land title and financial issues may prevent the eventual development of any mineral reserves. The Company accepts the risks inherent to mineral exploration programs and exposure to the cyclical nature of mineral prices. The Company relies on the geological and industry expertise of its Toronto-based management team and engages sub-contractors to complete certain aspects of its exploration programs.

See the ***Risks and Uncertainties*** section of this MD&A for additional risk disclosures.

OUTLOOK

The Company acquired the LG Diamond property in September 2015. Previous work in the region has identified indicator minerals prospective to kimberlite exploration in the vicinity of the claim blocks. The company is currently modelling and compiling historic geophysical data. A more detailed magnetic survey is planned in 2016 to better resolve the magnetic targets. Once the magnetic survey is completed a drilling program is expected to be initiated to test the prioritized anomalies, consisting of short 100-150m holes in the center of each anomaly to test the bedrock directly below.

RESULTS OF OPERATIONS

The following are explanations of the material changes for the six-month and three-month periods ended June 30, 2016 and June 30, 2015 respectively:

	Six-Month Period Ended		**Three-Month Period Ended**	
	June 30, 2016	**June 30, 2015**	**June 30, 2016**	**June 30, 2015**
Expenses				
Exploration expenditures	$ 129,171	$ 32,530	$ 98,113	$ 234
Payroll and professional fees	106,146	-	79,136	-
General and administrative	165,951	87,857	93,968	58,987
Deferred flow-through premium	-	(7,365)	-	-
Write-off of deferred compensation	-	(100,000)	-	(100,000)
Interest expense	499	-	257	-
Interest income	(231)	-	(231)	-
Realized loss from marketable securities	8,135	33,705	-	33,705
Gain (Loss) for the Period	(409,671)	46,581	(271,243)	(7,220)
Unrealized gain from marketable securities	(2,661)	33,200	-	22,700
Realized gain from marketable securities in loss	8,135		-	-
Reclassification of marketable securities	-	61,500	-	61,500
Gain (Loss) and Comprehensive Gain (Loss) for the Period	(404,197)	48,119	(271,243)	91,420

During the six-month period ended June 30, 2016, the Company incurred a loss and comprehensive loss of $404,197 (2015: $48,119).

Expenditures consisted primarily of exploration expenditures on the LG Diamond exploration project, payroll and professional fees and general and administrative costs.

Exploration costs increased compared to the previous comparative period as a result of renewed activities. This is discussed in further detail in the section entitled Mineral Properties.

Payroll and professional fees increased compared to the previous comparative period as a result of cash compensation paid to the management team and severance costs related to legal settlements with the Company's former CEO and CFO.

General and administrative costs increased compared to the previous comparative period as a result of an increase in investor relation activities.

SELECTED QUARTERLY RESULTS

The following is selected quarterly information for the eight most recently completed quarters:

	Quarter Ended			
	June 30, 2016 $	**March 31, 2016 $**	**December 31, 2015 $**	**September 30, 2015 $**
Exploration expenditures	$ 98,113	$ 31,058	177,040	(21,321)
Payroll and professional fees	79,136	27,010	40,826	-
General and administrative	93,968	71,983	(27,059)	8,615
Share-based compensation	-	-	-	-
Part XII.6 taxes	-	-	162,055	-
Forgiveness of deferred compensation	-	-	(397,777)	-
Deferred flow-through premium	-	-	(23,365)	-
Provision for flow-through shares	-	-	102,000	-
Gain (loss) for the quarter	(271,243)	(138,428)	(390,944)	311,357
Gain (loss) and Comprehensive gain (loss) for the quarter	(271,243)	(132,954)	(468,463)	332,302
Basic and diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)
Total Assets	255,889	198,233	401,728	283,226
Total Liabilities	544,982	471,839	542,380	187,680
Total Shareholders' Deficiency	(289,593)	(273,606)	(140,652)	95,546
Net cash used in operating activities	(270,120)	(174,592)	(17,731)	(41,477)
Net cash provided by investing activities	231	81,729	694	-
Net cash provided by financing activities	303,956	-	226,640	-
Cash and cash equivalents	222,860	188,793	281,656	138,622

	Quarter Ended			
	June 30, 2015 $	**March 31, 2015 $**	**December 31, 2014 $**	**September 30, 2014 $**
Exploration expenditures	234	32,296	(27,956)	64,316
Payroll and professional fees	-	-	97,694	38,498
General and administrative	58,987	29,181	25,179	41,648
Share-based compensation	-	-	-	86,450
Forgiveness of deferred compensation	(100,000)	-	(325,000)	-
Gain (loss) for the quarter	(7,220)	(53,801)	339,471	(227,092)
Gain (loss) and Comprehensive gain (loss) for the quarter	91,420	(43,301)	302,171	(238,892)
Basic and diluted loss per share	0.00	(0.00)	0.00	(0.00)
Total Assets	7,220	269,053	308,727	257,796
Total Liabilities	91,420	597,229	593,602	1,060,744
Total Shareholders' Deficiency	(0.00)	(328,176)	(284,875)	(802,948)
Net cash used in operating activities	260,658	(22,636)	(36,581)	(178,118)
Net cash provided by investing activities	497,414	-	162	-
Net cash provided by financing activities	(236,756)	-	280,650	40,300
Cash and cash equivalents	(43,933)	157,463	180,099	107,831

MINERAL PROPERTIES

During the six-month period ended June 30, 2016, the Company incurred exploration and evaluation expenditures of $118,545 on the LG Diamond Property (2015: $nil), $10,000 on the Wemindji Property (2015: $nil), $nil on the Sagar Property (2015: $32,530) and $625 on other properties (2015: $nil).

The following table summarizes the cumulative exploration and evaluation expenditures the Company has incurred on its various properties:

	(a) LG Diamond Property $	(b) Wemindji Property $	(c) Other Properties $	All Exploration Properties $
Balance – December 31, 2015	**162,349**	**-**	**2,411,789**	**2,574,678**
Acquisition Costs	-	10,000	-	10,000
Development Expenditures	6,066	-	625	6,691
Exploration Expenditures	112,480	-	-	112,480
Balance – June 30, 2016	**311,627**	**10,000**	**2,412,414**	**2,703,849**

The Company has ownership interests in the following exploration projects:

(a) LG Diamond Property, Quebec

On September 29, 2015, the Company entered into an agreement with 9019-5504 Quebec Inc. (the “Vendor”) to acquire the LG Diamond Project located in the Jamesie County Municipality, James Bay Region of Quebec. The property consists of 2,275 hectares and as consideration, the Company issued 10,000,000 common shares at a value of $0.01 each and granted a 2% net smelter returns ("NSR") royalty to the Vendor. One half, or 1% of the NSR can be bought back for $1,000,000 and the remaining 1% for $2,000,000. The purchase transaction closed on October 23, 2015.

Property Description

The LG Diamond project is located in the James Bay region of Quebec, on the boundary of major geological provinces near the intersection of two major crustal faults with proven kimberlite fertility. The property package consists of a cluster of 9 non-adjacent claim blocks (KB-1 to KB-9) with a total of 55 claims covering 2,275 hectares. The claims are also in proximity to the trans-taiga gravel road and power lines servicing Hydro Quebec’s regional network of massive hydroelectric power dams.

Previous work in the area has identified the existence of indicator minerals prospective to kimberlite exploration in the vicinity of the claim blocks. Each claim block is centered on circular magnetic anomalies, which represents a possible kimberlite dyke.

The company is currently modelling and compiling historic geophysical data. A more detailed magnetic survey is planned in 2016 to better resolve the magnetic targets. Once the magnetic survey is completed a drilling program is expected to be initiated to test the prioritized anomalies, consisting of short 100-150m holes in the center of each anomaly to test the bedrock directly below.

MINERAL PROPERTIES (CONTINUED)

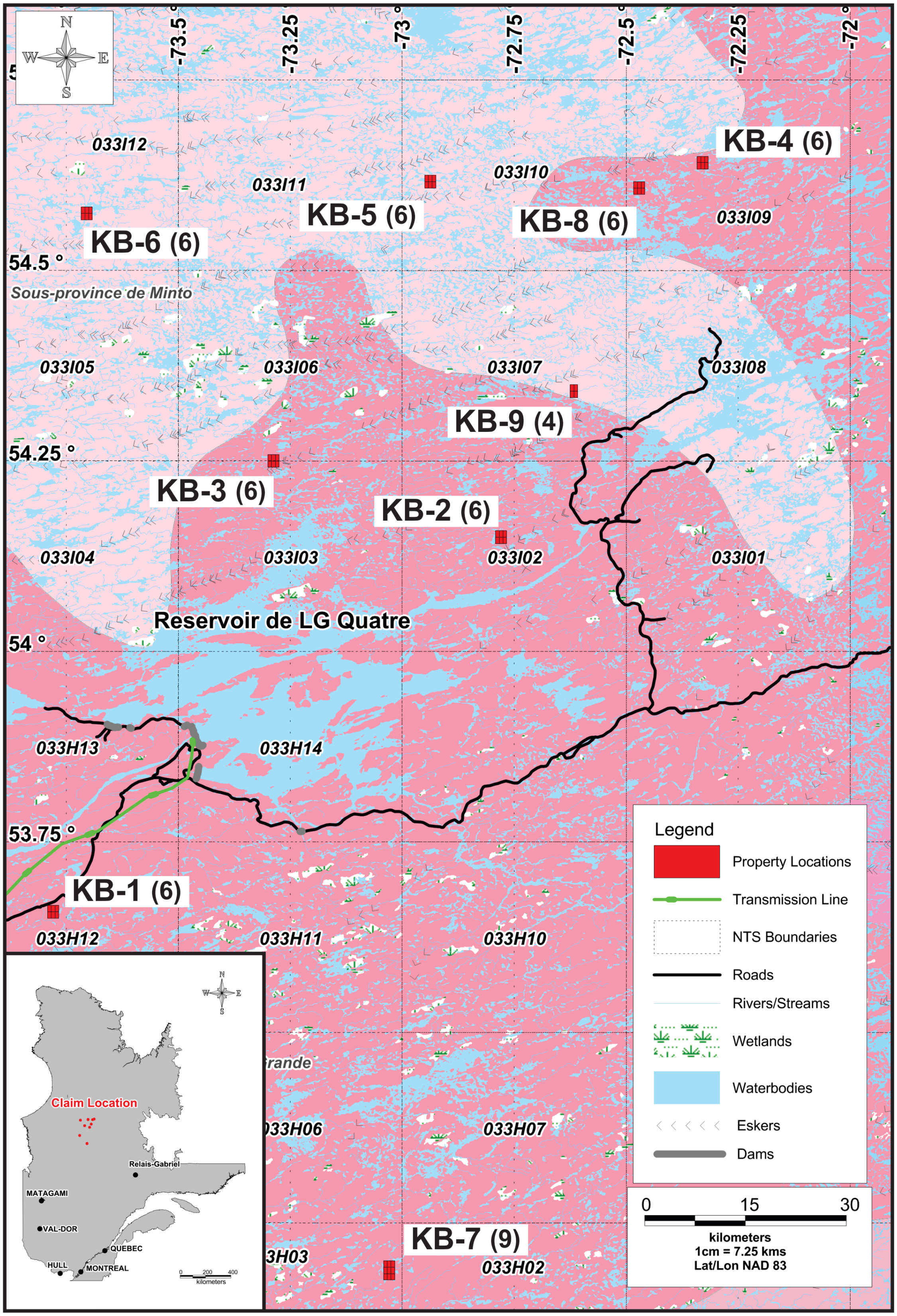

Figure 1 – Location of LG Diamond Property

MINERAL PROPERTIES (CONTINUED)

(b) Wemindji Property

On May 26, 2016, the Company entered into an agreement to acquire the Wemindji Property, which consists of 29 claims located approximately 20 kilometers south-east of Wemindji, in the James Bay region of Québec.

The acquisition costs consist of the payment of $5,000 cash and the issuance of 3,000,000 common shares of the Company to Resources D. Villeneuve Inc. ("RDVI") and the payment of $5,000 cash and the issuance of 1,000,000 common shares of the Company to Sparton Resources Inc. ("SRI"). Honey Badger is also required to grant of a 2% net smelter return ("NSR") royalty to the property vendors (1% in favour of RDVI and 1% in favour of SRI). The 2% NSR may be bought back from the vendors for $2,000,000. The vendors are at arm's length to the Company.

As of June 30, 2016, the Company had not issued the 4,000,000 common shares owed to the property vendors.

(c) Other Properties

Other properties include:

- Bear Limonite Creek property

  The Bear Limonite Creek property in British Columbia remains in good standing but is not an exploration priority for the Company. The Limonite Creek Project consists of 2 claims covering 1,050 hectares in the westernmost part of the Telkwa Pass approximately 50 km southwest of Smithers, British Columbia with early stage copper and gold exploration targets. The property is currently available for option and the Company will not pursue any further activities on the property.

- Sagar Property, Quebec

  On February 28, 2014, the Company entered into a purchase and sale agreement with Energizer Resources Inc. ("Energizer"), a company related by common management. On July 31, 2014 (the "Effective Date") the purchase and sale agreement was replaced by an option agreement (the "Option Agreement") entered into between the Company and Energizer pursuant to which the Company was granted an earn-in option to acquire up to a 100% interest in the Sagar Property in consideration of cash payments, share issuances and work commitment expenditures. This option agreement was further revised on May 8, 2015.

  To earn an initial 35% interest in the Sagar Property, the Company was required to pay Energizer $50,000 by December 31, 2015, incur work expenditures in the amount of $500,000 on the Sagar Property by December 31, 2016 and issue 20,000,000 of its common shares to Energizer by December 31, 2015.

  As of December 31, 2015, the Company did not satisfy the terms of the option agreement, which has now lapsed, and the Company will not pursue any further activities on the Sagar property.

RELATED PARTY TRANSACTIONS AND BALANCES

Related parties as defined by IAS 24 *Related Party Disclosures* include the members of the Board of Directors, key management personnel and any companies controlled by these individuals. Key management personnel include those persons having authority and responsibility for planning, directing and controlling activities of the Company as a whole. Key management personnel for the Company consists of the CEO, CFO and VP Exploration.

The following transactions occurred with related parties during the six-month period ended June 30, 2016:

a) Key management personnel received cash compensation of $27,682 (2015 – $nil), which has been recorded as exploration expenditures on the Statement of Loss and Comprehensive Loss.
b) A corporation controlled by the CFO received cash compensation of $24,375 (2015 – $nil), which has been recorded as payroll and professional fees on the Statement of Loss and Comprehensive Loss.

As of June 30, 2016 the following related party balances were outstanding:

a) Deferred compensation of $nil (2015: $nil).

OFF BALANCE SHEET TRANSACTIONS

The Company does not have off-balance sheet arrangements including any arrangements that would affect the liquidity, capital resources, market risk support and credit risk support or other benefits.

DIVIDENDS

The Company has neither declared nor paid any dividends on its Common Shares. The Company intends to retain its earnings, if any, to finance growth and expand its operations and does not anticipate paying any dividends on its common shares in the foreseeable future.

SHARE CAPITAL

The authorized share capital consists of an unlimited number of common shares. The common shares have no par value.

As at June 30, 2016 the Company had 100,788,849 issued and outstanding common shares (December 31, 2015: 91,330,517). All issued and outstanding common shares are fully paid.

(a) Common Share Financings during the period

On April 26, 2016, the Company issued 2,275,000 flow-through units ("FT Units") at a price of $0.04 per FT Unit and 3,433,332 common share units ("Common Units") at a price of $0.03 per Common Unit. Each FT Unit consists of one common share issued on a "flow-through" basis, as defined in the Income Tax Act (Canada), and one common share purchase warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.07 for a period of three years. Each Common Unit consists of one common share and one common share purchase warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.05 for a period of three years. In connection with the financing, the Company also paid cash compensation of $22,500 and issued 456,667 compensation warrants, with each compensation warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.10 for a period of three years.

On May 12, 2016, the Company issued 3,750,000 flow-through units ("FT Units") at a price of $0.04 per FT Unit. Each FT Unit consists of one common share issued on a "flow-through" basis, as defined in the Income Tax Act (Canada), and one common share purchase warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.07 for a period of three years. In connection with the financing, the Company also paid cash compensation of $12,000 and issued 300,000 compensation warrants, with each compensation warrant entitling the holder to acquire one common share of the Company at an exercise price of $0.10 for a period of three years

(b) Shares Issued for Property Acquisitions during the period

No shares were issued for property acquisitions.

STOCK OPTIONS

The Company has a stock option plan (the "Plan") under which the Board of Directors of the Company may grant stock options to eligible participants including directors and officers of the Company. The fair value of share-based compensation is recognized as contributed surplus upon issuance.

The exercise price of the options cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. There is no minimum vesting period. The maximum aggregate number of common shares under option at any time under the Plan cannot exceed 10% of the issued shares.

All outstanding stock options vested immediately upon being granted.

The following is a continuity schedule for each series of stock options outstanding from December 31, 2015 to June 30, 2016:

Expiry Date	Outstanding December 31, 2015 #	Granted #	Expired or Cancelled #	Outstanding June 30, 2016 #	Weighted Average Exercise Price $
June 30, 2016	1,590,000	-	(1,590,000)	-	0.10
July 19, 2016	875,000	-	-	875,000	0.10
October 5, 2016	1,435,000	-	-	1,435,000	0.10
Total	3,900,000	-	(1,590,000)	2,310,000	0.10

WARRANTS

The Company has issued warrants as part of equity financings. The fair value of warrants is recognized upon issuance as an equity reserve until expiration or exercise.

All outstanding warrants vested immediately upon being issued.

The following is a continuity schedule for each series of warrants outstanding from December 31, 2015 to June 30, 2016:

Expiry Date	Outstanding December 31, 2015 #	Issued #	Expired or Cancelled #	Outstanding June 30, 2016 #	Weighted Average Exercise Price $	Warrant Fair Value Reserve $
September 27, 2016	7,010,000	-	-	7,010,000	$0.20	99,300
December 12, 2016	427,000	-	-	427,000	$0.05	16,952
December 12, 2019	6,449,800	-	-	6,449,800	$0.05	76,600
December 24, 2018	2,000,000	-	-	2,000,000	$0.055	54,604
December 24, 2018	360,000	-	-	360,000	$0.055	9,829
April 26, 2019	-	2,275,000	-	2,275,000	$0.07	61,392
April 26, 2019	-	3,433,332	-	3,433,332	$0.05	94,147
April 26, 2019	-	456,667	-	456,667	$0.10	12,086
May 12, 2019	-	3,750,000	-	3,750,000	$0.07	101,195
May 12, 2019	-	300,000	-	300,000	$0.10	7,940
Total	16,246,800	10,214,999	-	26,461,799	$0.12	$ 534,045

(a) Warrants issued during the period

On April 26, 2016, the Company issued 2,275,000 warrants exercisable for a period of 3 years at an exercise price of $0.07 each and 3,433,332 warrants exercisable for a period of 3 years at an exercise price of $0.05 each as part of a private placement. The company also issued 456,667 broker warrants. The fair value of these warrants was calculated using the Black-Scholes model with a volatility of 211% and a compound risk free rate of 0.50%.

On May 12, 2016, the Company issued 3,750,000 warrants exercisable for a period of 3 years at an exercise price of $0.07 each. The company also issued 300,000 broker warrants. The fair value of these warrants was calculated using the Black-Scholes model with a volatility of 211% and a compound risk free rate of 0.50%.

LIQUIDITY AND CAPITAL MANAGEMENT

As of June 30, 2016 the Company had a working capital deficit of $289,093.

	June 30, 2016	December 31, 2015
Assets		
Current Assets:		
Cash and cash equivalents	$ 222,860	$ 281,656
Marketable securities	-	84,390
Accounts receivable	29,789	15,642
Prepaid expenses	3,240	20,040
Total Assets	**$ 255,889**	**$ 401,728**
Liabilities		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 313,917	$ 126,500
Deferred flow-through premium	129,065	80,865
Flow-through provision	102,000	335,015
Total Liabilities	544,982	542,380

There were no changes in the Company's approach to capital management during the six-month period ended June 30, 2016.

In managing liquidity, the Company’s primary objective is to ensure the entity can continue as a going concern while raising additional funding to meet its obligations as they come due. The Company’s operations to date have been funded by issuing equity. The Company expects to improve the working capital position by securing additional financing.

The Company’s investment policy is to invest excess cash in very low risk financial instruments such as term deposits or by holding funds in high yield savings accounts with major Canadian banks. Financial instruments are exposed to certain financial risks, which may include currency risk, credit risk, liquidity risk and interest rate risk.

The Company’s mineral property interests are all in the exploration stage, as such the Company is dependent on external financing to fund its exploration activities and administrative costs. Management continues to assess the merits of mineral properties on an ongoing basis and may seek to acquire new properties or to increase ownership interests if it believes there is sufficient geologic and economic potential.

Management mitigates the risk and uncertainty associated with raising additional capital in current economic conditions through cost control measures that minimizes discretionary disbursements and reduces exploration expenditures that are deemed of limited strategic value.

The Company manages the capital structure (consisting of shareholders’ deficiency) on an ongoing basis and makes adjustments in response to changes in economic conditions and risks characteristics of its underlying assets. Adjustments to the Company capital structure may involve the issue of new shares, issue of new debt, acquisition or disposition of assets, or adjustments to the amounts held in cash, cash equivalents and short-term investments.

The Company is not subject to any externally imposed capital requirements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance and comply with International Accounting Standard 34 Interim Financial Reporting ("IAS 34") using accounting principles consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). The accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period. Furthermore, the information on accounting standards effective in future periods and not yet adopted remains unchanged from that disclosed in the annual financial statements.

(b) Basis of presentation

These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements for the year ended December 31, 2015. These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary 606596 Alberta Ltd., which is not active and has no assets in the current or prior year. All intercompany balances and transactions have been eliminated.

(d) Significant accounting judgements and estimates

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of expenses during the reporting period.

Actual outcomes could differ from these estimates. The condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

Significant Accounting Judgments and Estimates and underlying assumptions are reviewed on an ongoing basis. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could have an effect on the amounts recognized in the condensed consolidated interim financial statements relate to the following:

Going concern

The preparation of the condensed consolidated interim financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1 of the Financial Statements.

FINANCIAL INSTRUMENT RISK FACTORS

The following disclosures are to enable users of the consolidated financial statements to evaluate the nature and extent of risks arising from financial instruments at the end of the reporting year:

a) Credit risk

The Company's credit risk is the risk of counterparty default on cash and cash equivalents held on deposit with financial institutions. The Company manages this risk by ensuring that deposits are only held with large Canadian banks and financial institutions. The Company's accounts receivable are sales tax receivables with negligible counterparty default risk.

b) Liquidity risk

The Company's liquidity risk is the risk that Company has insufficient funds to settle its contractual financial liabilities. The Company manages this risk by ensuring sufficient funds are available as contractual cash flows become due.

As at June 30, 2016, the Company had a cash balance of $222,860 (December 31, 2015: $281,656) to settle current liabilities of $544,982 (December 31, 2015: $542,380).

The Company is exposed to liquidity risk. While the Company has been successful in obtaining required funding in the past, there is no assurance that future financings will be available.

c) Market risks

The Company's market risk arises from changes in interest rates and commodity prices that could have an impact on profit and loss. This includes:

- Interest rate risk, is the sensitivity of the fair value or of the future cash flows of a financial instrument to changes in interest rates. The Company does not have any financial assets or liabilities that were subject to variable interest rates.

- Commodity price risks, particularly with respect to diamonds, is the sensitivity of the fair value of or of the future cash flows of mineral assets. The Company manages this risk by continually monitoring base and precious metal prices and commodity price trends to determine the appropriate timing for funding the exploration or development of its mineral assets, or for the acquisition or disposition of mineral assets. The Company does not have any mineral assets at the development or production stage carried at historical cost. The Company has expensed the acquisition and exploration costs of its exploration stage mineral assets.

- Marketable securities risk, is the sensitivity of the fair value of marketable securities to supply and demand for particular marketable securities. The Company manages this risk by continually monitoring the market pricing and trends of its portfolio of securities to determine the appropriate timing to complete any acquisitions or dispositions. The Company has determined the marketable securities risk at year-end is minimal as the Company sold its portfolio of marketable securities in January 2016.

- Currency risk, is the sensitivity of the fair value or of the future cash flows of financial instruments to changes in foreign exchange rates. The Company does not have any financial assets or liabilities that were subject to variable foreign exchange rates and as such the Company is not subject to currency risk.

RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of mining properties. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected.

Management
The success of the operations and activities of the Company is dependent to a significant extent on the efforts and abilities of its management, outside contractors, experts and other advisors. Investors must be willing to rely to a significant degree on management's discretion and judgement, as well as the expertise and competence of the outside contractors, experts and other advisors. The Company does not have a formal program in place for succession of management and training of management. The loss of one or more of the key employees or contractors, if not replaced on a timely basis, could adversely affect the Company operations and financial performance.

Credit risk
The Company deposits cash with financial institutions it believes to be creditworthy. In some circumstances, cash balances at these financial institutions may exceed the federally guaranteed amount. The Company's current credit risk is primarily attributable to cash and accounts recoverable. Cash is held with a reputable, Tier A Canadian chartered bank and as such, management believes the risk of loss to be minimal. Accounts receivable is due from the federal government of Canada. Management believes that the credit risk with respect to financial instruments included in HST recoverable is minimal and remote.

Liquidity risk
The Company's ability to remain liquid over the long term depends on its ability to obtain financing necessary to complete exploration and development of its mineral properties and their future profitable production or, alternatively, upon the Corporation's ability to dispose of its interest on an advantageous basis.

Currency risk
The Company has no foreign currency denominated assets or liabilities. Major purchases are transacted in Canadian dollars and therefore the Company has no material foreign currency exposure.

Interest rate risk
The Company's cash balance is subject to changes in interest rates. Interest rate risk is minimal.

Equity price risk
Market risk arises from the possibility that changes in market prices will affect the value of financial instruments of the Company. Except for marketable securities, the Company's other financial instruments (cash, accounts receivable, accounts payable and accrued liabilities and due to related party) are not subject to price risk.

Commodity price risk
The Company is exposed to price risk with respect to gold and other mineral commodity prices, such prices impacting the future economic feasibility of its exploration properties. The Company closely monitors gold and other mineral commodity prices to determine the appropriate course of action to be taken by the Company.

Additional capital
The exploration activities of the Company may require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and development of any of the Company's properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financings will be favourable to the Company. In addition, low commodity prices may affect the Company's ability to obtain financing.

RISKS AND UNCERTAINTIES (CONTINUED)

Environmental and permitting

The Company's current or future operations, including development activities, are subject to environmental regulations, which may make operations not economically viable or prohibit them altogether. All aspects of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations, among other things, mandate the maintenance of air and water quality standards, land reclamation, transportation, storage and disposal of hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Acquisition

The Company uses its best judgment to acquire mining properties for exploration and development. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable agreements, including arrangements to finance the acquisitions and development, or integrate such opportunity and their personnel with the Company. The Company cannot assure that it can complete any acquisition that it pursues or is currently pursuing, on favourable terms, or that any acquisition completed will ultimately benefit the Company.

Competition

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than the Company. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospectus for mineral exploration in the future.

Political risk

All of the Company's properties are located in Canada. Accordingly, the Company is subject to risks normally associated with exploration for and development of mineral properties in Canada, which the Company believes to be low.

Business risk

There are numerous business risks involved in the mineral exploration industry. The Company may not own 100% of a mineral concession or joint venture. Similarly, any non-compliance with or non-satisfaction of the terms of the Option by the Company could affect its ability to exercise the Option and earn its interest in the mining concessions and assets relating to properties.

Surface Rights

Mining concessions may not include surface rights and there can be no assurance that the Company will be successful in negotiating long term surface rights access agreements in respect of the properties. Failure to obtain surface rights could have an adverse impact on the Company's future operations.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company has established procedures and internal control systems to ensure the timely and accurate preparation of financial, management and other reports. The Chief Executive Officer and Chief Financial Officer certify financial reports. Disclosure controls are in place to ensure all reporting meets statutory reporting requirements. The Company's management is responsible for establishing and maintaining adequate internal controls. These controls have been designed to provide reasonable, but not absolute, assurance with respect to the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal controls, however well-conceived, will provide only reasonable and not absolute assurance that the objectives of the internal controls over financial reporting will be met. It should not be expected that the disclosure and internal controls and procedures would prevent all errors or fraud.

Due to the small size of the Company's finance department, there are a limited number of personnel handling accounting and financial matters and as a result, there is a lack of segregation of duties. Management believes that it has designed sufficient compensating internal controls to mitigate these limitations, including dual signatories on all cheques. Additional internal controls include audit committee and senior management review and oversight.

The Company's certifying officers, the Chief Executive Officer and the Chief Financial Officer, have reviewed the effectiveness of the design and operation of the Company's disclosure controls and procedures as a whole. Based on their review, including a review of the compensating controls relating to the lack of segregation of duties noted above, they have concluded that the Company's internal controls and procedures, as defined in National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Filings of the Canadian Securities Regulators, were effective overall.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable, but not absolute, assurance that all material information is obtained, analyzed and reported to senior management on a timely basis in order for management to make reasonable decisions regarding public disclosure.

The Company's certifying officers, the Chief Executive Officer and the Chief Financial Officer, have reviewed the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on their review, they have concluded that the Company's disclosure controls and procedures, as defined in National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Filings of the Canadian Securities Regulators, were effective and provide reasonable assurance that information required to be disclosed in interim, annual and special filings are submitted under Canadian securities laws and are recorded, processed, summarized and reported in a timely fashion.

OTHER INFORMATION

Additional information relating to the Company is also available on the SEDAR at www.sedar.com.