



## **WELCOME TO OUR MANAGEMENT DISCUSSION & ANALYSIS**

This management discussion & analysis (“MD&A”) includes information that will help you understand management’s perspective of our interim financial statements and notes thereto for the six months ended June 30, 2017. This information is based on what we knew on August 29, 2017. This MD&A includes statements and information about our expectations for the future and things that have not yet taken place. We highlight the section titled “Forward Looking Information” for further information.

We encourage you to read our interim financial statements and notes as you review this MD&A as well as the audited consolidated financial statements and notes for the year ended December 31, 2016. You can find more information about Strategic Resources Inc., including our most recent filings on SEDAR, at [www.sedar.com](http://www.sedar.com).

Unless we have otherwise specified, all dollar amounts are stated in Canadian dollars. The financial information included in this MD&A and in our financial statements and notes is prepared according to International Financial Reporting Standards (IFRS).

Throughout this document, the terms we, us, our, the Company, Strategic and Strategic Resources refers to Strategic Resources Inc.



## **GENERAL**

Strategic Resources Inc. (or the “Company”) was incorporated in the province of Ontario on October 25, 2004 and was continued to British Columbia on June 7, 2016. The Company’s registered office is at Owen Bird Law Corporation 29th Floor, Three Bentall Centre, 595 Burrard Street, Vancouver, British Columbia, V7X 1J5. Strategic Resources Inc. is a Canadian based resource exploration company.

## **INVESTOR INFORMATION**

### Common Shares

The Company’s shares are traded on the Toronto Venture Exchange under the symbol STI.

### Auditor

Crowe MacKay LLP  
1100-1177 West Hastings Street  
Vancouver, British Columbia  
Canada, V6E 4T5

### Transfer Agent

TMX Equity Transfer Services is the registrar and transfer agent for the Company’s common shares. For information on shareholdings, lost share certificates and address changes, contact:

TSX Trust Company  
650 West Georgia Street  
Suite 2700  
Vancouver, BC V6B 4N9  
(604) 696-4237

### For Inquiries

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## COMPANY OVERVIEW

### Sale of Red Basin LLC

At the annual and special meeting of the shareholders of the company held December 15, 2015, the voting shareholders (99.38%) approved the sale of the Company's Gallinas Mountains Rare Earth project to Tierra Rara Minerals LLP, a non-arms-length private entity. The shareholders voted to effect the transfer by selling the securities of Red Basic LLP, the Company's wholly owned subsidiary holding the mineral rights to the Gallinas Mountains Rare Earth project, to Tierra Rara Minerals LLP for a nominal amount. The shares of Red Basin LLP were transferred to Tierra Rara Minerals LLP during 2016.

### Share Issuances and Share Consolidation

On July 22, 2016, the Company's common shares were consolidated on the basis of one post-consolidation common share for every five pre-consolidation common shares. Concurrent with the consolidation, the Company issued 8,000,000 common shares at a price of \$0.075 share to raise \$600,000.

### Outlook

The Company is in the process of evaluating its future direction. The funds are being used for working capital purposes and to investigate new resource property opportunities. The Company is actively seeking new resource projects. We have not yet identified a project with suitable mineral economics.

## QUARTERLY RESULTS

Key things to note:

- Individual quarterly results are not necessarily a good indication of annual results due to variations in expenditures as noted throughout this document
- Net income by quarter fluctuates significantly depending on the timing of the grant of stock options, and the corresponding expense recorded associated with the grant of stock options
- Total assets will fluctuate depending on the activities during the quarter, including, significant financings and if the expenditures qualify for classification as an asset

Quarter Ended	Revenue (\$)	Net Income / (Loss) (\$)	Basic & Diluted Loss Per Share (\$)	Total Assets (\$)	Long-Term Liabilities (\$)	Cash Dividend (\$)
June 30, 2017	-	(38,003)	(0.00)	97,510	-	-
March 31, 2017	-	(168,882)	(0.02)	187,860	-	-
December 31, 2016	-	(77,864)	(0.02)	336,936	-	-
September 30, 2016	-	(5,740)	(0.00)	377,993	-	-
June 30, 2016	-	(50,148)	(0.04)	3,976	-	-
March 31, 2016	-	(19,271)	(0.02)	17,618	-	-
December 31, 2015	-	(59,594)	(0.06)	29,057	-	-
September 30, 2015	-	(64,912)	(0.06)	51,252	-	-

Since disposing of the mineral rights to the Gallinas Mountains Rare Earth project in June 2016, the Company has been focused on investigating new resource property projects. Prior to disposing the property, the Company was focused on selling Red Basin LLC.



## RESULTS OF OPERATIONS

	<b>Six Months Ended June 30</b>			
	2017	2016	\$ Change	% Change
<b>Operating expenses</b>				
Office and miscellaneous	\$ 11,392	\$ 4,094	7,298	178
Personnel	7,200	52,563	(45,363)	(86)
Professional	18,284	12,762	5,522	(43)
Project evaluation and investigation	170,009	-	170,009	~
<b>Net Loss</b>	206,885	69,419	137,466	198

During the six months ended June 30, 2017, the Company incurred a net loss of \$206,885 as compared to \$69,419 during the same period in the prior year. There was an increase in net loss of \$137,466 or 198% during the six months ended June 30, 2017 as compared to the six months ended June 30, 2016. Significant operating expenses and variations of operating expenses incurred include:

<b>Office and miscellaneous</b>	<b>2017</b>	<b>2016</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Expense	\$11,392	\$4,094	7,298	178

Office expenses includes the Company's transfer agent fees, stock exchange fees, filing fees, annual general meeting costs and other associated public company costs. Office expense increased during the current year period as compared to the previous year period due to higher costs incurred related to the timing of expense for its stock exchange cost.

<b>Personnel</b>	<b>2017</b>	<b>2016</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Expense	\$7,200	\$52,563	(\$45,363)	(86)

Personnel expense includes the amounts charged by the Company management for services rendered during the period, including from its Chief Executive Officer and Chief Financial Officer. During the current year, the Company has significantly reduced the amounts paid to management as it has no active projects.

<b>Professional</b>	<b>2017</b>	<b>2016</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Expense	\$18,284	\$12,762	161,311	~

Professional expense includes bookkeeping, tax preparation, audit, legal and consulting expenses incurred by the Company. Professional expense increased during the current year period as compared to the same period in the previous year period due to the timing of expense recognized for the Company's year-end audit in the current year. During the current year to date the Company has reduced its legal, tax and bookkeeping costs.



<b>Project evaluation and investigation</b>	<b>2017</b>	<b>2016</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Expense	\$170,009	\$-	161,311	~

Project evaluation and investigation costs incurred consists of expenses incurred by the Company to evaluate business opportunities. During the current year period, the Company obtained legal services and geology services related to evaluating mineral property opportunities. During the same period in the previous year, the Company did not have any project evaluation and investigation costs.

### Three Months Ended June 30

	<b>2017</b>	<b>2016</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Operating expenses</b>				
Office and miscellaneous	\$ 3,821	\$ 846	2,975	352
Personnel	7,200	36,540	(29,340)	(80)
Professional	18,284	12,762	5,522	43
Project evaluation and investigation	8,698	-	8,698	~
<b>Net Loss</b>	<b>38,003</b>	<b>50,148</b>	<b>(12,145)</b>	<b>(24)</b>

During the three months ended June 30, 2017, the Company incurred a net loss of \$38,003 as compared to \$50,148 during the same period in the prior year. There was a decrease in net loss of \$12,145 or 24% during the three months ended June 30, 2017 as compared to June 30, 2016. Significant operating expenses and variations of operating expenses incurred include:

<b>Personnel</b>	<b>2017</b>	<b>2016</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Expense	\$7,200	\$36,540	(29,340)	(80)

Personnel expense includes the amounts charged by the Company management for services rendered during the period, including from its Chief Executive Officer and Chief Financial Officer. During the current year, the Company has significantly reduced the amounts paid to management as it has no active projects.

<b>Project evaluation and investigation</b>	<b>2017</b>	<b>2016</b>	<b>Change (\$)</b>	<b>Change (%)</b>
Expense	\$8,698	\$-	8,698	~

Project evaluation and investigation costs incurred consists of expenses incurred by the Company to evaluate business opportunities. During the current year period, the Company obtained legal services and geology services related to evaluating mineral property opportunities. During the same period in the previous year, the Company did not have any project evaluation and investigation costs.



## LIQUIDITY & CAPITAL RESOURCES

The Company's historical capital needs have been met by raising funds through the issuance of equity and debt instruments. As at June 30, 2017, the Company had cash of \$91,110 while its total debt amounted to \$14,210. The Company has sufficient funds on hand to meet its on-going operating requirements and its current obligations.

If the Company is successful in identifying a new project, the costs to acquire could be significant and additional funds will be required to fund the acquisition and future exploration programs. If an exploration program is successful, significant funds will be needed to develop the project and with the eventual goal to place it into commercial production. The only sources of future funds available to the Company are further offerings of either debt or equity capital of the Company, or the sale by the Company of an interest in any of its properties, in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There can be no assurance that the Company will be successful in its efforts to arrange additional financing, if needed, on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer dilution.

The long-term continuation of the Company as a going concern is dependent on its ability to attain future profitable operations and/or obtain continual additional equity capital or debt financing to continue to finance future operations as required. During its 2017 fiscal year, the Company does not expect to generate profit as it does not have any revenue generating activities. Until the Company can generate sufficiently profitable operations to meet its ongoing operating requirements, the Company may need to continue raising funds. Should the Company be unable to continue as a going concern, the realization of any assets it owns may be at amounts significantly less than their carrying values.

### Share Structure

As at August 29, 2017, the Company's share structure, basic and fully diluted, is shown below.

	<b>Number of Instruments Outstanding</b>	<b>Weighted Average Exercise Price (\$)</b>	<b>Potential Proceeds from Exercise (\$)</b>	<b>Weighted Average Remaining Life of Derivative (years)</b>
<b>Common Shares</b>	9,173,302	-	-	-



## Cash Flows

	Six Months Ended June 30,	
	2017	2016
Cash and cash equivalents, beginning of the period	\$ 327,026	\$ 13,344
Cash and cash equivalents used by operating activities	(235,916)	(44,170)
Cash and cash equivalents provided by investing activities	-	8,326
Cash and cash equivalents provided by financing activities	-	22,500
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 91,110</b>	<b>\$ 1,043</b>

### Cash and cash equivalents used by Operating Activities

Cash and cash equivalents used by operations was \$191,746 higher during the six months ended June 30, 2017 as compared to the same period in 2016 due the Company's project exploration and investigation activities during the current period. In the comparative period, the Company had limited activities. The project evaluation activities consisted primarily of services from geological consultants and lawyers.

### Cash and cash equivalents provided by Investing Activities

There was no cash and cash equivalents used in investing activities during the six months ended June 30, 2017. During the six months ended June 30, 2016 the Company recovered certain restricted cash.

### Cash and cash equivalents provided by Financing Activities

Cash from financing activities consists primarily of funds raised from the issuance of shares or loans proceeds received. During the six months ended June 30, 2017 the Company did not have any financing activities impact cash flow. During the six months ended June 30, 2016, the Company received short-term loan proceeds.

### Financial Condition

	June 30, 2017 (\$)	December 31, 2016 (\$)	Change (\$)	Change (%)
<b>Cash and Cash Equivalents</b>	91,110	327,026	(235,916)	(72)
<b>Total Assets</b>	97,510	336,936	(239,426)	(71)
<b>Total Debt</b>	14,240	46,781	(32,541)	(70)
<b>Working Capital</b>	83,270	290,155	(206,885)	(71)
<b>Debt as a % of Total Capitalization*</b>	15	14	~	1

\* Total capitalization refers to total debt and shareholders' equity

### Assets

93% of the total assets consists of cash and cash equivalents which was raised through its private placement during the year ended December 31, 2016. The Company holds its cash and cash equivalent with a national chartered bank and is not exposed to significant credit, price or other financial instrument risk. The Company does not have any other significant financial assets.



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## Liabilities

The Company's debt consists of accounts payable. The accounts payable consist of trade payables incurred in the normal course of business and usually payable within 30 days of receiving the invoice. All the accounts payable were extinguished subsequent to June 30, 2017. The Company's financial liabilities consist of accounts payable and accrued liabilities. The Company does not have any significant interest rate, foreign exchange or other market risks related to its liabilities.

## Contractual Obligations & Off-Balance Sheet Activities

The Company had no other contractual obligations or off-balance sheet arrangements.

## RELATED PARTY TRANSACTIONS

The Company paid consulting fees to its Chief Financial Officer (current and former) totaling \$7,200 during the six months ended June 30, 2017 year. During the six months ended June 30, 2016, the Company had the following transactions:

Included in the accounts payable and accrued liabilities were amounts due to related parties as follows:

	<b>June 30, 2017</b>	<b>December 31 2016</b>
Amounts due to companies controlled by Directors and Officers of the Company. Amounts are non-interest bearing, unsecured and have no specified terms of repayment.	\$ -	\$ -

The Company has no contractual commitment or arrangements with any of its related parties at June 30, 2017.



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## **ADDITIONAL INFORMATION**

### **Proposed Transactions**

The Company does not have any proposed transactions at this time.

### **Internal Controls and Procedures**

In contrast to the certificate required under National Instrument 52-109 *Certificate of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representation relating to the establishment and maintenance of:

- a. Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- b. A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting policies.

The Company's certifying officers are responsible for ensuring processes are in place to provide them with sufficient knowledge to support the representations they are making in their certification.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement, on a cost effective basis, DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filing and other reports provided under securities legislation.

### **Critical Accounting Estimates**

The Company's discussion and analysis are based on its financial statements that have been prepared in accordance with International Financial Reporting Standards. The preparation of financial statements requires management to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management re-evaluates its estimates and judgments, particularly those related to the determination of the impairment of long-lived assets.

As we are a venture issuer, we do not provide an analysis of our critical accounting estimates.

### **New Standards Not Yet Adopted**

There are new standards, interpretations and amendments to existing standards that are not yet effective for the 2017 fiscal year which have not been applied in preparing our interim financial statements. For details of the Company's Future Accounting Standards, including accounting standards not yet adopted and accounting standards amended but not yet effective, please refer to Note 4 of the Company's audited financial statements as at December 31, 2016 (filed on SEDAR).

## FORWARD-LOOKING INFORMATION

The financial information in the MD&A and in our financial statements and notes are prepared according to International Financial Reporting Standards. This MD&A includes statements and information about our expectations for the future. When we discuss our strategy, plans, future financial and operating performance, or other things that have not yet taken place, we are making statements considered to be forward-looking information or forward-looking statements under Canadian securities laws. We refer to them in this MD&A as *forward-looking information*.

Key things to understand about the forward-looking information in this MD&A:

- It typically includes words and phrases about the future, such as: believe, estimate, anticipate, expect, plan, intend, predict, goal, target, project, potential, strategy and outlook (see examples below).
- It includes views of the industry, which is taken to mean the mining and resources industry and uses words such as: sector, industry, segment, marketplace interchangeably
- It represents our current views, and can change significantly.
- It is based on a number of material assumptions which may prove to be incorrect.
- Actual results and events may be significantly different from what we currently expect, due to the risks associated with our business.
- Forward-looking information is designed to help you understand management's current views of our near and longer term prospects, and may not be appropriate for other purposes. We will not necessarily update this information unless we are required to by securities laws.

In particular, this MD&A may contain forward-looking statements pertaining to the following:

- The Company's business plans;
- The Company's operating history;
- The Company's lack of profitability;
- The Company's exploration, evaluation, investigation and development plans;
- Unpredictable changes to the market prices for resources and the Company's share price (in respect of both inputs and outputs);
- Political, economic and other associated risk;
- The Company's ability to attract and retain qualified management personnel;
- The Company's ability to obtain additional financing on satisfactory terms; and
- The Company's future investments and allocation of capital resources.

The Company has assessed the following material risks, but not limited to:

- Resource exploration and development is a speculative business and involves a high degree of risk, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits but from finding mineral deposits which, though present, are insufficient in size to return a profit from production.
- The marketability of natural resources that may be acquired or discovered by the Company will be affected by numerous factors beyond the control of the Company. These factors include market fluctuations, the proximity and capacity of natural resource markets, government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection.

- The vast majority of exploration projects do not result in the discovery of commercially mineable deposits of mineralized material. Substantial expenditures are required to establish mineralized material reserves through drilling and metallurgical and other testing techniques, determine metal content and metallurgical recovery processes to extract metal from the mineralized material, and construct, renovate or expand mining and processing facilities.
- No assurance can be given that any level of recovery of mineralized material reserves will be realized or that any identified mineral deposit, even if it is established to contain an estimated resource, will ever qualify as a commercial mineable mineralized material body which can be legally and economically exploited in a future resource property of the Company.
- Market events and conditions, including disruptions in the Canadian, United States and international credit markets and other financial systems and the deterioration of the Canadian, United States and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements.
- Currently, worldwide securities markets, particularly those in the United States and Canada, have continued to experience a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced unprecedented declines in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies.
- Market forces may render it difficult or impossible for the Company to secure places to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all. Therefore, there can be no assurance that significant fluctuations in the trading price of the Company's common shares will not occur, or that such fluctuations will not materially adversely impact on the Company's ability to raise equity funding without significant dilution to its existing shareholders, or at all.
- The Company's planned business of exploration of mineral properties is intensely competitive. The Company may be at a competitive disadvantage in acquiring mining properties because it must compete with other entities and companies, many of which have greater financial resources, operational experience and technical capabilities than the Company.
- The operations of the Company require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects, on reasonable terms or at all.
- The success of the Company's future operations will depend upon numerous factors, many of which are beyond the Company's control, including (i) the ability to design and carry out appropriate exploration programs on its mineral properties; (ii) the ability to produce minerals from any mineral deposits that may be located; (iii) the ability to attract and retain additional key personnel in exploration, marketing, mine development and finance; and (iv) the ability and the operating resources to develop and maintain the properties held by the Company. There can be no assurance of success with any or all of these factors on which the Company's operations will depend, or that the Company will be successful in finding and retaining the necessary employees, personnel and/or consultants in order to be able to successfully carry out such activities.
- The prices of various metals have experienced significant movement over short periods of time, and are affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates and global or regional consumption patterns, speculative activities and increased production

due to improved mining and production methods. The supply of and demand for metals are affected by various factors, including political events, economic conditions and production costs in major producing regions. There can be no assurance that the price of any commodities will be such that any of prospective properties in which the Company obtains an interest may be mined at a profit.

- Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of future exploration programs.

The Company has made the following material assumptions regarding, but not limited to:

1. Market conditions upon which we have based our capital expenditure expectations
2. Liabilities inherent in our operations;
3. Political and economic risks;
4. Changes in regulation;
5. World resource commodity prices and markets;
6. Uncertainties associated with estimated market demand and sector activity levels;
7. Competition for, among other things, capital, acquisitions and skilled personnel;
8. Dependence on key personnel;
9. Employee relations and third party relationships;
10. Our operations will not be significantly disrupted as a result of political instability, nationalization, terrorism, sabotage, blockades, civil unrest, social activism, political activism, equipment breakdown, natural disasters, government actions, political actions, litigation or arbitration proceedings, unavailability of equipment, parts and supplies critical to production and development, labour shortages or other development or operating risks
11. Our ability to comply with government, environmental and regulatory requirements
12. Future expectations regarding tax rates and payments
13. Fluctuations in foreign exchange or interest rates and stock market volatility; and

While these forward looking statements and any assumptions upon which they are based are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein.

The impact from the difference between estimates, predictions, projections, assumptions for future results, levels of activity, performance or achievements expressed or implied and actual results on thereto could be material.