



**Management Discussion and Analysis  
For the three and nine month period ended  
February 28, 2017**

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## **Overview:**

This Management Discussion and Analysis of the financial condition and results of operations ("MD&A") of Kapuskasing Gold Corp. (the "Company" or "KAP") has been prepared based upon information available to the Company as at April 27, 2017, and should be read in conjunction with the unaudited financial statements as at February 28, 2017 (the "current statements") and the audited financial statements and notes thereto as at and for year ended May 31, 2016 and the audited financial statements and the notes thereto as at and for the year ended May 31, 2015. All financial data in this MD&A is reported in Canadian dollars and has been prepared in accordance with International Financial Reporting Standards ("IFRS").

## **Caution Regarding Forward-Looking Information:**

Certain information contained in this MD&A may constitute forward-looking information, which is information regarding possible events, conditions or results of operations of the Company that is based upon assumptions about future economic condition and courses of action and which is inherently uncertain. All information other than statements of historical fact may be forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "feel", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. Forward-looking information contained in this MD&A includes, without limitation, our expectations regarding anticipated exploration activities and results and financing activities and other factors on our operating results, and the performance of global capital markets, commodity prices and interest rates.

Forward-looking information involves known and unknown risk, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information. The Company believes the expectations reflected in the forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking information contained in this MD&A include, but are not limited to: risks relating to exploration results, market fluctuations, commodity price fluctuations and the strength of the Canadian, U.S. and other economies.

Readers are cautioned that the foregoing lists of factors are not exhaustive. Although the Company has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. The Corporation undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

## **Nature of the Business:**

Kapuskasing Gold Corp. is a corporation under the laws of British Columbia whose common shares are listed on the TSX Venture Exchange ("TSXV") under the trading symbol "KAP". It is a "reporting" company in the provinces of British Columbia, Alberta and Ontario. KAP is a mineral exploration company that is actively engaged in exploring for precious and base metals in Canada.

## **Overall Performance:**

The economic climate for early stage natural resource companies remained soft in 2016 and 2017, making it difficult for companies to secure the financing required to advance projects through additional exploration work. The Company believes that this market condition will remain in the short-term. As commodity prices begin to move upward, either due to basic supply demand metrics or due to outside economic forces, normalcy will begin to return to the junior markets, allowing for companies to expand on exploration programs.

KAP acquired a portfolio of projects in the province of Newfoundland and Labrador to complement its current projects in Ontario. The new focus has provided the Company and its shareholders exposure to the battery technology metals sector as the properties have the potential to host either cobalt or vanadium as a by-product of the primary metals. The initial focus of exploration will be on the Lady Pond Copper/Cobalt Property and the Kings Court Copper/Cobalt properties. As capital markets improve, it's managements' intention to scale up exploration plans, and carry out an initial drill program on the Lady Pond Copper/Cobalt Property in fiscal 2018.

On July 11, 2016 the Company closed a non-brokered financing for a total of 1,640,000 non-flow-through units at a price of \$0.05 per unit and 2,743,334 flow-through units at a price of \$0.06 per unit for aggregate gross proceeds of \$246,600. Each unit consisted of one common share (either flow-through or non-flow-through) and one common share

purchase warrant. Each share purchase warrant entitles the holder to purchase an additional non-flow-through common share at a price of \$0.10 per share for 18 months after closing.

On July 20, 2016 the Company announced that they granted options to acquire a total of 1,650,000 common shares of the Company to employees, consultants, officers and directors at an exercise price of \$0.05 per share for a period of 5 years.

On July 25, 2016 the Company announced that they had commenced a drilling program on the Rollo Property which was completed on August 3, 2016. A total of three short holes of approximately 150 metres were carried out below the Racicot Gold Showing.

### Selected Financial Information:

The Corporation's operating results for the nine months ended February 28, 2017, and the two most recently completed fiscal years; with the subsequent table representing selected quarterly results for the eight most recently completed quarters.

<b>Results of Operations</b>	<b>Feb. 28, 2017</b>	<b>May 31, 2016</b>	<b>May 31, 2015</b>
Net Income (loss)	(580,414)	78,092	(475,529)
Income (loss) per share, basic and diluted	0.02	0.00	(0.02)
Total assets	276,054	555,842	590,166
Total liabilities	79,350	65,566	387,517
Shareholders' equity	196,704	493,276	202,649

### Quarterly results of operations \$ (unaudited)

	<b>Three Months Ended</b>			
	<b>Feb. 28, 2017</b>	<b>Nov. 30, 2016</b>	<b>Aug 31, 2016</b>	<b>May 31, 2016</b>
(Loss) for the period	(450,236)	(28,396)	(101,782)	(44,100)
Basic and diluted income (loss) per share	(0.01)	(0.00)	(0.00)	(0.00)
	<b>Feb. 29, 2016</b>	<b>Nov. 30, 2015</b>	<b>Aug 31, 2015</b>	<b>May 31, 2015</b>
Income (Loss) for the period	297,509	(89,360)	(85,957)	(88,825)
Basic and diluted income (loss) per share	0.01	(0.00)	(0.00)	(0.00)

### Three Months Ended February 28, 2017 and 2016

The Company had a net loss of \$450,236 or (\$0.01) per share for the three months ended February 28, 2017 compared to income of \$297,509 or \$0.01 per share for the three months ended February 29, 2016. The loss for the quarter ended February 28, 2017 is significantly higher than the same period in 2016, due to the write down of the exploration and evaluation assets in 2017 and the gain on settlement of debt in 2016.

Consulting and professional fees were \$14,875 for the three months ended February 28, 2017 compared to \$45,490 for the three months ended February 29, 2016. Consulting fees are significantly lower than the comparable quarter because management third party marketing contracts expired and were not renewed at the higher rates. These fees also relate to routine professional services such as legal advice and audit fees

Shareholders' information for the three months ended February 28, 2017 was \$5,710 for stock exchange fees, transfer agent fees and the electronic filing of disclosure documents on SEDAR compared to \$8,264 for the three months ended February 29, 2016. The decrease in costs over the prior year period are due to the cost of filing disclosure documents with regards to the financing completed in the previous year period.

Investor relations and travel for the three months ended February 28, 2017 was \$15,967 compared to \$(550) for the three months ended February 29, 2016. The fees are higher than the same period in the 2016 due to greater investor relations costs; these costs are affectively based on the timing of financing activities and when additional consultants are required. The Company is continuing its efforts in raising the capital needed to further advance the properties

## Nine Months Ended February 28, 2017 and 2016

The Company had a net loss of \$580,414 or (\$0.02) per share for the nine months ended February 28, 2017 compared to income of \$122,192 or \$0.00 per share for the nine months ended February 29, 2016. The loss for the nine months ended February 28, 2017 is significantly higher than the same period in 2016, due to the write down of exploration and evaluation assets in 2017 versus the gain on settlement of debt issues of \$344,000 in 2016.

Consulting and professional fees were \$41,551 for the nine months ended February 28, 2017 compared to \$120,866 for the nine months ended February 29, 2016. Consulting fees are significantly lower than the comparable period because management third party marketing contracts expired and were not renewed at higher levels.

Share based compensation was higher in 2017 as options were granted.

Investor relations and travel for the nine months ended February 28, 2017 was \$36,324 compared to \$45,303 for the nine months ended February 29, 2016. The fees are lower than the same period in the 2016 due to lower investor relations costs; these costs are affectively based on the timing of financing activities and when additional consultants are required. The Company is continuing its efforts in raising the capital needed to further advance the properties

### Additional Information for Venture Issuer's without Significant Revenue

For the nine months ended February 28,	2017	2016
General and administration:		
Bank charges	\$ 630	\$ 251
Consulting	52,425	143,144
Investor relations	36,324	45,304
Office and miscellaneous	910	1,671
Professional fees	4,470	20,287
Rent	-	250
Share-based compensation	80,234	-
Transfer agent and filing fees	15,233	15,924
	190,226	226,831

### Exploration properties:

The following table represents the amounts expended acquiring and exploring the Company's gold properties as at February 28, 2017 and May 31, 2016:

	Acquisition net	Exploration	Write downs	February 28, 2017	May 31, 2016
	\$	\$	\$	\$	\$
West Keefer	33,434	107,920	(141,354)	-	38,816
Borden North	114,020	60,260	(174,280)	-	174,280
Borden South	29,910	239	(30,149)	-	30,149
Golden Route	280	8,850	(9,130)	-	9,130
Chapleau West	34,340	-	(34,340)	-	34,340
Rollo	152,460	84,081		236,541	201,131
Schewabik	28,368	-	(28,368)	-	28,368
<b>Total</b>	<b>392,812</b>	<b>261,350</b>	<b>(417,621)</b>	<b>236,541</b>	<b>516,214</b>

### *West Keefer Property, Ontario*

On April 25, 2016 the Company entered into a Mineral Property Option Agreement to acquire a 100% interest in the West Keefer Property from an arm's length vendor for total consideration of \$200,000 and the issuance of a total of 500,000 common shares over a four year period as follows:

1. \$15,000 (paid) and the issuance of 200,000 common shares (issued at a fair value of \$12,000) on TSX-V acceptance (received April 28, 2016);
2. \$20,000 and the issuance of an additional 200,000 common shares on that date which is twelve (12) months from TSX-V acceptance;
3. \$30,000 and the issuance of an additional 100,000 common shares on that date which is twenty four (24) months from TSX-V acceptance;
4. \$40,000 on that date which is thirty nine (36) months from TSX-V acceptance; and
5. \$95,000 on that date which is forty eight (48) months from TSX-V acceptance.

In the event that a National Instrument ("NI") 43-101 compliant resource estimate of 1,000,000 ounces of gold is delineated on the property, the Company will be obligated to provide to the vendor a bonus of \$1,000,000 (payable in cash or common shares at the election of the vendor). The vendor shall retain a 3% net smelter royalty ("NSR") interest while the Company retains the option to buy back 1.5% of the NSR for \$1,500,000.

On April 21, 2016, the Company issued 50,000 common shares (valued at \$3,500) and 50,000 share purchase warrants (valued at \$2,935) under a Memorandum of Understanding ("MOU") with certain First Nations bands in respect of the Company's West Keefer Property. Each warrant is exercisable into one additional common share of the Company at an exercise price of \$0.05 for a period of 5 years. The warrants will vest as follows:

- a) 25% on TSX-V acceptance (received May 17, 2016);
- b) 25% after nine (6) months of the date of the MOU;
- c) 25% after twelve (12) months of the date of the MOU; and
- d) 25% after eighteen (18) months of the date of the MOU.

The Company has recorded the total fair value of \$6,435 as acquisition costs.

The MOU also specifies that the Company will pay an amount equal to 2.0% of all costs on direct exploration on the property to the First Nation bands. No amount has been accrued as payable as at May 31, 2016. This property has been written down, but maintains the claims.

### **Chapleau Region Properties, Ontario**

#### *Borden North Property, Ontario*

On February 27, 2014 the Company entered into a purchase agreement to acquire a 100% interest in the Borden North Property ("Borden North"). Under the terms of the agreement, the Company is committed to issue 600,000 shares to the vendors and have agreed to issue an additional \$600,000 worth of bonus shares, contingent on the Company's release of an NI 43-101 compliant measured and indicated resource of 2,000,000 ounces or more of gold within the claims of Borden North. In addition, the Company paid \$33,660 in cash as a repayment of staking costs.

During the year ended May 31, 2015, the Company received regulatory approval for the agreement and issued the 600,000 shares (valued at \$78,000) to the vendors. The Vendors retain a 2% NSR, of which 1% may be repurchased for \$1,000,000. This property has been written down and the Company no longer have the claims.

#### *Borden South Property, Ontario*

During the year ended May 31, 2014, the Company acquired, by staking, the Borden South Property in Ontario. The total cost associated with the acquisition was \$27,550. This property has been written down and the Company no longer have the claims.

#### *Golden Route Property, Ontario*

During the year ended May 31, 2014, the Company acquired, by staking, the Golden Route Property in Ontario. The total cost associated with the acquisition was \$7,920.

On October 30, 2015, the Company sold a 0.5% NSR royalty interest, on certain claims within the group, to Ontario Exploration Corporation. The payment of \$5,000 has been recorded against the property's acquisition costs.

On May 15, 2016, the Company sold a 0.5% NSR royalty interest, on certain claims within the group, to Ontario Exploration Corporation. The payment of \$5,000 has been recorded against the property's acquisition costs. This property has been written down and the Company no longer have the claims.

#### *Chapleau West Property, Ontario*

During the year ended May 31, 2014, the Company acquired, by staking, the Chapleau West Property in Ontario. The total cost associated with the acquisition was \$41,980.

On October 30, 2015, the Company sold a 0.5% NSR royalty interest, on certain claims within the group, to Ontario Exploration Corporation. The payment of \$5,000 has been recorded against the property's acquisition costs.

On May 15, 2016, the Company sold a 0.5% NSR royalty interest, on certain claims within the group, to Ontario Exploration Corporation. The payment of \$5,000 has been recorded against the property's acquisition costs. This property has been written down and the Company no longer have the claims.

#### *Rollo Property, Ontario*

On February 25, 2014 the Company entered into a purchase agreement to acquire a 100% interest in the Rollo Property in Ontario ("Rollo"). Under the terms of the agreement, the Company is committed to issue 1,000,000 shares to the vendors and have agreed to issue an additional \$1,000,000 worth of bonus shares, contingent on the Company's release of an NI 43-101 compliant measured and indicated resource of 2,000,000 ounces or more of gold within the claims of Rollo. In addition, the Company paid \$20,100 in cash as a repayment of staking costs.

During the year ended May 31, 2015, the Company received regulatory approval for the agreement and issued the 1,000,000 shares (valued at \$130,000) to the vendors. The vendors retain a 2% NSR, of which 1% may be repurchased for \$1,665,000. The Company maintains 18 claims.

#### *Schewabik Property, Ontario*

During the year ended May 31, 2014, the Company acquired, by staking, the Schewabik Property in Ontario. The total cost associated with the acquisition was \$28,368. This property has been written down and the Company no longer have the claims.

### **Memorandum of Understanding ("MOU") With First Nations**

On October 23, 2015, the Company issued 200,000 common shares (valued at \$6,000) and 200,000 share purchase warrants (valued at \$5,800) under an MOU with certain First Nations bands in respect of the Company's Chapleau Region Properties (Borden North, Borden South, Golden Route, Chapleau West and Rollo). Each warrant is exercisable into one additional common share of the Company at an exercise price of \$0.05 for a period of 5 years. The warrants will vest as follows:

- a) 25% on TSX-V acceptance (received October 23, 2015);
- b) 25% after nine (6) months of the date of the MOU;
- c) 25% after twelve (12) months of the date of the MOU; and
- d) 25% after eighteen (18) months of the date of the MOU.

The Company has allocated the total fair value of \$11,800 amongst the 5 Chapleau Region Properties and recorded the amounts as acquisition costs.

The MOU also specifies that the Company will pay an amount equal to 2.0% of all costs on direct exploration on the properties to the First Nation bands. No amount has been accrued as payable as at February 28, 2017.

## SUBSEQUENT EVENTS

March 1, 2017 – The Company announced that it has signed a non-binding letter of intent to acquire (via asset purchase) a 100% interest in eight separate properties located in the province of Newfoundland and Labrador (NL).  
April 4, 2017 – The Company announced that it has executed and finalized the agreement. The Company can purchase a 100% interest in all of the properties for total consideration of 7,500,000 shares, and a \$5,000 one-time cash payment. The Vendors shall retain a 3% net smelter royalty (NSR) interest, or where applicable, a 3% Net Profit Royalty (NPR). The Company retains the option to buy back 2% of the NSR (or NPR) for \$1,000,000

March 23, 2017 the Company has acquired by staking a 100 per cent interest in 15 claims (375 hectares) located in the prolific mining area of Baie Vert, in the Springdale Peninsula area of Newfoundland. These claims are proximal and contiguous to the "Lady Pond Project". The Lady Pond Project is now composed of 33 claims (825 hectares) located approximately 45 kilometres from the Nugget Pond Milling Facility operated by Rambler Metals and Mining Canada PLC.

March 31, 2017 – The Company has signed a non-binding letter of intent whereby it can purchase a 100% interest in the Jumbo Copper/Cobalt Property for total consideration of 650,000 shares, and a \$3,000 onetime cash payment. The Vendor shall retain a 2% net smelter royalty (NSR) interest. The Company retains the option to buy back 1% of the NSR for \$1,000,000. On April 25, the Company has executed the agreement.

On April 25, 2017, the Company announced a non-brokered financing of up to 10,000,000 units of the Company at a price of \$0.05 per unit for gross proceeds of up to \$500,000. Each unit will consist of one common share in the capital of the Company and one common share purchase warrant. Each purchase warrant will be exercisable into one common share at \$0.10 for a period of 24 months from the closing of the financing. The Company is also arranging a non-brokered private placement of up to 4,166,666 flow-through ("FT") units of the Company at a price of \$0.06 per unit for gross proceeds of \$250,000. Each FT unit will consist of one common share issued on a flow-through basis within the meaning of the Income Tax Act (Canada) and one half share purchase warrant, each whole warrant exercisable at \$0.10 into one common share of the Company for a period of 24 months from the closing of the financing.

### Liquidity and Capital Resources:

The Company has a history of operating losses and negative cash flows from operations. While management identifies projects of merit for acquisition, the Company will remain reliant on capital markets for future funding to meet its ongoing obligations.

Additional funding will be required for future exploration of the new acquisitions, and for general working capital. See subsequent events.

### Off Balance-Sheet Arrangements:

The Company has no off-balance sheet arrangements at the time of this management discussion and analysis.

### Related Party Transactions:

During the period ended February 28, 2017, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors as follows:

<u>Related party</u>	<u>Nature of transactions</u>
Jonathan Armes, President & CEO	Consulting fees
James Fairbairn, CFO	Consulting fees

Included for the period February 28, 2017 and 2016 are the following items paid or accrued to key management personnel and/or companies with common directors. The Company has identified its directors and certain senior officers as its key management personnel. Exchange amounts are the amounts agreed upon by the transacting parties.

During the year ended May 31, 2016 the Company settled \$380,030 of related party debt, by issuing 2,900,000 common shares of the Company and recognizing an associated gain in the amount of \$322,030.

Included in accounts payable and accrued liabilities is \$28,840, (May 31, 2016- \$15,407) payable to directors and officers.

	2016	2016
Consulting	\$ 38,000	\$ 81,360
Share-based compensation	24,300	-
<b>Totals</b>	<b>\$ 62,300</b>	<b>\$ 81,360</b>

**Financial Instruments:** As at February 28, 2017, the Company's financial instruments consist of cash and accounts payable and accrued liabilities. The fair value of these financial instruments approximate carrying value since they are short term in nature and are receivable or payable on demand.

The Company is exposed to varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes. The type of risk exposure and the way in which such exposure is managed is provided as follows:

*Credit Risk*

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash. The Company limits the exposure to credit risk by only investing its cash with high-credit quality financial institutions.

*Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as described in Note 13.

The Company monitors its ability to meet its short-term exploration and administrative expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company does not have investments in any asset backed deposits.

In the normal course of business, the Company enters into contracts that give rise to commitments for future minimum payments. The following table summarizes the Company's significant commitments and corresponding maturities:

	<1 year	1 – 3 Years	Total
Accounts payable and accrued liabilities	\$ 78,350	-	\$ 78,350

*Foreign Exchange Risk*

The Company currently does not have significant foreign exchange risk as all of its transactions are in Canadian dollars.

*Interest Rate Risk*

The Company is not exposed to significant interest rate risk.

*Commodity Price Risk*

The Company's ability to raise capital to fund exploration activities is subject to risks associated with fluctuations in the market price of mineral resources. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.

### *Fair Value Measurements*

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

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

The fair value of cash is determined based on “Level 1” inputs which consist of quoted prices in active markets for identical assets. As at February 28, 2017, the Company believes that the carrying values of accounts payable and accrued liabilities approximates its fair value because of their nature and relatively short maturity dates or durations.

Assets measured at fair value on a recurring basis were presented on the Company’s Statements of Financial Position as of February 28, 2017 as follows:

	Level 1	Level 2	Level 3	Total
<u>Cash</u>	\$ 27,240	\$ -	\$ -	\$ 27,240

### **Critical Accounting Estimates and Judgments:**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual experience may differ from these estimates and assumptions.

The effect of a change in accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical accounting estimates and judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements are discussed below:

#### *Judgements*

##### *Exploration and evaluation expenditures*

The application of the Company’s accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the amount capitalized is written off in the profit or loss in the period the new information becomes available.

##### *Title to mineral property interests*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company’s title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

#### *Estimates*

##### *Share-based payment transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note

9 of the annual audited financial statements for the period ended May 31, 2016.

#### *Deferred taxes*

The Company recognizes the deferred tax benefit related to deferred income and resource tax assets to the extent recovery is probable. Assessing the recoverability of deferred tax assets requires management to make significant estimates of future taxable profit. To the extent that future cash flows and taxable profit differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods from deferred income and resource tax assets.

#### **Accounting Policies:**

The Company prepares its financial statements in conformity with IFRS. The Company lists its significant accounting policies in Note 4 of the annual audited financial statements for the year ended May 31, 2016.

#### *New standards not yet adopted*

The Company is currently assessing whether or not the adoption of the following standards will have a material effect on the Company's future financial statements:

#### IFRS 9, "Financial Instruments"

In November 2009, the IASB published IFRS 9, "Financial Instruments", which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to their own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective on January 1, 2018. Early adoption is permitted and the standard is required to be applied retrospectively.

#### **Legal Matters:**

None outstanding.

#### **Disclosure Controls and Procedures:**

On May 31, 2016, the Company carried out an evaluation of the effectiveness of its disclosure controls and procedures as required by Canadian securities laws. Based on this evaluation, management has concluded that the Company's disclosure control and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure.

The Company has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company has a limited number of employees and therefore internal controls that rely on segregation of duties are not possible in some cases. In these instances, the Company relies on senior management review and approval to ensure that the controls are as effective as possible.

#### **Outstanding Share Data:**

As of April 27, 2017, the number of common shares of the Company outstanding, or reserved for issue under convertible securities, is as follows:

<b>Common Shares</b>	<b>Number</b>
Shares outstanding	38,180,981
Options outstanding	3,625,000
Warrants outstanding	14,339,334
<b>Fully diluted share capital</b>	<b>56,145,315</b>

**Current Directors and Officers:**

Jonathan Armes, CEO, President and Director

James Fairbairn, CFO and Director

Andrew Davidson, Director

John Kiernan, Director

Garry Clark, Director