



Management Discussion and Analysis
For the year ended
May 31, 2017

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 September 22, 2017 and should be read in conjunction with the audited financial statements and notes thereto as at and for year ended May 31, 2017 (the "current statements") and the audited financial statements and the notes thereto as at and for the year ended May 31, 2016. 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 is management's 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 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 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 following shows the Corporation's operating results for the year ended May 31, 2017 and the two most recently completed fiscal years. The subsequent table represents selected quarterly results for the eight most recently completed quarters.

Results of Operations	May 31, 2017	May 31, 2016	May 31, 2015
	\$	\$	\$
Net income (loss)	(672,784)	78,092	(475,529)
Income (loss) per share, basic and diluted	(0.02)	0.00	(0.02)
Total assets	792,923	558,842	590,166
Total liabilities	108,089	65,566	387,517
Shareholders' equity	684,834	493,276	202,649

Quarterly results of operations \$ (unaudited)

	Three Months Ended			
	May 31, 2017	Feb. 28, 2017	Nov. 30, 2016	Aug 31, 2016
	\$	\$	\$	\$
(Loss) for the period	(92,371)	(450,236)	(28,396)	(101,781)
Basic and diluted income (loss) per share	(0.00)	(0.01)	(0.00)	(0.00)
	May 31, 2016	Feb. 29, 2016	Nov. 30, 2015	Aug 31, 2015
	\$	\$	\$	\$
Income (loss) for the period	(44,100)	297,509	(89,360)	(86,257)
Basic and diluted income (loss) per share	(0.00)	0.01	(0.00)	(0.00)

Three Months Ended May 31, 2017 and 2016

The Company had a net loss of \$92,371 or \$0.00 per share for the three months ended May 31, 2017 compared to \$44,100 or \$0.00 per share for the three months ended May 31, 2016. The loss for the quarter ended May 31, 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 \$23,708 for the three months ended May 31, 2017 compared to \$33,928 for the three months ended May 31, 2016. Consulting fees are lower than the comparable quarter because management third party and 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 May 31, 2017 was \$12,707 for stock exchange fees, transfer agent fees and the electronic filing of disclosure documents on SEDAR compared to \$4,140 for the three months ended May 31, 2016. The increase in costs over the prior year period are due to the cost of filing disclosure documents with regards to the acquisition of the Newfoundland properties in the current period.

Investor relations and travel for the three months ended May 31, 2017 was \$40,165 compared to \$4,612 for the three months ended May 31, 2016. The fees are higher than the same period in the 2016 due to greater investor relations costs; these costs are largely 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.

Year Ended May 31, 2017 and 2016

The Company had a net loss of \$672,784 or \$0.02 per share for the year ended May 31, 2017 compared to income of \$78,092 or \$0.00 per share for the year ended May 31, 2016. The loss for the year ended May 31, 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 in 2016.

Consulting and professional fees were \$80,603 for the year ended May 31, 2017 compared to \$197,359 for the year ended May 31, 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.

Shareholders' information for the year ended May 31, 2017 was \$27,940 for stock exchange fees, transfer agent fees and the electronic filing of disclosure documents on SEDAR compared to \$20,082 for the year ended May 31, 2016. The increase in costs over the prior year period is due to the cost of filing disclosure documents with regards to the acquisition of the Newfoundland properties in the current period.

Investor relations and travel for the year ended May 31, 2017 was \$76,489 compared to \$49,915 for the year ended May 31, 2016. The fees are higher than the same period in 2016 due to greater investor relations costs; these costs are largely 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 year ended May 31,	2017	2016
	\$	\$
General and administration:		
Bank charges	458	577
Consulting ¹	70,975	176,149
Investor relations ¹	76,489	49,915
Office and miscellaneous	2,439	2,747
Professional fees ²	9,628	21,210
Rent	-	250
Share-based compensation ³	80,234	-
Transfer agent and filing fees ⁴	27,940	20,082
	<u>\$268,163</u>	<u>\$270,930</u>

Notes:

1. Consulting and investor relations expenses decreased by \$78,600 from the comparative period due to marketing consultants contracts expiring in the period and not being renewed.
2. Professional fees decreased by \$11,582 from the comparative period. Professional fees are subject to the timing of the Company completing financings and property acquisitions.
3. Share-based compensation of \$80,234 was recorded in 2017 compared to \$nil in the comparative period.
4. Transfer agent and filing fees increased from the comparative period by \$7,858. These expenses fluctuate with the number of financings completed and the number of shares issued and outstanding and public filings completed.

Exploration properties:

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

	Acquisition (net of recoveries)	Exploration	Write downs	May 31, 2017	May 31, 2016
	\$	\$	\$	\$	\$
West Keefer	43,435	107,919	(151,354)	-	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
Alexis	12,460	-	-	12,460	-
Hayes	49,840	-	-	49,840	-
Cape Charles	28,030	-	-	28,030	-
Indian Head	93,440	-	-	93,440	-
Iron Mountain	62,300	-	-	62,300	-
Kings Court	46,720	-	-	46,720	-
Lady Pond	69,495	-	-	69,495	-
Ross Lake	18,690	-	-	18,690	-
Jumbo Copper/ Cobalt	35,500			35,500	
Total	819,288	261,349	(427,621)	653,016	516,214

Lady Pond, Kings Court, Alexis, Hayes, Cape Charles, Indian Head, Iron Mountain, Ross Lake, Newfoundland and Labrador

On April 3, 2017, the Company entered into a Mineral Property Acquisition Agreement to acquire a 100% interest in eight separate properties located in the province of Newfoundland and Labrador. As consideration for the properties, the Company was required to issue 7,500,000 common shares (issued at a fair value of \$375,000), and make a cash payment of \$5,000 (paid subsequently). The vendors shall retain a 3.0% net smelter return royalty ("NSR") interest, or where applicable, a 3.0% net profit return royalty ("NPR"). The Company retains the option to buy back 2.0% of the NSR (or NPR) for \$1,000,000.

Management exercised judgment in allocating the total consideration of \$380,000 to the eight properties based on the number of claims acquired for each property.

In addition to the claims acquired under the Mineral Property Acquisition Agreement, the Company acquired through staking a 100% interest in 15 claims that form part of the Lady Pond Project.

Jumbo Copper/Cobalt Property, Newfoundland

On April 19, 2017, the Company entered into a Mineral Property Option Agreement whereby it can purchase a 100% undivided interest in 76 claims comprising the Jumbo Copper/Cobalt Property for total consideration of 650,000 shares (issued at a fair value of \$32,500), and a \$3,000 one-time cash payment (paid subsequently).

The vendor shall retain a 2.0% NSR interest, 1.0% of which can be purchased by the Company for \$1,000,000.

Daniels Harbour Property, Newfoundland

On May 10, 2017, the Company signed a non-binding Letter of Intent to purchase a 100% undivided interest in 42 claims comprising the Daniels Harbour Property located on the Great Northern Peninsula of Newfoundland. Under the proposed terms, the Company can acquire the property for staged cash payments totaling \$60,000 (\$10,000 paid subsequently), issuing 1,750,000 common shares (1,000,000 shares issued subsequently) to the vendor, and carrying out \$100,000 in exploration by the second anniversary of TSX-V acceptance of the agreement.

The vendor shall retain a 3.0% NSR interest, 2.0% of which can be purchased by the Company for \$2,000,000.

On September 10, 2017, the Company entered into an agreement to acquire the Daniels Harbour Property according to the terms of the Letter of Intent.

Sterling Property, Newfoundland

On May 3, 2017, the Company signed a non-binding Letter of Intent to purchase a 100% undivided interest in 28 claims comprising the Sterling Property located in Newfoundland. Under the proposed terms, the Company can acquire the property for staged cash payments totaling \$25,000 (\$5,000 paid subsequently), issuing 1,800,000 common shares (400,000 shares issued subsequently) to the vendor, and carrying out \$250,000 in exploration by the second anniversary of TSX-V acceptance of the agreement.

The vendor shall retain a 3.0% NSR interest, 2.0% of which can be purchased by the Company for \$2,000,000.

On August 21, 2017, the Company entered into an agreement to acquire the Sterling Property according to the terms of the Letter of Intent.

West Keefer Property, Ontario

On April 25, 2016 and amended April 27, 2017 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 Venture Exchange ("TSX-V") acceptance (received April 28, 2016);
2. the issuance of an additional 200,000 common shares on that date which is twelve (12) months from TSX-V acceptance (issued at a fair value of \$10,000);
3. \$50,000 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 six (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 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% 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, 2017. This property has been written down, but the Company continues to maintain the claims and keep the option agreement in good standing.

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.

During the year ended May 31, 2017, management determined that no further exploration efforts were planned for the property and, accordingly, all costs were written off.

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.

During the year ended May 31, 2017, management determined that no further exploration efforts were planned for the property and, accordingly, all costs were written off.

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.

During the year ended May 31, 2017, management determined that no further exploration efforts were planned for the property and, accordingly, all costs were written off.

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.

During the year ended May 31, 2017, management determined that no further exploration efforts were planned for the property and, accordingly, all costs were written off.

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.

During the year ended May 31, 2017, management determined that no further exploration efforts were planned for the property and, accordingly, all costs were written off.

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.

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.

During the year ended May 31, 2017, management determined that no further exploration efforts were planned for the property and, accordingly, all costs were written off.

Risks and Uncertainties

The following discussion outlines a number of risks that management believes could impact the Company's business.

Financial Risk

Additional funds may be required in the future to finance exploration and development work. The Company has access to funds through the issuance of additional equity and borrowing. There can be no assurance that such funding will be available to the Company under current economic conditions. Furthermore, even if such financing is successfully completed, there can be no assurance that it will be obtained on terms favourable to the Company or that it will provide the Company with sufficient funds to meet its objectives, which could adversely affect the Company's business and financial condition.

Title to Properties

Although the Company has taken reasonable measures to ensure proper title to its properties, there is no guarantee that titles to any of its properties will not be challenged or impugned. Third parties may have valid claims underlying portions of the Company interests.

Industry Conditions

Mineral resource exploration and development involves a high degree of risk that even a combination of careful assessment, experience and know-how cannot eliminate. While the discovery of a deposit may prove extremely lucrative, few properties that undergo prospecting ever generate a producing mine. Substantial amounts may be required to establish ore reserves, develop metallurgical processes and build mining and processing facilities at a given site. There can be no assurance that the exploration and development programs planned by the Company will result in a profitable mining operation. The economic viability of a mineral deposit depends on a number of factors, some of which relate to the particular characteristics of the deposit, particularly its size, grade and proximity to infrastructure, as well as the cyclical nature of metal prices and government regulations, including those regarding prices, royalties, production limits, importation and exportation of minerals, and environmental protection. The impact of such factors cannot be precisely assessed but may prevent the Company from providing an adequate return on investment.

Government Regulation

The Company's activities must comply with the applicable legislation on exploration and development, environmental protection, obtaining of permits, and authorization of mining operations in general. The Company believes that it is in compliance in all material respects with such laws. Changing government regulations could have an adverse impact on the Company's operations.

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 May 31, 2017.

Events After The Reporting Period

On June 12, 2017, the Company closed a non-brokered private placement of 2,960,000 units at a price of \$0.05 per unit for gross proceeds of \$148,000. Each unit consisted of one common share and one common share purchase warrant. Each share purchase warrant will be exercisable into one additional common share at \$0.10 for a period of 24 months from the closing of the financing. The Company also closed a non-brokered private placement of 886,664 flow-through units at a price of \$0.06 per flow-through unit for gross proceeds of \$53,200. Each flow-through unit consisted of one flow-through common share and half of one share purchase warrant. Each whole share purchase warrant will be exercisable into one non-flow-through common share at \$0.10 for a period of 24 months from the closing of the financing.

On August 1, 2017, the Company closed a non-brokered private placement of 1,300,000 units at a price of \$0.05 per unit for gross proceeds of \$65,000. Each unit consisted of one common share and one common share purchase warrant. Each share purchase warrant can be exercisable into one additional common share at \$0.10 for a period of 24 months from the closing of the financing. The Company also closed a non-brokered private placement of 2,500,000 flow-through units at a price of \$0.06 per flow-through unit for gross proceeds of \$150,000. Each flow-through unit consisted of one flow-through common share and one share purchase warrant. Each share purchase warrant will be exercisable into one non-flow-through common share at \$0.10 for a period of 24 months from the closing of the financing. A cash commission of \$10,500 was paid to an arms’ length finder in connection with the financings completed. All securities issued in connection with the financings will be subject to a four-month hold period expiring on December 1, 2017, in accordance with applicable Canadian securities laws.

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 Events After The Reporting Period.

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 year ended May 31, 2017, the Company entered into transactions with related parties comprised of directors, officers and companies with common directors as follows:

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

Included for the period May 31, 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 \$46,101 (May 31, 2016 - \$15,407) payable to directors and officers.

	2017	2016
Consulting	\$ 57,027	\$ 135,652
Share-based compensation	48,627	-
Totals	\$ 105,654	\$ 135,652

Financial Instruments:

As at May 31, 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 12.

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	\$ 103,656	-	\$ 103,656

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 May 31, 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 May 31, 2017 as follows:

	Level 1	Level 2	Level 3	Total
Cash	\$ 53,058	\$ -	\$ -	\$ 53,058

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 8 of the annual audited financial statements for the year ended May 31, 2017.

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 3 of the annual audited financial statements for the year ended May 31, 2017.

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 (“IFRS 9”), was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. A new hedge accounting model is introduced and represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company has yet to assess the full impact of IFRS 9.

Legal Matters:

None outstanding.

Disclosure Controls and Procedures:

On May 31, 2017, 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 September 22, 2017, the number of common shares of the Company outstanding, or reserved for issue under convertible securities, is as follows:

Common Shares	Number
Shares outstanding	56,107,650
Options outstanding	2,775,000
Warrants outstanding	19,486,666
Fully diluted share capital	78,369,316

Current Directors and Officers:

Jonathan Armes, CEO, President and Director

James Fairbairn, CFO and Director

Andrew Davidson, Director

John Kiernan, Director

Garry Clark, Director