MANAGEMENT DISCUSSION AND ANALYSIS
PERIOD ENDED JANUARY 31, 2017

The following discussion and analysis, prepared as of March 20, 2017, should be read together with the unaudited consolidated financial statements for the nine months ended January 31, 2017 and related notes attached thereto, which are prepared in accordance with International Financial Reporting Standards. All amounts are stated in Canadian dollars unless otherwise indicated. The reader should also refer to the annual audited financial statements for the years ended April 30, 2016 and April 30, 2015, and the Management Discussion and Analysis for those years.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. Additional information related to Desert Star Resources Ltd. is available for view on SEDAR at www.sedar.com.

Description of Business and Operations

Desert Star Resources Ltd. ("Desert Star" or the "Company"), was incorporated pursuant to the Business Corporations Act of British Columbia and its office is at Suite 717 – 1030 West Georgia Street, Vancouver, BC. The Company's shares are listed on the TSX Venture Exchange ("TSX-V") and trade under the symbol "DSR". As of July 21, 2016, certain of the Company's share purchase warrants are traded on the TSX-V under the symbol "DSR.WT". The Company is an exploration stage company, is engaged in the evaluation and exploration of mineral property interests, and this activity is dependent upon management's ability to continue to procure adequate financing to investigate new exploration opportunities. Desert Star is not aware of any contingent liabilities, legal proceedings, defaults or breaches, other than disclosed herein. Regulatory consent has been obtained for all significant transactions. There are no material deviations between the intended use of proceeds announced in financings and the actual use of those funds. Desert Star currently holds interests in resource properties in Arizona in the USA.

Effective August 30, 2016, the Company completed a share consolidation on the basis of two existing common shares for one post-consolidation common share. All common share and per common share amounts in the January 31, 2017 consolidated financial statements and this report have been retroactively restated to reflect the share consolidation.

Finance

The Company entered into a loan agreement on January 25, 2016 to borrow an amount of US$200,000 to be used for the bond referred to below regarding the Copper King drilling program. The loan, which was unsecured and bore interest at 10% per annum, was repaid in full in June 2016. The Company issued 125,000 common shares to the lender as additional compensation for the loan.

In July 2016, the Company closed a private placement of 6,025,000 units at $0.10 per unit for gross proceeds of $602,500. Each unit consists of one common share and one transferable common share purchase warrant, each warrant being exercisable into one common share in the capital of the Company for a period of two years from the date of issue, at an exercise price of $0.20 per warrant share.

On February 23, 2017, the Company closed a non-brokered private placement of convertible securities of the Company for gross proceeds of $150,000. The convertible notes bear interest at the rate of 10% per year and have a maturity date of February 23, 2018. The lenders may convert all or a portion of the principal into units of the Company at any time, at a price of $0.11 per unit. Each unit consists of one common share of the Company and one transferable common share purchase warrant. Each warrant is exercisable into one common share of the Company for a period of 18 months from the date of issuance, at an exercise price of $0.20 per share. The convertible notes are subject to a four month hold period.

On March 1, 2017, the Company closed a non-brokered private placement of units of the Company for gross proceeds of $55,000 by the sale of 550,000 units at $0.10 per unit. Each unit consists of one common share of the Company and one transferable common share purchase warrant. Each warrant is exercisable into one common share of the Company at an exercise price of $0.20 per share for a period of 18 months from the date of issuance. An insider of the Company participated in the private placement and subscribed for 100,000 units.

Mineral properties

The Company was granted a drill permit for its Red Top property by the US Forest Service in May 2016 for the planned work program on the property. After further consideration, the Company decided to abandon the project and on January 30, 2017, the Company provided the optionor with a notice of termination of the option agreement. Accordingly, accumulated expenses of $571,083 were written off as at January 31, 2017.

On March 2, 2017, the Company entered into a Letter of Intent whereby it can earn a 100% interest in the Iron Butte oxide gold-silver project located in Ladner County, north-central Nevada, approximately 60 kilometres south of Battle Mountain. Access and infrastructure to the project is excellent with power lines and State maintained roads within 4 kilometres of the property.

The Letter of Intent provides for a 45 day exclusivity period, during which the parties will endeavor to execute a definitive purchase agreement by March 31, 2017 and close the transaction by April 17, 2017.

Under the terms of the Letter of Intent, Desert Star can earn a 100% interest in Iron Butte by making a total of $1,000,000 USD in cash payments and issuing 1,500,000 shares in Desert Star over 6 years. If a positive production decision is made regarding Iron Butte, Desert Star will pay a further $1,000,000 USD and issue an additional 500,000 Desert Star shares. The vendor will also receive a $500,000 USD payment for every 1,000,000 ounces of gold production and $500,000 USD payment for every 10,000,000 ounces of silver production at Iron Butte. The vendor will also retain a 2.5% NSR subject to buy down provisions of $1,000,000 USD for the first 1% and $1,000,000 USD for an additional 0.5%. The closing of the transaction will be subject to TSX-V approval. Desert Star intends to pay a finder's fee on closing, in accordance with TSX-V policies. All Desert Star shares issuable under the transaction will be subject to a four month hold period.

The Company continues to look for opportunities to enhance its portfolio of exploration properties, primarily in the south-western USA.

Mineral Properties

During the period ended January 31, 2017, the Company expended the following on exploration costs on its properties as set out in the following tables:

	Nine months ended January 31, 2017	Year ended April 30, 2016
Acquisition and exploration and evaluation costs		
Balance, beginning	$ 498,651	$ 1,226,638
Additions	616	537,718
Balance, ending	499,267	1,764,356
Advanced minimum royalty	71,816	143,632
Sub-total	571,083	1,907,988
Impairment	(571,083)	(1,337,521)
Total	$ -	$ 570,467

Results of Operations

The Company's net losses for the nine months ended January 31, 2017 and 2016 are summarized below:

	Nine months ended January 31, 2017	Nine months ended January 31, 2016
Amortization	$ -	$ 986
Consulting fees	211,408	144,176
Interest and financing expenses	17,013	43,106
Investor relations and promotion	-	16,946
Management fees	110,875	137,540
Office and miscellaneous	38,140	61,596
Professional fees	25,739	24,729
Rent	90,000	103,604
Property investigation	82,449	32,779
Stock based compensation	172,069	45,379
Travel	2,130	14,188
Transfer agent and filing fees	40,329	28,211
Loss on disposal of marketable securities	-	5,000
Unrealized loss on marketable securities	136,694	-
Write-off of exploration and evaluation assets	571,083	706,556
Foreign exchange gain	(16,904)	(91,508)
Loss for the period	$ 1,481,025	$ 1,273,288

Consulting fees and property investigation costs increased in 2017 period over the comparable period as a result of the Company's efforts to identify and evaluate new projects for its portfolio. Management fees and office and miscellaneous expenses decreased during the nine months ended January 31, 2017 compared with the prior year due to efforts to conserve cash. Transfer agent and filing fees increased from 2016 due to financings, warrants extension and supplemental listing of warrants and the consolidation of the Company's common shares during the 2017 period. Interest and financing expenses decreased as a result of the repayment of loans in the current period. The unrealized loss on marketable securities resulted from a decline in the share price of the Company's investment. The write-off of exploration and evaluation assets arose from the abandonment of the Red Top Project as at January 31, 2017. The foreign exchange gain arose from the restating of US dollar-denominated cash, receivables and payables balances due to the fluctuation of the Canadian dollar during the periods. Other expenses incurred in the 2017 period were comparable with 2016.

The Company incurred a loss of $904,106 during the quarter ended January 31, 2017, compared with a loss of $832,664 incurred in the same period in 2016. The Company wrote off exploration and evaluation assets of $571,083 and $695,522 in the 2017 and 2016 quarters respectively. Consulting fees were $85,715 and property investigation costs $35,290 in the 2017 quarter and $37,500 and $3,507 in 2016 respectively, the increases being as a result of the Company's efforts to identify and evaluate new projects. Marketable securities declined in value by $136,694 in 2017. Other expenses were comparable between periods.

Summary of Quarterly Results

	Three Months Ended 31/01/17 $	Three Months Ended 31/10/16 $	Three Months Ended 31/07/16 $	Three Months Ended 30/04/16 $	Three Months Ended 31/01/16 $	Three Months Ended 31/10/15 $	Three Months Ended 31/07/15 $	Three Months Ended 30/04/15 $
Total assets	282,134	998,912	1,223,175	1,582,707	2,214,412	3,061,997	3,266,607	3,472,293
Resource properties & deferred costs	-	609,697	609,630	570,467	966,889	1,570,261	1,444,084	1,370,271
Working capital surplus (deficiency)	11,344	305,753	211,090	(158,227)	415,733	645,025	977,932	1,138,677
Shareholders' equity	11,344	915,450	1,120,720	755,161	1,682,622	2,515,286	2,722,740	2,809,934
Revenues	-	-	-	-	-	-	-	-
Net (loss)	(904,106)	(376,862)	(200,057)	(964,961)	(832,664)	(207,454)	(233,170)	(551,712)
Earnings (loss) per share	(0.03)	(0.01)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.02)

The January 31, 2015 loss included a write-off of $241,456 resulting from the disposal of the Copper Springs property, the April 30, 2015 loss included a write-off of $137,237 of the Anchor property, the January 31, 2016 loss included a write-off of $695,522 of the Copper King property and the April 30, 2016 *loss included property write-offs of $630,965 which included the write-off of the Henry property amounting to $390,288. The October 31, 2016 loss included stock based compensation of $172,069. The January 31, 2017 loss included a write-off of the Red Top property of $571,083.*

Liquidity and Capital Resources

Desert Star does not currently own or have an interest in any producing resource properties and has not yet derived any revenues from the sale of mineral property interests in the last three financial years. The Company's exploration activities have been funded through the issuance of common shares pursuant to private placements, the exercise of stock options and warrants and loan financing. The Company expects that it will continue to be able to utilize this source of financing until it develops cash flow from its operations. There can be no assurance, however, that the Company will be able to obtain required financing in the future on acceptable terms, or at all. As of January 31, 2017, the Company had a working capital surplus of $11,344. This amount was net of a $150,000 loan which was transferred into convertible debentures in February 2017. The debentures mature in February 2018. The Company has not earned cash from operations in the past nor does it expect to in near future periods.

In October 2016, the Company closed a private placement of 6,025,000 units at $0.10 per unit for gross proceeds of $602,500 as described above. The funds from this financing were used to repay a convertible debenture debt of $495,000 and accrued interest and the balance is for general and administrative expenses and for general working capital. The Company raised $205,000 by way of private placements in January and February 2017, the funds to be used for working capital purposes.

Investor Relations

The Company does not have any investor relations arrangements.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements which may affect the Company's current or future operations or conditions.

Outstanding Share Data

Effective August 30, 2016, the Company completed a share consolidation on the basis of two existing common shares for one post-consolidation common share. All references to common shares and per share amounts for all periods presented in the Management Discussion and Analysis have been retroactively restated to reflect all the share changes that have taken place during the period.

The authorized capital of the Company consists of an unlimited number of common shares. As of the date of this report, there are 32,895,802 common shares issued and outstanding. There are 2,640,000 stock options outstanding with a weighted average exercise price of $0.28 and a weighted average remaining contractual life of 2.97 years. The Company's outstanding warrants are detailed below:

Warrants

Exercise Price	Expiry Date	Balance, end of period
$0.50	June 4, 2017	366,667(1)
$0.50	June 5, 2017	11,008,285(1)
$0.30	October 27, 2017	4,104,167
$0.20	July 28, 2018	6,319,000
$0.20	August 28, 2018	550,000
		22,348,118

(1)Share purchase warrants traded on TSX-V under the symbol "DSR.WT".

Related Party Transactions

All transactions with related parties occurred in the normal course of business and were measured at the exchange amount, which was the amount of consideration agreed upon between management and the related parties.

The Company holds 604,839 shares and 750,000 warrants acquired at a cost of $300,000 in a TSX.V listed company with directors and officers in common. This investment is measured at its estimated fair value which at January 31, 2017 was $163,306.

Key management compensation

	Nine Months ended January 31, 2017	Nine Months ended January 31, 2016
Aggregate cash compensation	$ 146,175	$ 151,500
Stock based compensation	81,683	-
	$ 227,858	$ 151,500

Trade payables and accrued liabilities include $59,356 in unpaid fees to officers and directors of the Company at January 31, 2017.

Financial Instruments

Desert Star's financial instruments consist of cash, receivables, trade payables and loans payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments is approximately equal to their carrying values. As at January 31, 2017 the Company has $109,376 in cash held in Canadian and US dollars in accounts with a major Canadian bank. The Company does not use derivative instruments or foreign exchange contracts to hedge against gains or losses arising from foreign exchange fluctuations.

Capital Management

The Company's objectives when managing capital is to maintain sufficient capital for potential investment opportunities and to pursue generative exploration opportunities. The Company from time to time will issue new shares to fund specific project initiatives. The Company considers its cash to be its manageable capital. The Company's policy is to maintain sufficient cash and deposit balances to cover operating and exploration costs over a reasonable future period. The Company accesses capital markets through equity issues as necessary and may also acquire additional funds where advantageous circumstances arise.

Recent Accounting Pronouncements

New standard IFRS 9 "Financial Instruments"

This new standard is a partial replacement of International Accounting Standard ("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.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The proposed effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018.

Financial statement presentation

The Company has not early adopted these revised standards and is currently assessing the impact that these standards will have on its consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

Forward Looking Statements

This discussion includes certain forward looking statements with respect to various issues including upcoming events. Forward looking statements are statements that are not historical facts and are generally, but not always, identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “projects”, “potential” and similar expressions, or that events or conditions “will”, “would”, “may”, “could” or “should” occur. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future results and actual results may differ materially from those in forward looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration success, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future results and actual results or developments may differ materially from those projected in the forward-looking statements. Forward looking statements are based on the beliefs, estimates and opinions of Desert Star’s management on the date the statements are made. Mineral exploration is subject to a high degree of risk, which even a combination of experience, knowledge, and careful evaluation may fail to overcome. Exploration activities seldom result in the discovery of a commercially viable mineral resource. Exploration activities are also expensive. Desert Star will therefore require additional financing to carry on its business, and such financing may not be available when it is needed. Unless otherwise required by applicable securities laws, Desert Star expressly disclaims any intention and assumes no obligation to update or revise any forward-looking statements in the event that management’s beliefs, estimates or opinions, or other factors, should change, whether as a result of new information, future events or otherwise.