



# cascaderocopper

## **MANAGEMENT DISCUSSION AND ANALYSIS FOR THE QUARTER ENDED MAY 31, 2017**

The following discussion and analysis of the operations, results, and financial position of Cascadero Copper Corporation (“CCD or “the Company”) prepared as of July 28, 2017, should be read in conjunction with the Company’s quarterly consolidated financial statements and related notes attached hereto. The Company’s consolidated financial statements have been prepared in accordance with International Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The effective date of this report is July 28, 2017. All figures are presented in Canadian dollars unless otherwise indicated.

### **FORWARD-LOOKING STATEMENTS**

Forward-looking statements look into the future and provide an opinion as to the effect of certain events and trends on the business. Forward-looking statements may include words such as “plans”, “intends”, “anticipates”, “should”, “estimates”, “expects”, “believes”, “indicates”, “suggests” and similar expressions.

This MD&A contains forward-looking statements. These forward-looking statements are based on current expectations and various estimates, factors and assumptions and involve known and unknown risks, uncertainties and other factors. Information concerning mineral resource estimates and the interpretation of drill results may also be considered as a forward-looking statement; as such information constitutes a prediction of what mineralization might be found to be present if and when a project is actually developed.

It is important to note that:

- Unless otherwise indicated, forward-looking statements in this MD&A describe the Company’s expectations as of July 28, 2017.
- Readers are cautioned not to place undue reliance on these statements as the Company’s actual results, performance or achievements may differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements if known or unknown risks, uncertainties or other factors affect the Company’s business, or if the Company’s estimates or assumptions prove inaccurate. Therefore, the Company cannot provide any assurance that forward-looking statements will materialize. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward-looking statements, include, but are not limited to, possible variations in mineral resources, labour disputes, operating or capital costs; availability of sufficient financing to fund planned or further required work in a timely manner and on acceptable terms; failure of equipment or processes to operate as anticipated; and political, regulatory, environmental and other risks of the mining industry.
- Subject to applicable laws, the Company assumes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or any other reason.

For a description of material factors that could cause the Company’s actual results to differ materially from the forward-looking statements in this MD&A, please see “Risks and Uncertainties”.

## **GENERAL**

Cascadero Copper Corporation (the "Company" or "CCD") was incorporated pursuant to the Alberta Business Corporations Act on October 30<sup>th</sup> 2003 and continued into the Province of British Columbia on June 3<sup>rd</sup>, 2004. The Company is listed on the TSX Venture Exchange and trades under the symbol "CCD". The Company is engaged in the business of acquiring and exploring mineral properties located in Canada and Argentina. The Company is considered to be in the exploration stage. The Company's head office, principal address, and records office are located at 554 Kings Road East, North Vancouver, British Columbia, Canada V7N 1J3.

Additional information related to the Company is available on its website at [www.cascadero.com](http://www.cascadero.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## **DESCRIPTION OF BUSINESS**

The Company is in the process of acquiring and exploring its mineral properties and has not yet determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of the C\$ amounts shown for mineral properties and the related deferred exploration costs are dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the mineral properties, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production or proceeds from the disposition of the mineral properties.

On December 1<sup>st</sup> 2016, the Company and Regberg closed the Agreement that enabled Regberg have a 30% beneficial interest in all of the Argentine subsidiaries and their properties by paying to SHL a total of US\$1,025,000. Regberg had the right to convert the 30% beneficial interest to a 30% direct and working interest in the Argentine subsidiaries and their properties. This changed the relationship between the partners to 70%/30% Joint Venture.

Cascadero Copper Corporation operates in two jurisdictions: Argentina and Canada. In Argentina, it is engaged, through its 100% interest in Cascadero Minerals S.A. and is acquiring a 100% interest in Salta Geothermal S.A. CCD also has a 70% interest in SESA Holdings LLC (SHL) which is a 70/30% Joint Venture with Regberg Ltd. SHL is in the business of acquiring and managing resource properties. SHL is governed by an Operating Agreement, signed on July 10<sup>th</sup>, 2008.

Subsequent to December 1<sup>st</sup> 2016, all financial transactions will be on a 70/30 basis and each party has a direct working interest in the Argentine operations. The Company and Regberg are also negotiating share holder agreement that gives each party a right of first refusal on the proposed sale of Cascadero Minerals Corp (CMC) shares. CMC has 1,400 common voting share issued and fully paid. The shareholder Agreement will provide the transfer of 420 CMC common shares which will complete Regberg's right to have a 30% direct interest in the Argentine business.

On May 26<sup>th</sup>, 2015, the Company and Cypress River Holdings completed the separation of property interest as outlined by the Plan of Arrangement dated December 6<sup>th</sup>, 2013 and revised on December 16<sup>th</sup>, 2013.

In Canada, the Company has a 51/49 Joint Venture with Gold Fields Ltd. This Joint Venture manages CCD's Toodoggone Project, located in north central British Columbia, Canada. GFTE is vested as to a 51% interest in the Toodoggone Project and is the Operator.

## **PERFORMANCE SUMMARY**

### **2015**

In December 2008, the Company paid US\$200,000 and TSX Venture Exchange approval was granted for the Company to issue 28,000,000 of its common shares with a fair value of \$700,000 to Argentine Frontier Resources Inc. ("AFRI") for its 50% membership interest in SHL, a limited liability company formed under the laws of the State of Nevada, USA. SHL is the legal and beneficial holder of 100% of the issued and outstanding equity interest in Salta, a company duly formed under the laws of Argentina which holds certain mineral rights and

properties. AFRI is controlled by the chief executive officer (“CEO) and director of the Company. The Company’s 50% partner in SHL initially was Coralbrook Ltd. (“CBL”). On June 28 2013, by way of an Assignment and Assumption agreement CBL was replaced by Zoneplan Ltd (“ZP”). On June 30 2014, the interest of Zoneplan in SHL was assigned to Cyprus River Holdings Ltd (“CRH”).

On May 26, 2015, CRH and the Company consented to the withdrawal of CRH as a member of SHL. This meant that the Company became the sole member of SHL and has exclusive authority to manage the affairs of SHL. In connection with CRH’s withdrawal, CRH agreed to return 19,415,333 shares of the Company to the treasury of Cascadero Minerals Corp, a 100% owned subsidiary of CCD and make a cash payment of US\$118,614, of which \$71,404 (US\$58,605) was received in 2015. CRH made a prior payment of US\$60,000 in December 2013. The Company agreed to transfer the Castor-Quevar property’s 1% net smelter return to CRH and grant CRH a 1% net smelter return on an additional 20 properties in Salta. The Company has determined the acquisition represents an asset acquisition.

The fair values of the assets acquired and liabilities assumed in the acquisition at May 26, 2015 (the “Acquisition Date”) are as follows:

	<b>Amount</b>
	<b>\$</b>
Cash	308,069
Accounts payable and accrued liabilities	(785,780)
	<b>(477,711)</b>

The 19,415,333 shares of the Company received was measured at the value of \$776,613 based on the trading price of the Company’s shares at the Acquisition Date. The fair value of the Company’s shares received and the cash payment received from CRH net of the net liabilities assumed has been recorded as the partial recovery of the investment in and advances to SHL.

In early 2016 the Company reorganized its subsidiaries and grouped its properties by tenure location. This cleared the path to sell a 25% in SHL to Regberg for US\$850,000. The cash injection was material to the survival of SHL and all of Cascadero’s properties. Regberg was granted the option to acquire an additional 5% of SHL for US\$175,000. The option was exercised in May and Regberg is fully vested in a 30% interest in SHL. The Company has since raised additional financing and it is working on four of its properties. These activities should carry the Company through all of 2017.

## **HISTORIC EXPLORATION INFORMATION**

### **BRITISH COLUMBIA**

#### **2014**

GFTE (Gold Fields) conducted a small exploration program in 2014. Cascadero received an updated report on the Joint Venture. As of March 25<sup>th</sup> 2015 the Company has not received notice from GFTE regarding an exploration program for the 2015 season.

#### **Cascadero Toodoggone Project Summary of British Columbia Mineral Tenures**

<b>Mineral Tenures #</b>	<b>Map Number</b>	<b>Good To Date</b>	<b>Status</b>	<b>Area (ha)</b>	<b>NSR</b>
75	094E	July 1-2020	Good	31,409.35	Yes
12	094E	July 1-2020	Good	1,367.408	No
<b>87</b>				<b>32,776.76</b>	

## **2015**

In April 2015, Gold Fields provided notice to the Company that it did not intend to carry out exploration in the Toodoggone in this field season.

## **2016**

For a second year in a row Gold Fields did not carry out any exploration in the Toodoggone.

## **ARGENTINA**

### **2015**

Continuing exploration in Argentina is subject to the Company's success at securing risk financing. The field season is essentially from September to June. The Company was successful in securing a small financing and most of these funds were allocated to a UBC hydrometallurgical study on the Taron cesium prospect. In Dec 2015, UBC delivered a positive study, which concluded that Taron has potential to produce a CsOH compound from run of mine material which is ground and the flow sheet employed an acid leach. The flow sheet was converted to a patent in Cascadero Copper's name.

### **2016**

In 2016, the Company was focused on reorganizing its Argentine property portfolio. Field work did not get underway until mid-2016 when it was decided to conduct a second drill program on the property. Taron is the focus of the field work and the drill program is underway.

#### Argentina Mineral Claims

The Company, through its CMSA, SGSA and TSA holds certain mineral claims in Argentina. The summary of costs incurred for 2016 and 2015 are as follows:

	2016 \$	2015 \$
Mineral rights renewal fees	86,542	26,124
Geological and Exploration	8,909	2,842
Environmental	4,571	1,781
Food and Lodging	2,361	----
Equipment & Truck rental	7,212	----
	<u>109,595</u>	<u>30,747</u>

## **SELECTED ANNUAL INFORMATION**

The following table provides a brief summary of the Company's annual financial operations. For more detailed information, refer to the audited consolidated financial statements.

<b>ITEM</b>	<b>November 30, 2016</b>	<b>November 30, 2015</b>	<b>November 30, 2014</b>
	\$	\$	\$
Working Capital	(906,995)	(2,173,239)	(973,439)
Deficit	(25,325,845)	(24,779,753)	(24,138,554)
Net Income (loss)	(546,092)	(641,199)	(12,639,468)
Basic and Diluted loss per share	(0.004)	(0.005)	(0.08)
Total Assets	846,744	96,690	58,287

The Company earns interest revenue from cash held in banks. The Company has no present intention of paying dividends on its common shares as it anticipates that all available funds will be invested to finance the growth of its business.

### Quarterly Information

The following are selected financial data from the Company's unaudited financial statements for the last eight quarters ending with the most recently completed quarter, being the three months ended February 28, 2017.

	May 31, 2017	February 28, 2016	November 30, 2016	August 31, 2016
Total assets	\$ 792,266	\$ 1,264,387	\$ 846,744	\$ 983,797
Mineral properties	---	---	---	---
Working capital	(892,451)	(351,625)	(906,995)	(2,236,716)
Shareholder's equity	(829,960)	(288,738)	(843,713)	(1,948,907)
Net gain (loss)	(662,137)	(495,557)	326,571	(395,457)
Net loss per share	(0.00)	(0.00)	(0.00)	(0.00)

### Three Month Period Ended

	May 31, 2016	February 29, 2015	November 30, 2015	August 31, 2015
Total assets	\$ 552,927	\$ 118,984	\$ 96,690	\$ 1,782,565
Mineral properties	---	---	---	1,091,963
Working capital	(2,331,155)	(2,395,227)	(2,173,239)	(1,687,222)
Shareholder's equity	(2,289,271)	(2,393,394)	(2,171,183)	(619,348)
Net gain (loss)	(254,994)	(222,212)	(839,797)	(249,375)
Net loss per share	(0.00)	(0.00)	(0.00)	(0.00)

### Results of Operations

The Company had a loss of \$(662,137) (\$0.00 per share) for the quarter ended May 31, 2017 compared to a loss of \$(254,994) (\$0.00 per share) for the quarter ended May 31, 2016. The increase in loss during the quarter ended May 31, 2017 was mainly due to the gain on loss control of Argentina Entities.

Significant expenses incurred during the quarter ended May 31, 2017 are as follows: \$40,000 (2016 - \$40,000) in management fees, \$104,343 (2016 - \$47,410) in office and miscellaneous, \$83,001 (2016 - \$5,880) in professional/consulting fees, \$89,733 (2016 - \$12,254) in business exploration costs. \$68,936 (\$nil) in impairment of investment in Argentina operations and \$198,225 (2016 - \$nil) in impairment of exploration and evaluation assets.

### Liquidity

The Company finances its activities by raising capital in the equity markets and has no regular source of revenue or cash flow. The Company is dependent upon its ability to obtain the necessary equity financing to generate sufficient amounts of cash and cash equivalents, in the short and long term to meet its obligations as they become due and finance its exploration programs. Certain mineral tenures could be sold for cash as well.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence operations in the future. The Company has an interest in properties proximal to the proposed location in north western Argentina of a copper mine. Management believes that a future sale of properties in this area is possible and that a sale, after costs and taxes, would result in liquidity to the Company. Net cash used in operating activities for the period consists primarily of the operating loss and a change in non-cash working capital.

Net cash used for operating activities for the quarter ended May 31, 2017 was \$(726,731) compared to net cash used for operating activities of \$(56,506) for the quarter ended May 31, 2016.

Cash flows from investing activities for the quarter ended May 31, 2017 was \$329,441 compared to the investing activities of \$(71,951) for the quarter ended May 31, 2016.

Cash flows from financing activities for the quarter ended May 31, 2017 was \$(55,758) compared to the financing activities of \$491,028 for the quarter ended May 31, 2016.

## **Related Party Transactions**

- a) The Company has the following balances owed to and from related entities as at May 31, 2017:
- i. \$674,968 (Feb 29, 2016: \$700,682) due to the former CEO, currently Executive Chairman, who is also a director of the Company.
  - ii. \$459,908 (Feb 29, 2016: \$284,362) due to the Company's former corporate secretary, currently President/CEO who is also an immediate family member of the Executive Chairman for services provided.
  - iii. \$62,309 (Feb 29, 2016: \$94,839) due to AFRI, an entity controlled by the Executive Chairman who is also a director of the Company.
  - iv. \$9,981 (Feb 29, 2016: \$60,387) due to the Company's chief financial officer (the "CFO") and corporate secretary of the Company.
  - v. \$59,702 (Feb 29, 2016 - \$nil) due from Cosmos Mineral S.A. an entity that is related to the Company by way of common management.
- b) During the quarter ended February 28, 2016, the Company had the following transactions with related parties:
- i. Incurred \$4,500 (Feb 29, 2016: \$4,500) in office rent to AFRI, a company controlled by the Company's former CEO, currently Executive Chairman.
  - ii. Incurred \$40,000 (Feb 29, 2016: \$40,000) in management fees to the former CEO, currently Executive Chairman.
  - iii. Incurred \$21,000 (Feb 29, 2016: \$21,000) in office and administrative fees charged by the Company's former corporate secretary, currently CEO of the Company.
  - iv. Incurred \$8,100 (Feb 29, 2016: \$15,325) in accounting fees charged by the CFO and corporate secretary of the Company.
  - v. The Company entered into a management agreement with the former CEO, currently Executive Chairman of the Company on December 1, 2015, pursuant to which the Company agreed to pay an annual service fee of \$160,000 plus \$1,100 car allowance per month. The management agreement has an initial term of 3 years and can be extended another 3 years.
  - vi. The Company entered into a service agreement with the Company's former corporate secretary currently CEO on December 1, 2015, pursuant to which the Company agreed to pay an annual service fee of \$84,000. The service agreement has an initial term of one year and is renewable annually.
- c) Key management compensation

Key management includes the CEO, CFO and Executive Chairman. The compensation paid or payable to key management for services during the years ended February 28, 2017 and 2016 is identical to the disclosure above other than share-based payments. During the year ended November 30, 2016, key management received share-based payment of \$5,402 (2015 - \$52,714)

## **FINANCIAL INSTRUMENTS**

### Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts receivables, and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to the immediate or short term maturity of these items.

## Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

### *Credit risk*

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's believes it has no significant credit risk.

### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

### *Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

#### (a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company is satisfied with the credit ratings of its banks.

#### (b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable and accrued liabilities that are denominated in US Dollars (US).

#### (c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of oil, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## Critical Accounting Estimates and Judgements

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.

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

#### (i) Judgements

##### *Valuation of 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. Significant judgement is required when determining whether facts and circumstances suggest that the carrying amount of exploration and evaluation assets may exceed its

recoverable amount.

#### *Joint Arrangement*

The accounting for investments in other companies can vary depending on the degree of control and influence over those other companies. Management is required to assess at each reporting date the Company's control and influence over the other companies. Management has used its judgment to determine which companies are controlled and require consolidation and those which are significantly influenced or jointly controlled and require equity accounting. Determination of the date that the Company's interest in Argentina Entities changed from control to joint control also required significant judgement. The Company has determined that effective November 30, 2016, the Company lost control in the Argentina Entities and retained joint control in these entities as the participating parties have joint control and a right to the net assets of the arrangement and therefore, has accounted for its investment using the equity method since November 30, 2016.

Significant judgements and estimates are also required to determine the fair value of the investments retained in the Argentina Entities that were the former subsidiaries.

At each reporting date, the Company determines whether there is objective evidence that the investment in associate or joint venture is impaired. Significant judgement is required when determining whether facts and circumstances suggest that the carrying amount of the investment in associate or joint venture may exceed its recoverable amount.

#### *Business versus asset*

Identify a transaction as being a business or asset requires judgement regarding whether the set of assets and liabilities acquired or disposed constitutes a business based on the particular circumstances.

#### *Provision*

Management assesses the probability of a liability being payable as either remote, more than remote or probable. If the liability is considered to be less than probable, then the liability is not recorded and it is only disclosed as a contingent liability.

#### (ii) Estimates

#### *Share-based payment transactions*

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 are disclosed in Note 8 of the financial statements.

#### Capital Resources

The Company has defined its capital as common shares, contributed surplus and retained earnings. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, to maintain appropriate cash reserves on hand to support continued operations and shareholder returns, maintain capital structure while keeping capital costs at a minimum, and to invest cash on hand in highly liquid, highly rated financial instruments. The company is not exposed to externally imposed capital restrictions, and the Company's objectives and strategies described above have not changed since last year. These objectives and strategies are reviewed on a continuous basis.

#### Change in Accounting Policy (including initial adoption)

A number of new standards, amendments to standards and interpretations, are not yet effective for the quarter ended February 28, 2017, and have not been applied in preparing these consolidated financial statements. The following pronouncements are those that the Company considers most significant and are not intended to be a



complete list of new pronouncements that effect the financial statements. The Company is currently assessing the impact that these standards will have on its consolidated financial statements.

(i) Amendments to IAS1, Presentation of Financial Statements (“IAS 1”)

On December 18, 2014, the IASB issued amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016 with early adoption permitted. The Company intends to adopt these amendments in its financial statements for the annual period beginning on December 1, 2016. The Company does not anticipate this amendment to have a significant impact on its consolidated financial statements.

(i) Amended standard IAS 7, Statement of Cash Flows

These amendments to IAS 7 “Statement of Cash Flows” were issued to improve information provided to users of financial statements about an entity’s changes in liabilities arising from financing activities. These amendments are effective for annual periods commencing on or after January 1, 2017.

(iii) Amended standard IAS 12, Income Taxes

These amendments relate to the recognition of deferred tax assets for unrealized losses associated with debt instruments measured at fair value. These amendments are effective for annual periods commencing on or after January 1, 2017.

(iv) Amended standard IFRS 7, Financial Instruments: Disclosures

The amendments to IFRS 7 outline the disclosures required when initially applying IFRS 9 Financial Instruments. These amendments are effective date January 1, 2018.

(v) New standard IFRS 9, Financial Instruments

Replacement of IAS 39 Financial Instruments: Recognition and Measurement. The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 with early adoption permitted.

(vi) New standard IFRS 15, Revenue from Contracts with Customers

IFRS 15 provides guidance on how and when revenue from contracts with customers is to be recognized, along with new disclosure requirements in order to provide financial statement users with more informative and relevant information. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

(vii) New standard IFRS 16, Leases

Effective for annual periods commencing on or after January 1, 2019, this replaces existing lease accounting guidance. All leases will be required to be reported on the statement of financial position unless certain requirements for exclusion are met.

**Outstanding Share Capital as at July 28<sup>th</sup> 2017**

**Authorized** Unlimited number of no par value common shares,  
Unlimited number of preferred shares

<b>Issued common shares</b>	181,603,895
Treasury Shares held	<u>17,831,359</u>
Outstanding common shares	<b>163,772,536</b>

Stock Options	20,520,000
Warrants	10,347,700

**Stock Options and Warrants outstanding at (expiry date order)**

OPTIONS ISSUED	EXERCISE PRICE C\$ PER SHARE	EXPIRY DATE
5,700,000	\$0.05	SEPT 13, 2017
2,400,000	\$0.05	SEPT 28, 2017
250,000	\$0.10	OCT 24, 2017
1,350,000	\$0.08	NOV 22, 2017
6,950,000	\$0.05	JAN 13, 2018
1,870,000	\$0.07	MAY 4, 2018
300,000	\$0.11	JUNE 5, 2018
1,700,000	\$0.11	MAR 12, 2019

WARRANTS ISSUED	STRIKE PRICE C\$ PER SHARE	EXPIRY DATE
10,347,700	\$0.15	DEC 22, 2018

**DISCLOSURE CONTROLS AND PROCEDURES**

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109) the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the financial statements for the quarter-end financial statements for the period ended February 28, 2017 and accompanying MD&A.

In contrast to the full certificate under NI 52-109 the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at [www.sedar.com](http://www.sedar.com).

**Commitments and Contingent Liability**

Canada Revenue Agency ("CRA") has disallowed certain exploration expenditures incurred by the Company as non-eligible exploration expenditures that do not qualify for transfer of the tax deduction to holders of the flow-through shares. In this connection, the Company has been assessed by CRA on Part XII.6 tax, in respect of certain flow-through shares issued in the 2004 taxation year, in the amount of \$237,976 (2014: \$237,976) plus interest of approximately \$96,065 for a total of \$334,041.

The balance in assessed Part XII.6 tax and interest is being formally contested by the Company as management disagrees with CRA's position on this amount. The outcome of this matter cannot be determined at this time. A provision has been made in these financial statements for the total amount of the contingent liability.

**Risks and Uncertainties**

The exploration and development of mineral deposits involves significant risks which even a combination of careful evaluation, experience and knowledge may not be successful in overcoming. Few mineral properties which are explored ultimately develop into producing mines. There has been no commercial production of minerals on properties held by the Company to date and there is a high degree of risk that commercial production of minerals will not be achieved.

Locating mineral deposits depends on a number of factors, not the least of which is the technical skill of the exploration personnel involved. The mining industry is intensely competitive. The commercial viability of a mineral deposit depends on a number of factors including the particular attributes of the deposits (principally size and grade), proximity to infrastructure, the impact of mine development on the environment, environmental regulations imposed by various levels of government and the competitive nature of the industry which causes mineral prices to fluctuate substantially over short periods of time. There can be no assurance that the minerals can be marketed profitably or in such a manner as to provide an adequate return on invested capital.

The operations of the Company are subject to all of the risks normally associated with the operation and development of mineral properties and the development of a mine, including encountering unexpected formations or pressures, caving, flooding, fires and other hazards, all of which could result in personal injuries, loss of life and damage to property of the Company and others. In accordance with customary industry practice, the Company is not fully insured against all of these risks and insurance may not be available for such risks.

The operations of the Company's properties will be subject to various laws and regulations relating to the environment, prospecting, development, production, waste disposal and other matters. Amendments to current laws and regulations governing activities related to the Company's mineral properties may have material adverse impact on operations.

The Company will need additional funding to complete its short and long term objectives. The ability of the Company to fund its operations in the future will depend on the prevailing market conditions, as well as the business performance of the Company. There can be no assurances that the Company will be successful in its efforts to raise additional financing on terms satisfactory to the Company. If adequate funds are not available or not available on acceptable terms, the Company may not be able to take advantage of opportunities, to acquire new projects or to otherwise respond to competitive pressures.

All material events to July 28, 2017 are disclosed herein.

**END OF DOCUMENT**