



**CANADA STRATEGIC METALS**  
(an exploration company)

**MANAGEMENT DISCUSSION AND ANALYSIS**  
For the year ended January 31, 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

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This management discussion and analysis ("MD&A") of Canada Strategic Metals ("Canada Strategic" or the "Company") complies with Rule 51-102A of the Canadian Securities Administrators regarding continuous disclosure.

The MD&A is a narrative explanation, through the eyes of the management of Canada Strategic, of how the Company performed during the year ended January 31, 2016, and of the Company's financial condition and future prospects. This discussion and analysis supplements, but does not form part of, the audited financial statements for the year ended January 31, 2016. It reports on the Company's performance for the year ended January 31, 2016, and should therefore be read in conjunction with the audited financial statements as at January 31, 2016 and the notes thereto. This review was prepared by management with information available as at the date of the MD&A.

All figures are in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com). The shares of Canada Strategic are listed on the TSX Venture Exchange under the symbol CJC, on the OTC Bulletin Board under the symbol CJCFF and on the Frankfurt Exchange under the symbol YXEN.

## DATE

The MD&A was prepared on the basis of information available as at May 18, 2016.

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that reflect the Company's current expectations regarding future events. To the extent that any statements in this document contain information that is not historical, the statements are essentially forward-looking and are often identified by words such as "anticipate", "expect", "estimate", "intend", "project", "plan" and "believe". Forward-looking statements involve risks, uncertainties, and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. There are many factors that could cause such differences, particularly: volatility and sensitivity to market metal prices; impact of change in foreign currency exchange rates and interest rates; imprecision in reserve estimates; environmental risks including increased regulatory burdens; unexpected geological conditions; adverse mining conditions; changes in government regulations and policies, including laws and policies; failure to obtain the necessary permits and approvals from government authorities; and other development and operating risks.

While the Company believes that the assumptions underlying in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this document. The Company disclaims any intention or obligation to update or revise any forward-looking statement, whether or not it should be revised because of new information, future events or otherwise, unless required to do so by the applicable securities laws.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## NATURE OF ACTIVITIES

Canada Strategic is incorporated under the Canada Business Corporations Act. The Company was involved in the acquisition, exploration and development of mining properties. The Company is active in Canada.

## OVERALL PERFORMANCE

### LAC DES ILES WEST – GRAPHITE PROJECT

#### Property Description

The Lac des Iles West property consists of 1 large contiguous block of 74 mineral claims totaling 4,013.30 hectares (40.13 km<sup>2</sup>) that borders the western limit of the Timcal Lac Des Îles graphite mine close to the town of Mont-Laurier, 150 km northwest of Montréal in southern Québec.

On February 6, 2015, the Company and Lomiko have agreed on the terms of an option pursuant to which Lomiko shall have the exclusive right and option to acquire an additional 40% undivided interest in the La Loutre Property and an 80% undivided interest in the Lac des Iles Property in exchange for a payment of \$1,010,000, the issuance of 3,000,000 common shares of Lomiko (condition fulfilled) and the funding of \$1.75 million in exploration expenditures over a 2 year period.

On May 13, 2016, the Company and Lomiko have agreed on the terms of a third option agreement allowing Lomiko to acquire up to 100% interest subject to Lomiko having exercised the Additional Option signed on February 6, 2015. Lomiko will also have to pay to Canada Strategic an additional amount of \$10,000, issue to Canada Strategic an additional 7,500,000 common shares of Lomiko and fund Exploration Expenditures for an additional amount of \$1,125,000 on Canada Strategic properties for a period commencing on the deemed exercise of the Additional Option and ending on December 31, 2018.

#### Work done during the year

On June 15, 2015, the Company announced that they have started exploration. The Phase 1 exploration work will consist of prospecting, mapping and sampling with a focus to determine the strike length of the graphitic mineralization outlined during the 2012 prospecting program by Canada Strategic Metals and a magnetic-electromagnetic survey on the entire property. Once the strike length is validated with the graphite bearing bedrock grab samples, the surface mineralization and matching conductors would be drill tested and assayed to a vertical depth of -100 meters, with preliminary metallurgical testing of the graphite bearing drill core, if program report results of merit for drilling program.

Deferred exploration and evaluation expenses of \$134,733 were incurred by Lomiko Metals as of January 31, 2016 following the signature of the option agreement signed on February 6, 2015.

### LA LOUTRE – GRAPHITE PROJECT

#### Property Description

The La Loutre property consists of 1 large contiguous block of 48 mineral claims totaling 2,867.29 hectares (28.67 km<sup>2</sup>) located approximately 53 km east of Imerys Carbon and Graphite, formerly know as the Timcal Graphite Mine, North America's only operating graphite mine, and 117 km northwest of Baie-Comeau.

An area of the property that returned grab samples up to 22.04% Carbon Flake Graphite (CFG) and Carbon Purity Test results reporting up to 100.00% Carbon Purity in the Large and Extra Large Flake

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Graphite was of particular interest for drilling. Graphite grab sample assay results from a recent sampling and mapping program on the property had confirmed a graphite-bearing structure covering an area approximately 7 kilometres by 1 kilometre with results of up to 22.04% graphite in multiple parallel zones 30-50 metres wide. Another area has also been identified covering approximately 2 kilometres by 1 kilometre in multiple parallel zones of 20-50 metres wide which includes results up to 18% graphite. Grab samples are selective by nature and are unlikely to represent the average grade of a deposit.

On September 22, 2014, the Company entered into an agreement with Lomiko on the La Loutre property. The agreement provides that Lomiko may acquire a 40 % interest in the property in consideration of a total of \$12,500 in cash payments at the signature of the Agreement. Lomiko had also to issue 1,250,000 common shares (condition fulfilled) and engage \$500,000 in exploration expenditures over a period of 1 year.

On February 6, 2015, the Company and Lomiko have agreed on the terms of an additional option pursuant to which Lomiko shall have the exclusive right and option to acquire an additional 40% undivided interest in the La Loutre Property and an 80% undivided interest in the Lac des Iles Property in exchange for a payment of \$1,010,000, the issuance of 3,000,000 common shares of Lomiko (condition fulfilled) and the funding of \$1,750,000 in exploration expenditures over a 2 year period.

On May 13, 2016, the Company and Lomiko have agreed on the terms of a third option agreement allowing Lomiko to acquire up to 100% interest subject to Lomiko having exercised the Additional Option signed on February 6, 2015. Lomiko will also have to pay to Canada Strategic an additional amount of \$10,000, issue to Canada Strategic an additional 7,500,000 common shares of Lomiko and fund Exploration Expenditures for an additional amount of \$1,125,000 on Canada Strategic properties for a period commencing on the deemed exercise of the Additional Option and ending on December 31, 2018.

### Work done during the year

On June 15, 2015, the Company announced the beginning of the exploration campaign. Phase 1 of the 2015 exploration work would consist of a 5,000 meter delineation and definition diamond drilling program with NQ size core to outline potential compliant mineral resources in all categories in follow-up to the initial 2014 drill campaign which outlined graphite mineralization over a 800 meter strike length. Also, part of the program will be dedicated to test others parallel zones as a part of the exploration program. Drilling should reach a vertical depth of 150 meters, the “rule-of-thumb” physical depth limit of a standard open pit.

### TABLE OF MINERALIZED INTERSECTIONS IN NEW ZONE

Drill Hole #	From (m)	To (m)	Length * (m)	Gp %
LL-15-01	5.90	11.35	5.45	11.65
LL-15-02	4.35	9.60	5.25	14.76
Including	4.35	8.60	4.25	17.69
	91.50	96.00	4.50	2.83
LL-15-03	66.85	79.80	12.95	2.34
	96.30	100.80	4.50	2.12
LL-15-04	4.75	12.50	7.75	7.25
	61.70	72.90	11.20	6.07
	89.10	103.10	14.00	3.66
LL-15-05	49.70	91.80	42.10	4.12
	118.25	154.35	36.10	5.64
Including	147.50	154.35	6.85	14.64

## MANAGEMENT DISCUSSION AND ANALYSIS

Drill Hole #	From (m)	To (m)	Length * (m)	Gp %
LL-15-06	50.20	62.70	12.50	5.56
LL-15-07	22.50	28.80	6.30	3.40
LL-15-08	AVS			
LL-15-09	116.25	207.00	90.75	9.00
Including	136.50	199.30	62.80	11.88
Including	147.00	194.80	47.80	13.66
LL-15-10	110.90	113.00	2.10	2.85
LL-15-11	114.00	115.00	1.00	5.94
LL-15-12	3.00	51.00	48.00	2.49 <sup>(1)</sup>
LL-15-13	57.70	145.65	87.95	2.50 <sup>(2)</sup>
	160.00	165.60	5.60	1.52
	75.40	193.15	117.75	4.05 <sup>(3)</sup>
LL-15-14	195.15	196.30	1.15	5.83
	201.15	207.15	6.00	1.46
	243.40	247.90	4.50	2.55
LL-15-15	2.20	130.25	128.05	3.47 <sup>(4)</sup>
Including	2.20	19.80	17.60	4.87
Including	28.70	38.75	10.05	9.97
LL-15-16	3.70	100..30	96,60	3.74 <sup>(5)</sup>
Including	3.70	19.00	15.30	10.54 <sup>(6)</sup>
LL-15-17	2.80	110.50	107.70	2.87 <sup>(7)</sup>
Including	2.80	17.00	14.20	4.62 <sup>(8)</sup>
Including	105.15	110.50	5.35	11.36
LL-15-18	1.80	15.00	13.20	2.07
	15.00	18.00	3.00	Lost core
	18.00	75.00	57.00	2.08
LL-15-19	84.00	179.00	95.00	3.70 <sup>(9)</sup>
Including	85.25	95.00	9.75	9.42
Including	175.00	179.00	4.00	16.86
LL-15-20	2.60	16.00	13.40	6.54
Including	7.60	15.00	7.40	10.82
Including	74.30	157.90	83.60	2.61
	154.50	157.90	3.40	10.88
LL-15-21	2.50	7.00	4.50	4.30
Including	63.25	136.80	73.55	2.86
	63.25	65.40	2.15	9.51
	133.00	136.80	3.80	13.42
LL-15-22	79.65	164.60	84.95	3.67
Including	79.65	85.00	5.35	8.73
Including	158.70	164.60	5.90	11.40
	185.95	192.00	6.05	3.21
LL-15-23	107.35	200.00	92.65	3.36
Including	107.35	113.70	6.35	8.12
Including	193.00	196.35	3.35	13.65
LL-15-24	31.65	56.50	24.85	6.45
Including	31.65	35.00	3.35	10.01
Including	47.80	55.00	7.20	12.94

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Drill Hole #	From (m)	To (m)	Length * (m)	Gp %
	68.00	150.00	82.00	2.72
Including	68.00	73.00	5.00	9.10
LL-15-25	41.55	70.00	28.45	5.56
Including	41.55	44.90	3.35	8.71
Including	59.20	67.15	7.95	10.56
	82.00	180.40	98.40	3.15
Including	82.00	92.60	10.60	5.37
Including	175.20	180.00	4.80	10.38
LL-15-26	28.45	123.00	94.55	2.42
Including	28.45	32.50	4.05	8.56
LL-15-27	37.20	47.50	10.30	4.83
Including	37.20	40.30	3.10	9.10
	56.50	168.70	112.20	2.73
Including	164.20	167.65	3.45	6.06
LL-15-28	27.75	39.95	12.20	4.74
Including	27.75	32.80	5.05	8.68
	46.80	134.70	87.90	2.57
	137.50	160.10	22.60	2.64
LL-15-29	6.00	13.25	7.25	2.58
	32.50	37.35	4.85	2.42
	72.00	111.75	39.75	3.62
Including	102.50	111.75	9.25	6.32
	127.40	180.00	52.60	3.32
Including	127.40	140.00	12.60	5.31
LL-15-30	8.60	12.65	4.05	5.61
	32.00	41.15	9.15	1.68
	44.65	148.00	103.35	2.83
LL-15-31	14.00	42.50	28.50	5.22
Including	14.00	16.50	2.50	10.42
Including	36.45	42.50	6.05	9.57
	52.90	83.55	30.65	3.70
LL-15-32	25.00	48.00	23.00	5.02
Including	26.00	30.00	4.00	9.65
Including	39.90	42.90	3.00	8.51
	129.00	139.90	10.90	1.38
LL-15-33	16.15	50.00	33.85	5.57
Including	16.75	25.00	8.25	10.32
LL-15-34	19.10	56.50	37.40	4.41
Including	19.10	24.20	5.10	7.52
Including	27.75	38.00	10.25	5.62
LL-15-35	2.50	22.90	20.40	2.05
	32.60	58.65	26.05	4.28
Including	54.00	57.75	3.75	12.10
LL-15-36	63.35	100.90	37.55	2.70
LL-15-37	2.50	71.00	68.50	2.81
Including	2.50	10.55	8.05	2.45
Including	12.65	21.90	9.25	4.50

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Drill Hole #	From (m)	To (m)	Length * (m)	Gp %
Including	25.40	40.00	14.60	2.53
Including	41.60	50.95	9.35	2.36
Including	60.25	71.00	10.75	4.38
LL-15-38	10.85	58.90	48.05	3.12
Including	50.00	58.90	8.90	6.13
LL-15-39	2.30	38.60	36.30	3.35
Including	31.50	35.70	4.20	9.90
LL-15-40	40.00	77.65	37.65	2.99
LL-15-41	45.65	103.60	57.95	3.36
	97.25	103.35	6.10	13.66
LL-15-42	29.60	60.20	30.60	3.86
	56.00	60.20	4.20	11.83
LL-15-43	2.30	6.90	4.60	7.68
	41.55	70.30	28.75	4.44
LL-15-44	27.80	31.50	3.70	10.39
	80.20	90.60	10.40	2.15
	94.00	114.15	20.15	1.55
	122.50	128.00	5.50	1.60
	159.00	161.00	2.00	3.07
LL-15-45	59.00	73.60	14.60	5.36
LL-15-46	38.00	50.40	12.40	4.92
	78.85	100.40	21.55	11.56
LL-15-47	62.30	64.55	2.25	9.46
	105.60	113.00	7.40	3.92
	125.15	130.95	5.80	1.04
	136.50	150.55	14.05	1.64
	155.60	161.50	5.90	2.29
	171.00	178.10	7.10	1.53
LL-15-48	2.50	35.70	33.20	2.49**
	55.50	60.00	4.50	1.51
LL-15-49	100.00	106.00	6.00	5.00***
	143.50	175.00	31.50	2.79***
LL-15-50	2.20	48.45	46.25	5.43***
Including	5.80	9.75	3.95	17.95***
Including	42.70	46.95	4.25	15.56***
LL-15-51	4.20	37.50	33.30	14.62***
Including	9.00	37.50	28.50	16.53***
	91.55	122.50	30.95	8.18***
Including	91.55	98.50	6.95	18.31***
including	115.00	122.50	7.50	9.61***
LL-15-52	64.65	111.80	47.15	4.42***
including	109.00	111.80	2.80	17.28***
LL-15-53		NSV		
LL-15-54		NSV		
LL-15-55	7.50	13.50	6.00	1.13***
	130.35	134.15	3.80	3.82***

# MANAGEMENT DISCUSSION AND ANALYSIS

- \* Core length; the Company estimates the true width of the mineralized zone at 70 to 95% of the core length.
- \*\* No sample from 8.65 to 9.00 m
- \*\*\* Length along the core. The Company doesn't have enough information to estimate the true width of the mineralized zone intersected in the drill holes
- (1) no sample 48.35-48.70
- (2) no sample 62.75-63.05, 140.90-141.60
- (3) no sample 76.90-77.10
- (4) no sample 40.80-41.15;
- (5) no sample 8.40-8.75; 99.10-99.65
- (6) no sample 8.40-8.75
- (7) no sample 6.35-7.20; 10.45-10.95; 13-14.20
- (8) no sample 6.35-7.20; 10.45-10.95; 13-14.20
- (9) no sample 172.40-172.65

On February 9, 2016, the Company release a Resource for the La Loutre Flake Graphite Property of 18.4 M Tonnes of 3.19% Indicated and 16.7 M Tonnes at 3.75% Flake Graphite Inferred with a cut-off of 1.5%. The sensitivity table also features 4.1 M Tonnes of 6.5% Indicated and 6.2 M Tonnes at 6.1% Flake Graphite Inferred with a cut-off of 3%. The Resource is calculated on the Graphene-Battery Zone only and **does not** include recent high grade intercepts of 28.5 metres of 16.53% Cg and 21.5 metres of 11.53% Cg reported January 6, 2016 and 9% over 90.75 metres reported September 24<sup>th</sup>, 2015 from the Refractory Zone.

## 2016 Pit constrained Mineral Resource Estimate (Indicated and Inferred resources) at different cut-off grades – La Loutre Property

Indicated Resource				
Zone	Cut-off Cg (%)	Tonnage (metric tonne)	Grade Cg (%)	Graphite (metric tonne)
All Zones	> 3.0	4,137,300	6.50	268,800
	> 2.5	6,927,500	4.95	342,900
	> 2.0	15,181,200	3.49	529,200
	> 1.5	<b>18,438,700</b>	<b>3.19</b>	<b>588,400</b>
	> 1.0	19,005,400	3.13	595,700
	> 0.8	19,137,500	3.12	596,900
	> 0.6	19,279,600	3.09	595,300
	> 0.5	19,381,900	3.09	598,400

Inferred Resource				
Zone	Cut-off Cg (%)	Tonnage (metric tonne)	Grade Cg (%)	Graphite (metric tonne)
All Zones	> 3.0	6,181,000	6.11	377,600
	> 2.5	9,699,200	4.86	471,800
	> 2.0	15,332,000	3.92	600,300
	> 1.5	<b>16,675,100</b>	<b>3.75</b>	<b>624,900</b>
	> 1.0	16,927,300	3.71	628,000
	> 0.8	17,120,500	3.68	629,700
	> 0.6	17,306,700	3.63	628,100
	> 0.5	17,400,900	3.63	631,600

- The Independent and Qualified Persons for the Mineral Resource Estimate, as defined by NI 43-101, are Bruno Turcotte, M.Sc., P.Geo., and Guilhem Servelle, M.Sc., P.Geo, both of InnovExplo under the supervision of Vincent Jourdain, Ph.D., Eng., Technical Director of InnovExplo Inc.
- The effective date of the estimate is January 15, 2016.
- Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
- Pit constrained results are presented undiluted within a Whittle-optimized pit shell, designed with a 30-m buffer around lakes.
- The estimate includes 18 graphite-bearing zones grouping elevated carbon graphite grade (assays > 4% Cg), 4 graphite-bearing zones containing low carbon graphite grade (assays < 4 % Cg), 5 graphite-bearing quartzite (assays < 4% Cg), and a remaining external envelope hosting isolated low carbon graphite grade.



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- Pit constrained resources were compiled at cut-off grades of 0.5, 0.6, 0.8, 1.0, 1.5, 2.0, 2.5 and 3.0 % Cg. The official Pit constrained resource is reported at a cut-off grade of 1.5 % Cg.
- Cut-off grades must be re-evaluated in light of prevailing market conditions (graphite price, exchange rate and mining cost).
- Density ( $\text{g/cm}^3$ ) data used is on a per zone basis varying from 2.70 to  $2.85 \text{ g/cm}^3$ .
- A minimum true thickness of 4.0 m was applied, using the grade of the adjacent material when assayed, or a value of zero when not assayed.
- Based on a study of the effect of high-grade values on the mean and standard deviations, as well as on log-normal histograms and probability plots, no raw assay was capped within the mineralized zones.
- Compositing was done on drill hole sections falling within the mineralized zones (composite = 1.5 m).
- Resources were estimated using GEOVIA GEMS 6.7 software from surface drill holes, using inverse distance squared (ID2) interpolation method in a block model (block size = 5 m x 5 m x 5 m).
- By default, interpolated blocks were assigned to the Inferred category.
- The reclassification to an Indicated category is defined in areas of spatial continuity in terms of information density visually observed and supported by the maximum distance to drill hole composites less than 30 m.
- Calculations used metric units (metres, tonnes and %).
- The number of metric tonnes was rounded to the nearest hundred. Any discrepancies in the totals are due to rounding effects; rounding followed the recommendations in NI 43-101.
- InnovExplo is not aware of any known environmental, permitting, legal, title-related, taxation, socio-political, marketing or other relevant issue that could materially affect the mineral resource estimate.
- Whittle parameters used (all amounts in Canadian dollars): Reference Mining cost=\$3.75, milling cost=\$9.40/t, G&A=\$2.11/t, graphite price=\$1,910/t, milling recovery=95%, wall slopes of 45 degrees in rock and 18 degrees in overburden.

Deferred exploration and evaluation expenses of \$1,209,325 were incurred by Lomiko Metals as of January 31, 2016 following the signature of the option agreement on September 22, 2014 and the additional option agreement signed on February 6, 2015.

## SAKAMI – GOLD PROJECT

### Property Description

The Sakami property consists of 1 large contiguous block of 132 mineral claims totaling 6,650.61 hectares ( $66.51 \text{ km}^2$ ) located approximately 570 km north of Val-d'Or and 900 km north northwest of Montreal. The Company has the option to acquire up to 70% interest in the property and is subject to a 1% NSR on certain claims.

### Work done during the year

On June 9, 2015, the Company announced results from the last drilling program completed in March 2015, on Sakami property confirms the potential for the discovery of enrichment zones within the wide, gold-bearing Zone 25. These new results confirm the extension to the Northwest of the Zone 25 envelope of gold mineralization. The drilling program done in March 2015 consisted of seven holes for a total of 2,049 metres of drilling. The program was aimed at increasing the size of the "25" Zone, the main gold zone, in the La Pointe sector of the Sakami property. The "25" Zone, which at the outset of

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the program had been traced more than 200 metres along strike, to a depth of over 425 metres along its plunge, has now been tested over a strike length of more than 250 metres and to a depth of over 500 metres along its plunge. A surface map showing drillhole locations and sections can be found on the Company's website at: [www.csmetals.ca](http://www.csmetals.ca). The next drilling program, planned for the winter of 2016 near the shores of Sakami Lake, will test the west-northwest extension of the "25" Zone.

To date, the Company has received the assay results for seven holes, PT-15-84, PT-15-85, PT-15-86, PT-15-87, PT-15-88, PT-15-89 and PT-15-90. All holes returned wide gold-bearing intersections, including **1.29 g/t Au over 54.50 metres, including 3.03 g/t over 6.50 metres and 2.50 g/t Au over 7.50 metres from Hole PT-15-84, 1.47 g/t over 45.50 metres, including 3.84 g/t Au over 7.50 metres and 1.74 g/t Au over 11.00 metres from Hole PT-15-85. 0.94 g/t over 13.75 metres and 1.41 g/t Au over 22.50 metres from Hole PT-15-86, 6.86 g/t over 9.60 metres, including 9.49 g/t Au over 6.50 metres from Hole PT-15-87, 0.96 g/t Au over 24.00 metres, including 10.65 g/t Au over 0.85 metres from Hole PT-15-88, 3.32 g/t Au over 2.80 metres (new zone), 0.53 g/t over 52.50 metres, including 2.39 g/t Au over 4.50 metres and 1.94 g/t Au over 7.50 metres from Hole PT-15-89 and 0.63 g/t Au over 42.00 metres including 1.98 g/t Au over 4.50 metres from Hole PT-15-90.**

**TABLE OF MINERALIZED INTERSECTIONS FROM THE RECENT DRILLING CAMPAIGNS**

Hole #	From (m)	To (m)	Length* (m)	Au (g/t)	
<b>PT-13-64</b>	68.85	69.90	1.05	1.27	
	171.00	171.50	0.50	3.62	
<b>PT-13-65</b>	112.50	138.00	25.50	3.03	
	Including 126.00	138.00	12.00	4.00	
<b>PT-13-66</b>	109.95	125.40	15.45	1.18	
<b>PT-13-67</b>	126.90	154.85	27.95	3.78	
	Including 132.25	154.85	22.60	4.01	
	Including 138.00	145.00	7.00	7.21	
<b>PT-13-68</b>	200.50	221.00	20.50	2.77	
	Including 201.65	215.00	13.35	3.23	
	Including 201.65	205.00	3.35	4.71	
	278.25	281.10	2.85	2.82	
	294.00	297.00	3.00	1.70	
<b>PT-13-69</b>	213.05	226.50	13.45	1.32	
<b>PT-13-70</b>	78.75	99.00	20.25	1.27	
	Including 78.75	86.00	7.25	2.22	
<b>PT-13-71</b>	49.10	51.65	2.55	2.06	
		102.00	121.50	19.50	2.97
	Including 107.40	121.50	14.10	3.78	
	Including 112.00	121.50	9.50	3.95	
<b>PT-13-72</b>	112.50	130.40	17.90	2.24	
	Including 112.50	119.00	6.50	3.65	
<b>PT-14-73</b>	150.65	172.50	21.85	1.46	
	Including 160.50	172.50	12.00	2.16	
<b>PT-14-74</b>	237.65	264.00	26.35	2.30	
	Including 243.70	252.50	8.80	3.80	
	Including 247.70	252.50	4.80	5.18	
<b>PT-14-75</b>	274.05	281.20	7.15	2.40	
<b>PT-14-76</b>	180.00	183.00	3.00	1.57	
	198.00	199.50	1.50	1.36	

## MANAGEMENT DISCUSSION AND ANALYSIS

Hole #	From (m)	To (m)	Length* (m)	Au (g/t)	
<b>Pt-14-77</b>	103.50	104.70	1.20	1.33	
	129.00	130.50	1.50	1.98	
	153.00	154.50	1.50	1.00	
	165.00	168.00	3.00	1.65	
	174.00	176.00	2.00	1.46	
	180.00	182.25	2.25	2.02	
<b>PT-14-78</b>	193.50	195.00	1.50	1.37	
	208.50	213.00	4.50	2.15	
<b>PT-14-79</b>	188.00	236.20	48.20	2.51	
Including	188.00	200.00	12.00	6.93	
Including	190.00	196.00	6.00	11.35	
Including	202.50	207.00	4.50	1.33	
Including	226.50	234.00	7.50	3.06	
<b>PT-14-80</b>	157.50	163.50	6.00	1.03	
	179.00	181.75	2.75	2.08	
	187.50	190.50	3.00	2.32	
	201.00	202.00	1.00	1.28	
	203.00	204.00	1.00	3.11	
<b>PT-14-81</b>	228.00	232.60	4.60	2.58	
<b>PT-14-82</b>	231.45	271.70	40.25	1.43	
Including	231.45	235.50	4.05	5.12	
Including	231.45	240.00	8.55	3.58	
Including	256.85	259.00	2.15	3.83	
Including	267.50	271.70	4.20	2.38	
<b>PT-14-83</b>	240.00	295.50	55.50	1.06	
Including	240.00	252.00	12.00	3.54	
<b>PT-15-84</b>	169.00	217.50	48.50	1.34	
Including	169.00	175.50	6.50	3.03	
Including	210.00	217.50	7.50	2.50	
<b>PT-15-85</b>	148.50	194.00	45.50	1.47	
Including	148.50	156.00	7.50	3.84	
Including	183.00	194.00	11.00	1.74	
<b>PT-15-86</b>	112.10	125.75	13.75	0.94**	
	142.50	165.00	<b>22.50</b>	<b>1.41**</b>	
<b>PT-15-87</b>	219.40	229.00	9.60	6.86**	
Including	220.50	227.00	6.50	9.49**	
<b>PT-15-88</b>	322.50	346.50	<b>24.00</b>	<b>0.96</b>	
including	338.60	339.45	<b>0.85</b>	<b>10.65</b>	
<b>PT-15-89 (New Zone)</b>	255.30	258.10	<b>2.80</b>	<b>3.32</b>	
	334.50	387.00	<b>52.50</b>	<b>0.53</b>	
	including	379.50	384.00	<b>4.50</b>	<b>2.39</b>
	including	379.50	387.00	<b>7.50</b>	<b>1.94</b>
<b>PT-15-90</b>	354.00	396.00	<b>42.00</b>	<b>0.63</b>	
including	391.50	396.00	<b>4.50</b>	<b>1.98</b>	

\* Core length; the Company estimates the true width of the mineralized zone at 70 to 95% of the core length.

\*\* New results

## MANAGEMENT DISCUSSION AND ANALYSIS

The samples in secure tagged bags were delivered directly to the analytical facility for analysis. In this case, the analytical facility was the Bourlamaque Ltee laboratory in Val-d'Or, Quebec. The samples are weighed and identified prior to sample preparation. All samples are analyzed by fire assay with AA finish on a 30 g sample (0.01-10 ppm Au), with a gravimetric finish for assays over 10 ppm Au.

On September 30, 2015, the Company announced that the first area worked on was the JR area, where detailed mapping and sampling were carried out. This was followed by geochemical and magnetic-electromagnetic geophysics surveying on the Peninsula area. A total of 303 grab samples of rock were collected from the two areas and sent to the ALS laboratory in Val-d'Or to be assayed for gold. This work resulted in the discovery of a new gold zone in the Peninsula area that returned up to 45.9 g/t Au in grab samples\*\* (see map on the website at: [www.csmetals.ca](http://www.csmetals.ca)). The new showing coincides with a geophysical anomaly demonstrating a strong magnetic low, as well as being at the junction of several faults. The new gold zone is also located on the contact between the Laguiche (Opinaca) sediments and the La Grande volcanic belt, similar to the Zone 25 gold zone in the La Point area. Work will be needed to fully assess the size of the showing, but the initial work appears to indicate a zone of several tens of metres. The magnetic and electromagnetic geophysical survey in the Peninsula area also highlighted several other magnetic anomalies associated with conductors. Some of these anomalies are considered priorities and will be followed up in future work programs. The results of the geochemical soil survey (B horizon) across the Peninsula area with systematic sampling at 50 metre intervals on lines spaced at 100 metres apart will be released as soon as they have been received and compiled. A total of 728 samples were collected and sent to the ALS laboratory to be assayed for gold and indicator minerals.

The goal of the summer program was to follow up on the various gold showings identified in the past in the JR area, which returned grades of up to 61.37 g/t Au (see press release dated 24 October 2013). The program was also aimed at the planning of future drilling work in this area. Work on the Peninsula area was aimed at generating new targets and possibly identifying new showings.

### TABLE OF RESULTS OVER 0.1 G/T AU

Grab Sample #	Easting (UTM Nad 83 zone 18)	Northing (UTM Nad 83 zone 18)	Area	Au (g/t)
123823	376227	5897573	Peninsula	45.9
123825	376227	5897573	Peninsula	2.04
123826	376227	5897573	Peninsula	1.165
123828	376227	5897573	Peninsula	0.612
123824	376227	5897573	Peninsula	0.272
123827	376227	5897573	Peninsula	0.186
575917	378337	5901221	Peninsula	0.168
647231	378270	5902086	JR	5.36
647314	378804	5901185	JR	1.425
647217	379117	5901295	JR	1.155
647118	378648	5901412	JR	0.407
647077	379801	5901813	JR	0.397
647310	378893	5901385	JR	0.392
647075	379857	5901734	JR	0.281
647224	379011	5901306	JR	0.274
647065	378357	5900712	JR	0.23
647044	378310	5900421	JR	0.164
647019	378576	5901036	JR	0.157
647243	378019	5901749	JR	0.149
647236	378251	5901754	JR	0.124
647232	378270	5902086	JR	0.11

## MANAGEMENT DISCUSSION AND ANALYSIS

Grab Sample #	Easting (UTM Nad 83 zone 18)	Northing (UTM Nad 83 zone 18)	Area	Au (g/t)
647017	378842	5901084	JR	0.109

The grab samples are selective by nature and are unlikely to represent the average grade of the deposit.

Channel Name	Easting (UTM Nad 83 zone 18)	Northing (UTM Nad 83 zone 18)	Bearing (°)	From (m)	To (m)	Length (m)	Area	Au (g/t)
R1	376222	5897571	340	0	1	2	Peninsule	0.173
				1	2	0.327		
R2	376227	5897572	340	0	1	3	Peninsule	0.025
				1	2	0.045		
				2	3	0.127		
R3	376232	5897574	340	0	1	2	Peninsule	0.383
				1	2	0.741		

Channel located on Indice Simon in the Peninsule area.

Exploration and evaluation work on Sakami project for an amount of \$667,502 whose \$625,322 were incurred by Lomiko Metals as of January 31, 2016 following the signature of the option agreement on February 6, 2015.

### APPLE – GOLD PROJECT

#### Property Description

The Apple property consists of 127 claims covering 64.63 squares kilometres located 80 km southeast of Radisson in the James Bay region. The property is accessible by a 40 km winter road from km 510 on the paved James Bay road. In summer, the property can be accessed by boat from the Trans-Taïga road.

The project covers a portion of the Apple Formation, which came to light in the early 1970s with the discovery of several extensive uranium-pyrite matrix, quartz pebble conglomerate zones.

The Apple uranium deposit was in fact discovered in 1971 during an airborne survey. The International Nickel Company of Canada Limited ("INCO") and James Bay Development Corporation subsequently conducted an extensive joint exploration program from 1972 to 1975, with INCO as the operator. A total of 65 holes were drilled for a total of 14,000 metres, and the uranium conglomerates were traced over a distance of eight kilometres along an East-West axis.

In 1974, INCO performed a resource estimate on a one-kilometre section covering seven sub-vertically dipping zones. The historical estimate yielded 9,365,000 tons grading 0.054% U<sub>3</sub>O<sub>8</sub> or 1.08 lb/ton for a total of 10.1 million pounds (GM 57894). This resource includes 4.3 million tons categorized as proven and probable and 5.0 million tons categorized as possible (a qualified person has not done sufficient work to classify the historical estimate as current mineral resources, the issuer is not treating the historical estimate as current mineral resources). The literature (Robertson *et al.* 1986) reports a resource of 8.5 million tons grading 0.052% U<sub>3</sub>O<sub>8</sub> (8.8 million pounds of U<sub>3</sub>O<sub>8</sub>) contained in a six-metre by one-kilometre wide envelope extending to a depth of 300 metres, and remaining open at depth (a qualified person has not done sufficient work to classify the historical estimate as current mineral resources, the issuer is not treating the historical estimate as current mineral resources). A correlation was established between the highest uranium grades and the pyrite content. INCO dropped the property in 1975, and it has not been explored for uranium since.

## MANAGEMENT DISCUSSION AND ANALYSIS

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In addition to the subsequent uranium-related work done by Strateco, Virginia Gold Mines explored the property between 1998 and 2001 to assess its gold potential. Very interesting showings were discovered, although no drilling was done.

Notable among the showings was the Buck showing discovered in an iron formation in 1998, which returned 20.15 g/t Au and 2.59 g/t over 3.5 metres from channel sampling. Another showing discovered at the contact of volcanic rocks and a pegmatite in the summer of 2000 returned 23.82 g/t Au and 4.73 g/t Au in grab samples.

Several ultramafic horizons with anomalous PGE (platinum and palladium) values were also identified by the work done in 2000. The best results were 491 ppb Pt and 2,347 ppb Pd.

The presence of albitized pegmatite with a quartzose core is also notable, with a halo of intense, pervasive tourmalinization, prismatic beryl crystals and proximity to ultramafic rocks with chromite mineralization (chromiferous actinolite was observed in skarned ultramafic rocks), which constitute the elements required to form emeralds.

In December 2013, the Company acquired 100% of Strateco's Apple property in exchange for a cash payment of \$ 10,000 and the issuance of 4,000,000 common shares of the Company. The agreement was also subject to a 2% net smelter return (NSR) royalty payable to Virginia Mines Inc., half of which can be bought back for \$1,000,000.

### **Work done during the year**

Geology work in the amount of \$118,332 was carried out during the year ended January 31, 2016, including \$11,148 incurred by Lomiko Metals pursuant to the option agreement dated February 6, 2015.

### **NEW GOLD – GOLD PROJECT**

#### **Property Description**

The property New Gold consists of 49 claims covering 2,590.01 hectare, property is 100% owned by Canada Strategic and is located about 5 kilometres northwest of the "167 extension property", where Visible Gold Mines recently discovered several boulders containing gold, silver, copper and zinc mineralization.

The property was acquired by map designation following a compilation of all the information available from the Ministry of Energy and Natural Resources and an assessment of the glacial train aimed at identifying the potential in-situ source of the boulders identified by Visible Gold Mines. The compilation also indicated that the property covers a strong SW-NE magnetic anomaly crossed by a NW-SE major structure. The junction of these two structures is located right in the middle of the property.

#### **Work done during the year**

On July 15, 2015, reported preliminary results of the helicopter-borne magnetic and time-domain electromagnetic (TDEM) survey performed by Prospectair Geosurveys over the New Gold Property during the month of June 2015. The survey was successful in detecting series of EM conductors dispersed in the vicinity of the northern edge of a wide magnetic anomaly. The EM anomalies are not very strong and are of limited extents, which is very similar to the EM response associated to the series of gold bearing showings found in the surroundings of the past producing Eastmain Mine, as can be seen on the VTEM results collected in 2005 in the area (Sigeom reference GM62979). A figure of the New Gold TDEM results can be found at the following link: [http://www.csmetals.ca/document/maps/2015/New\\_Gold\\_150715\\_TDEM.png](http://www.csmetals.ca/document/maps/2015/New_Gold_150715_TDEM.png).

## MANAGEMENT DISCUSSION AND ANALYSIS

The high-resolution magnetic results are also very interesting. A wide, long wavelength, magnetic anomaly trending ENE-WSW is found in the middle of the Property, extending much further outside of it as can be seen on public regional magnetic data, and is interpreted to be caused by mafic/ultramafic rocks at some depth, with possible sub-outcropping expression locally. In addition, a very strong magnetic dyke striking NNW-SSE is interpreted to cross the Property in the middle. Since the magnetic signal changes abruptly, both in amplitude and wavelength, on each sides of the interpreted dyke, this dyke was likely emplaced within a regional fault structure. It is worth noting that this strong regional magnetic dyke extends for at least 50km and crosses Eastmain Resources' Ruby Hill Property some 15km further to the northwest of the New Gold Property. Several gold mineralized showings are found in the Ruby Hill Property, within a few kilometers of this same structure. These showings are also found at the northern edge of a wide ENE-WSW trending magnetic anomaly associated to mafic/ultramafic intrusive and volcanic rocks. The very similar signature found in the New Gold area increases its potential for gold exploration. Ultramafic rocks are also found in close proximity to gold mineralization at the Eastmain Mine, and have been thought to play a role in the Eastmain deposit genesis (Couture, 1993). A figure of the New Gold magnetic results, with the outline of EM anomalies on top, can be found at the following link: [http://www.csmetals.ca/document/maps/2015/New\\_Gold\\_150715\\_TMI.png](http://www.csmetals.ca/document/maps/2015/New_Gold_150715_TMI.png). Overall, the EM anomalies and the interpreted geological context of the New Gold Property are considered highly prospective, and follow-up work is planned for later in the summer as a result.

Geophysics work in the amount of \$39,960 was carried out during the year ended January 31, 2016 and were incurred by Lomiko Metals following the signature of the option agreement on February 6, 2015.

### Person In Charge of Technical Disclosure

Jean-Sebastien Lavallee (OGQ #773), geologist, shareholder, President and Chief Executive Officer of the Company and a Qualified Person under *NI 43-101 on standards of disclosure for mineral projects*, has written and approved the technical content of this MD&A for the properties.

### SELECTED ANNUAL INFORMATION

The following selected financial data is derived from our audited financial statements for the year ended January 31, 2016.

In \$ 000's except for share data	Year ended January 31, 2016	Year ended January 31, 2015	Year ended January 31, 2014
Revenue	103	23	-
Net loss	(370)	(735)	(2,753)
Basic and diluted net loss per share	(0.01)	(0.01)	(0.06)
<b>Total assets</b>	<b>1,699</b>	<b>1,777</b>	<b>1,648</b>

This selected annual information should be read in conjunction with the audited financial statements filed on [www.sedar.com](http://www.sedar.com) for the year ended January 31, 2016.

### RESULTS OF OPERATIONS

Canada Strategic anticipates that, for the foreseeable future, quarterly results of operations will primarily be impacted by several factors, including the timing of exploration and the efforts and timing of expenditures related to the development of the Company. Due to fluctuations in these factors, the Company believes that the period-to-period comparisons of operating results are not a good indication of its future performance.

## MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis are based on Canada Strategic's results of operations for the year ended January 31, 2016. The following selected financial information data is derived from the Company's audited financial statements for the year indicated.

### FINANCIAL HIGHLIGHTS

	January 31	
	<b>2016</b>	<b>2015</b>
Salary & General administrative expenses	\$ 71,822	\$ 51,316
Registration, listing fees and shareholders' information	\$ 190,895	\$ 286,168
Professional and consultant fees	\$ 258,644	\$ 223,834
Stock-based compensation	\$ 30,525	\$ 157,663
Part XII.6 taxes	\$ 832	\$ 264
Loss on receivable settlement	\$ 10,000	\$ -
Loss on disposal of marketable securities	\$ 2,280	\$ -
Gain on disposal of exploration and evaluation assets	\$ (62,692)	\$ -
Write-off of exploration and evaluation assets	\$ -	\$ 50,732
Impairment of exploration and evaluation assets	\$ -	\$ 272
	<b>\$ 502,306</b>	<b>\$ 770,249</b>
Revenues	<b>\$ 102,835</b>	<b>\$ 23,743</b>
Loss before income taxes	<b>\$ 399,471</b>	<b>\$ 746,506</b>
Deferred income taxes	<b>\$ (29,024)</b>	<b>\$ (11,959)</b>
Total net loss for the year	<b>\$ 370,447</b>	<b>\$ 734,547</b>
Cash	<b>\$ 82,061</b>	<b>\$ 63,283</b>

#### Revenues

Revenues for the year ended January 31, 2016, amounted to \$102,835 (\$23,743 - 2015) and consisted of interest and management revenues. Given its status as a mining exploration company, Canada Strategic does not generate any steady income, and must finance its activities by issuing equity.

#### Salary & General Administrative Expenses

Salary and general administrative expenses for the year ended January 31, 2016, consisted mainly of general office expenditures, travel expenses, promotional activities, salaries and fringe benefits and the Company's claim renewal expenses. These fees were \$20,506 higher than the prior year due to increase in interest and penalties and salaries and fringe benefits expenses.

#### Registration, Listing Fees and Shareholder Information

Registration, listing fees and shareholder information expenses for the year ended January 31, 2016, consisted mainly of expenditures of a legal and regulatory nature incurred to comply with the requirements of the securities commission. The fees were lower than the prior year to a decrease in shareholder information expenses, somewhat offset by investor relations expenses.

#### Professional and Consultant Fees

Professional and consulting fees for the year ended January 31, 2016, consisted primarily of expenses of a legal and accounting nature, as well as audit, business development and management expenses. These fees were \$34,810 higher than the prior year due to an increase in consultant fees and legal expenses offset by a decrease in accounting fees.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Stock-Based Compensation

Share-based payments and compensation for year ended January 31, 2016, represent the charge related to the value of the 1,050,000 (2,300,000 in 2015) stock options granted to directors, officers and consultants. A compensation charge of \$30,525 (\$157,663 in 2015) was thus assigned in relation to the stock options granted during the year, using the Black-Scholes model.

## Gain on disposal of exploration and evaluation assets

During the year ended January 31, 2015, the Company recorded an impairment charge for the Lac des Iles West. Following the impairment, amounts charged to exploration and evaluation assets for this property were recognized as a gain on disposal of exploration and evaluation assets.

## Write-off and impairment of exploration and evaluation assets

During the year ended January 31, 2015, the Company wrote off the Goéland property following the issuance of shares subsequent to the fiscal year end. A charge of \$50,732 was recognized in earnings.

## SUMMARY OF QUARTERLY RESULTS

The comments below provide an analysis of the operating results for the three-month period ended January 31, 2016. The selected financial information shown below is taken from the condensed unaudited interim financial statements for each of the three-month periods indicated.

### FINANCIAL HIGHLIGHTS

	January 31 (3 months)	
	2016	2015
Salary & General administrative expenses	\$ 12,965	\$ 15,572
Registration, listing fees and shareholders' information	\$ 35,565	\$ 61,161
Professional and consultant fees	\$ 57,460	\$ 57,720
Stock-based compensation	\$ (13,195)	\$ 12,426
Part XII.6 taxes	\$ 7	\$ (463)
Loss on receivable settlement	\$ 7,720	\$ -
	<u>\$ 100,522</u>	<u>\$ 146,416</u>
Revenues	\$ 9,061	\$ 23,395
Loss before income taxes	\$ 91,461	\$ 123,021
Deferred income taxes	\$ (1,913)	\$ -
Total net loss for the period	<u>\$ 89,548</u>	<u>\$ 123,021</u>
Cash	<u>\$ 82,061</u>	<u>\$ 63,283</u>

## Revenues

Revenues for the three-month period ended January 31, 2016, amounted to \$9,061 (\$23,395 in 2015) and consisted of interest and management revenues. Given its status as a mining exploration company, Canada Strategic does not generate any steady income, and must finance its activities by issuing equity.

## Registration, Listing Fees and Shareholder Information

Registration, listing fees and shareholder information expenses for the three-month period ended January 31, 2016, consisted mainly of expenditures of a legal and regulatory nature incurred to comply

## MANAGEMENT DISCUSSION AND ANALYSIS

with the requirements of the securities commission. The fees were \$25,596 lower than the prior period due to a decrease in shareholder communications and in investor relations expenses.

### Stock-Based Compensation

Share-based payments and compensation for the three-month period ended January 31, 2016, represent the charge related to stock options granted previously to consultants. A negative compensation charge of \$13,195 (\$12,426 in 2015) was thus assigned in relation to the stock options granted during the period, using the Black-Scholes model.

The selected financial information below was taken from Canada Strategic's unaudited condensed financial statements for each of the following quarters:

\$000s of \$ except for share data	Jan. 31 2016	Oct. 31 2015	July 31 2015	Apr. 30 2015	Jan. 31 2015	Oct. 31 2014	July 31 2014	Apr. 30 2014
Revenues	10	31	46	16	23	-	-	-
Net profit (loss)	(91)	7	(136)	(150)	(123)	(158)	(270)	(184)
Basic and diluted net loss per share	\$ -	\$ -	\$ -	\$ -	\$ (0.04)	\$ -	\$ -	\$ -

### LIQUIDITY AND CAPITAL RESOURCES

Cash as at January 31, 2016, totalled \$82,061 compared to \$63,283 as at January 31, 2015. It is management's intention to secure further capital funding in the form of equity to support current and future exploration and evaluation assets development.

The selected financial information below was taken from Canada Strategic's unaudited condensed financial statements for each of the following quarters:

Date	Financing	Commercial Goals
March 2015	Common shares	Working Capital
April 2015	Common shares	Working Capital
April 2016	Common shares	Working Capital

For the next year, the Company has budgeted \$270,000 for administrative expenses. Management is of the opinion that, even if it is unable to raise additional equity financing, the Company will be able to meet its current exploration obligations and keep its properties in good standing for the next 12 months. Advanced exploration of some of the mineral properties would require substantially more financial resources. There is no assurance that such financing will be available when required, or under terms that are favourable to Canada Strategic. The Company may also select to advance the exploration and development of exploration and evaluation assets through joint ventures. Management is currently considering opportunities for further financing.

### CASH FLOWS

	January 31	
	2016	2015
Operating activities	\$ (481,069)	\$ (373,656)
Financing activities	\$ 189,713	\$ 730,703
Investing activities	\$ 310,134	\$ (431,233)
	\$ 18,778	\$ (74,186)
Cash	\$ 82,061	\$ 63,283

## MANAGEMENT DISCUSSION AND ANALYSIS

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During the year ended January 31, 2016, funds used for operating activities were spent primarily on improving operations and promotion of the Company.

During the year ended January 31, 2016, the main financing activities undertaken by the Company were as follows:

On March 26, 2015 the Company issued 1,250,000 units of common shares at a price of \$0.10 per unit, for gross proceeds of \$125,000. Each unit consists of one common share priced at \$0.10 and half a warrant to purchase a common share of the Company. Each warrant entitles its holder to purchase one common share of the Company at \$0.15 for a 24-month period after closing of the private placement.

On April 23, 2015 the Company issued 700,000 units of common shares at a price of \$0.10 per unit, for gross proceeds of \$70,000. Each unit consists of one common share priced at \$0.10 and half a warrant to purchase a common share of the Company. Each warrant entitles its holder to purchase one common share of the Company at \$0.15 for a 24-month period after closing of the private placement.

On April 5 2016, the Company issued 4,100,000 common shares at a price of \$0.05 per share, for a gross proceeds of \$205,000.

During the year ended January 31, 2016, investing activities consisted primarily of prospecting work for property development and the sale of an exploration and evaluation asset, disposal of marketable securities and the receipt of a tax credit.

### CONTRACTUAL OBLIGATIONS AND OFF-BALANCE-SHEET ARRANGEMENTS

In August 2013, the Company entered into an option agreement on the Sakami property in the province of Quebec. The Agreement provides for the Company to acquire an interest of up to 70%. This acquisition will begin with the acquisition of a 50% interest in the property in consideration of the issuance of 2,000,000 common shares, as follows:

- 500,000 shares on signature of the Agreement (condition fulfilled).
- 500,000 shares twelve months after the signature of the Agreement (condition fulfilled);
- 500,000 shares twenty-four months after the signature of the Agreement (condition fulfilled);
- 500,000 shares thirty-six months after the signature of the Agreement.

In addition, the Company has undertaken to incur \$2,250,000 in exploration and evaluation expenses before August 16, 2016 (\$1,662,903 had already been incurred as at January 31, 2016 – this amount included the Company's claim renewal fees on the property as well as 5 % management fee, all as stipulated in the option agreement signed in August 2013), as follows:

- 500,000 twelve months after final TSX Venture Exchange approval (received in August, 2013) (condition fulfilled);
- \$750,000 twenty-four months after final TSX Venture Exchange final approval (condition fulfilled);
- \$1,000,000 thirty-six months after final TSX Venture Exchange approval.

Once the Company has earned a 50% interest, the parties will form a full joint venture.

For 180 days after acquiring its 50% interest in the property, Canada Strategic will have the option of acquiring an additional 20% property interest by issuing 1 million shares to Matamec and completing an independent bankable feasibility study within five years of the date of the share issuance. During

## MANAGEMENT DISCUSSION AND ANALYSIS

the period that the additional option is valid, Canada Strategic must spend a minimum of \$2,000,000 on exploration by the end of each year until the feasibility study is completed.

Under the terms of the agreement, the property remains subject to a 1 % NSR royalty on certain claims.

### ROYALTIES ON THE MINING PROPERTIES

PROPERTY	ROYALTY		DESCRIPTION
	Name	Percentage	
La Loutre	Jean-Sébastien Lavallée	33.33%	1.5% NSR of which 0.5% may be purchased for an amount of \$500,000
	Jean-Raymond Lavallée	33.33%	
	Michel Robert	33.33%	
Sakami	Luc Lamarche	50%	1 % NSR on 69 claims
	Jean-Raymond Lavallée	50%	
Apple	Osisko Gold Royalties Ltd	100%	2% NSR of which 1% may be purchased for an amount of \$1,000,000

### RELATED-PARTY TRANSACTIONS

#### Transactions with Key Executives

A) During the year, the Company has incurred professional and consultants fees amounting to \$31,172 (\$14,856 in 2015) with its Chief Financial Officer. In relation with these transactions, \$1,393 was payable as at January 31, 2016 (\$3,400 as at January 31, 2015).

B) During the year, the Company incurred \$2,035,004 (\$435,316 in 2015) in exploration and evaluation assets, professional fees for \$82,334 (\$125,690 in 2015), general administrative expenses for \$17,779 (\$21,679 in 2015) and interest and penalties for \$19,996 (\$Nil in 2015) with Consul-Teck Exploration Minière Inc., a company controlled by the Chief Executive Officer of the Company. \$375,064 (\$329,193 as at January 31, 2015) was payable to Consul-Teck Exploration Minière Inc. as at January 31, 2016.

The transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed by the related parties.

C) The President and Chief Executive Officer of the Company owns 33.33% of the 1.5% NSR royalty on the La Loutre property regarding the agreement signed in 2012. The Company has the option to purchase 0.5% of this NSR royalty for \$500,000.

D) During the year, the Company has incurred professional and consultants fees amounting to \$70,000 (\$20,000 in 2015) with a company controlled by its former president. In relation with these transactions, \$20,000 was payable as at January 31, 2016.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## SUBSEQUENT EVENTS

On March 15, 2016, the Company received \$2,615 for mining tax credit.

On April 5, 2015 the Company issued 4,100,000 common shares at a price of \$0.05 per share, for gross proceeds of \$205,000.

April 21, 2016, the Company granted 1,000,000 share purchase options to a consultant. Each share purchase option allows its holder to acquire a share for \$0.10 for a period of two years.

On May 13, 2016, the Company and Lomiko have agreed on the terms of a third option agreement allowing Lomiko to acquire up to 100% interest subject to Lomiko having exercised the Additional Option signed on February 6, 2015. Lomiko will also have to pay to the Company an additional amount of \$10,000, issue to the Company an additional 7,500,000 common shares of Lomiko and fund Exploration Expenditures for an additional amount of \$1,125,000 on the Company's properties for a period commencing on the deemed exercise of the Additional Option and ending on December 31, 2018.

On May 17, 2016, the Company received \$18,367 for mining tax credit.

## SIGNIFICANT ACCOUNTING POLICIES

### Overall Considerations

The significant accounting policies and measurement bases that have been applied in the preparation of these financial statements are summarized below.

### Exploration and Evaluation Expenditures, and Exploration and Evaluation Assets

Exploration and evaluation expenditures are costs incurred in the course of the initial search of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Costs incurred before the legal right to undertake exploration and evaluation activities are recognized in profit or loss when they are incurred.

Once the legal right to undertake exploration and evaluation activities has been obtained, all costs of acquiring mineral rights or options to acquire such rights (option agreement), expenses related to the exploration and evaluation of mining properties, less refundable tax credits related to these expenses, are recognized as exploration and evaluation assets. Expenses related to exploration and evaluation include topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are capitalized on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource. These assets are recognized as intangible assets and are carried at cost less any accumulated impairment losses. No depreciation expenses are recognized for these assets during the exploration and evaluation phase.

Whenever a mining property is considered no longer viable, or is abandoned, the capitalized amounts are written down to their recoverable amounts; the difference is then immediately recognized in profit and loss.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, exploration and evaluation assets related to the mining property are transferred to property and equipment in Mining assets under construction. Before the reclassification, exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit and loss before reclassification.

## MANAGEMENT DISCUSSION AND ANALYSIS

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To date, neither the technical feasibility nor the commercial viability of extracting a mineral resource has been demonstrated.

Although the Company has taken steps to verify title to the mining properties in which it holds an interest, in accordance with industry practices for the current stage of exploration and development of such properties, these procedures do not guarantee the validity of the Company's titles. Property titles may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

### **Disposal of Interest in Connection with Option Agreement**

On the disposal of interest in connection with the option agreement, the Company does not recognize expenses related to the exploration and evaluation performed on the property by the acquirer. In addition, the cash or the shares consideration received directly from the acquirer is credited against the carrying amount of costs previously capitalized to the property, and the surplus is recognized as a gain on the disposal of exploration and evaluation assets in profit or loss.

### **Share-based Payments**

The Company has a stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods using the Black-Scholes Options Pricing Model. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The offset to the recorded cost is credited to contributed surplus.

Share-based payments (except brokers and intermediaries options) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity. Share-based payments to brokers and intermediaries, in respect of an equity financing are recognized as issuance cost of the equity instruments with a corresponding credit to contributed surplus, in equity.

### **Impairment of Exploration and Evaluation Assets**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at a cash-generating unit level.

Whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, an asset or cash-generating unit is reviewed for impairment.

Impairment reviews for exploration and evaluation assets are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, but typically when one of the following circumstances apply:

- The right to explore the areas has expired or will expire in the near future with no expectation of renewal;
- No further exploration or evaluation expenditures in the area are planned or budgeted;
- No commercially viable deposits have been discovered, and the decision has been made to discontinue exploration in the area;
- Sufficient work has been performed to indicate that the carrying amount of the expenditure carried as an asset will not be fully recovered.

Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the exploration and evaluation assets of the related mining property are tested for impairment before these items are transferred to property and equipment.

## MANAGEMENT DISCUSSION AND ANALYSIS

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An impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less cost to sell and its value in use.

An impairment loss is reversed when the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

### Share Capital

The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as private placement units. The proceeds from the issue of units is allocated between common shares and share purchase warrants on a residual value basis, wherein the fair value of the common shares is based on the market value on the date of announcement of the private placement and the balance, if any, is allocated to the attached warrants.

Share capital represents the amount received on the issue of shares, less issuance costs, net of any underlying income tax benefit from these issuance costs. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus for the options and warrants for the warrants.

In addition, if the shares are issued in an acquisition of property, shares are measured at fair value based on stock price on the day of the conclusion of the agreement.

### Flow-through Shares

Issuance of flow-through units represents an issue of ordinary shares, warrants and the sale of the right to tax deductions to the investors. When the flow-through units are issued, the sale of the right to tax deductions is deferred and presented in other liability in the statement of financial position. The proceeds received from flow-through units are allocated between share and any warrants issued, if any, and the other liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance and then to warrants according to the fair value at the time of issuance and the residual proceeds, if any, is allocated to the other liability. The fair value of the warrants is estimated using the Black-Scholes model.

The other liability recorded is reversed on renouncement of the right to tax deductions to the investors or when the Company has the intention to renounce of tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in reduction of deferred income taxes expense.

### Other Elements of Equity

Accumulated other comprehensive income includes unrealized gains and losses on available-for-sale financial assets net of relevant income taxes.

Contributed surplus includes charges related to brokers and intermediaries options and share purchase options. When options are exercised, the related compensation cost is transferred to share capital.

Warrants include charges relating to warrants. When these warrants are exercised, the relating charges are transferred to share capital. When these warrants are expired, the relating charges are transferred to contributed surplus.

Deficit includes all current and prior year retained profits or losses.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## Loss per Share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted loss per share is computed using the treasury stock method. In accordance with the treasury stock method, the weighted average number of common shares outstanding is increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting years.

## Tax Credits Receivable

The Company is entitled to a refundable tax credit on qualified exploration expenditures incurred and refundable credit on duties for losses under the Mining Tax Act. These tax credits are recognized as a reduction of the exploration costs incurred based on estimates made by management. The Company records these tax credits when there is reasonable assurance with regards to collections and assessments and that the Company will comply with the conditions associated to them.

## Financial Instruments

### Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transactions costs, except for those carried at fair value through profit and loss, which are measured initially at fair value. The subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

### Classification and subsequent measurement of financial assets

Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Loans and receivables;
- Available-for-sale financial assets
- 

The category determines subsequent measurement, and whether any resulting income and expenses is recognized in profit or loss or in other comprehensive income. All income and expenses relating to financial assets that are recognized in profit or loss are presented within Finance costs or Interest Income, if any.

All financial assets, except for those at fair value through profit or loss, are reviewed for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.



# MANAGEMENT DISCUSSION AND ANALYSIS

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## *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date.

They are carried at amortized cost less any impairment. The impairment loss of receivables is based on a review of all outstanding amounts at year-end. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would not be material. Cash, cash reserved for exploration (in 2015) and evaluation and other receivables are included in this category of financial assets.

## *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company's available-for-sale financial assets include marketable securities.

All available-for-sale financial assets are measured at fair value. Gains and losses are recognized in accumulated other comprehensive income and reported within the available-for-sale reserve within equity. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in accumulated other comprehensive income is reclassified to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Reversals of impairment losses are recognized in other comprehensive income.

## **Classification and Subsequent Measurement of Financial Liabilities**

The Company classifies its financial liabilities in the category other financial liabilities.

## *Other financial liabilities*

Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of operations over the year to maturity using the effective interest method.

Other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities of the Company include accounts payable and accrued liabilities (excluding salaries and fringes benefits and government remittances).

## **Income Taxes**

Income tax expense represents current tax and deferred tax. The Company records current tax based on the taxable profits for the year, which is calculated using tax rates that have been enacted or substantively enacted by the reporting date. However, since the Company is in exploration phase and has no taxable income, tax expense recognized in profit or loss is currently comprised only of deferred tax.

Deferred income taxes are accounted for using the liability method that requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are determined for each temporary difference based on currently enacted or substantially enacted tax rates that are expected to be in effect when the underlying items of income or expense are expected to be realized. The effect of a change in tax rates or tax legislation is recognized in the year of substantive enactment. Deferred tax assets, such as non-capital loss carry-forwards or deductible temporary difference, are recognized to the extent it is probable that taxable profit will be available against which the asset can

# MANAGEMENT DISCUSSION AND ANALYSIS

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be utilized. This is assessed based on the Company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Company has a right and intention of set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in profit or loss, except where they relate to items that are recognized in other comprehensive loss or directly in equity, in which case the related deferred tax is also recognized in other comprehensive loss or equity, respectively.

## Functional and presentation currency

The functional and reporting currency of the Company is the Canadian dollar.

## Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. Significant areas requiring the use of management estimates relate to determining the recoverability of exploration and evaluation assets, the determination of the recoverability of amounts receivable and tax credit, the variables used in the determination of the fair value of stock options granted and warrants issued, the determination of the recoverability of deferred tax assets and the Company's ability to continue as a going concern. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

## Provisions and Contingent Liabilities

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

## Segmented information

The Company's operations consist of a single operating segment being the sector of exploration and evaluation of mineral resources and all operations are located in Canada.

## CERTIFICATION OF ANNUAL FILINGS

The President, Chief Executive Officer and the Chief Financial Officer have signed the Basic Certifications of Annual Filings as required by National Instrument 52-109 for the venture issuer, thus confirming, the review, the absence of misrepresentations and the fair presentation of the annual filings.

- The President, Chief Executive Officer and the Chief Financial Officer confirm to have reviewed the annual financial statements and the annual MD&A (together, the "annual filings") of the Company for the exercise ended January 31, 2016.
- Based on their knowledge, having exercised reasonable diligence, the President, Chief Executive Officer and the Chief Financial Officer confirm that the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

## MANAGEMENT DISCUSSION AND ANALYSIS

Based on their knowledge, having exercised reasonable diligence, the President, Chief Executive Officer and the Chief Financial Officer confirm that the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date of and for the period presented in the annual filings.

### OTHER REQUIREMENTS IN THE MANAGEMENT DISCUSSION AND ANALYSIS

The following selected financial information data is derived from the unaudited condensed interim financial statements at the periods indicated.

#### EXPLORATION AND EVALUATION ASSETS

	January 31	
	2016	2015
Balance, beginning of year	\$ 1,241,268	\$ 1,020,152
Add:		
Acquisition of exploration and evaluation assets	22,652	124,019
Drilling	1,341,923	836,613
Geochemistry	43,553	-
Mineral resource estimate	59,689	-
Environment	27,500	-
Geology and geophysics	688,837	-
Analysis	-	37,518
Other exploration and evaluation expenses	8,350	4,477
	<u>2,192,504</u>	<u>1,002,627</u>
Balance, before deduction	<u>3,433,772</u>	<u>2,022,779</u>
Tax credit and mining duties	(97)	162,604
Rebilling	2,020,488	467,903
Disposal	37,308	100,000
Write-off and impairment of exploration and evaluation assets	-	51,004
	<u>2,057,699</u>	<u>781,511</u>
Balance, end of year	<u>\$ 1,376,073</u>	<u>\$ 1,241,268</u>

#### MATERIAL COMPONENTS

	January 31		
	2016	2015	2014
<b>Statements of Comprehensive Income</b>			
Professional and consultant fees	\$ 258,644	\$ 223,834	\$ 268,951
Write-off and impairment of exploration and evaluation assets	\$ -	\$ 51,004	\$ 2,387,473
Stock-based payments	\$ 30,525	\$ 157,663	\$ 86,966
Management income	\$ (102,686)	\$ (23,395)	\$ -
<b>Statements of Financial Position</b>			
Cash reserved for exploration and evaluation	\$ -	\$ 149,200	\$ 302,114
Exploration and evaluation assets	\$ 1,376,073	\$ 1,241,268	\$ 1,020,152

## MANAGEMENT DISCUSSION AND ANALYSIS

The following selected financial information is derived from the Company's unaudited financial statements.

### DISCLOSURE OF OUTSTANDING SHARE DATA (as at May 18, 2015)

<b>Common shares outstanding:</b>	75,039,155		
<b>Options outstanding:</b>	5,350,000		
Average exercise price of:	\$ 0.10		
<u>Expiry date</u>	<u>Number of shares</u>	<u>Exercise price</u>	
		\$	
July 2016	850,000	0.10	85,000
April 2017	600,000	0.10	60,000
July 2017	200,000	0.10	20,000
April 2018	1,000,000	0.10	100,000
July 2018	450,000	0.10	45,000
October 2018	1,300,000	0.10	130,000
July 2019	950,000	0.10	95,000
	<u>5,350,000</u>		<u>535,000</u>

<b>Warrants outstanding :</b>	2,355,125		
Average exercise price of:	\$ 0.15		
<u>Expiry date</u>	<u>Number of shares</u>	<u>Exercise price</u>	
		\$	
June 2016	1,352,125 (1)	0.15	202,819
March 2017	645,000 (2)	0.15	96,750
April 2017	358,000 (3)	0.15	53,700
	<u>2,355,125</u>		<u>353,269</u>

(1) Included 186,500 broker warrants

(2) Included 20,000 broker warrants

(3) Included 8,000 broker warrants

### Risks and Uncertainties

Canada Strategic is subject to a variety of risks, some of which are described below. If any of the following risks occur, the Company's business, results of operations or financial condition could be adversely affected in a material manner.

**Exploration and mining risks.** The business of exploration for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are other risks involved in the conduct of exploration programs. The Company from time to time increases its internal exploration and operating expertise with due advice from consultants and others as required. The economics of developing gold and other mineral properties is affected by many factors, including the cost of operations, variation of the grade of ore mined and fluctuations in the price of any minerals produced. There are no underground or surface plants or equipment on the Company's mineral properties, nor any known bodies of commercial ore. Programs conducted on the Company's mineral property would be an exploratory search for ore.

## MANAGEMENT DISCUSSION AND ANALYSIS

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**Titles to property.** While the Company has diligently investigated title to the various properties in which it has an interest, and to the best of its knowledge, title to those properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements or transfer, or native or government land claims, and title may be affected by undetected defects.

**Permits and licenses.** The Company's operations may require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

**Metal prices.** Even if the Company's exploration programs are successful, factors beyond the control of the Company may affect marketability of any minerals discovered. Metal prices have historically fluctuated widely and are affected by numerous factors beyond the Company's control, including international, economic and political trends, expectations for inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and worldwide production levels. The effect of these factors cannot accurately be predicted.

**Competition.** The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral interests as well as for recruitment and retention of qualified employees.

**Environmental regulations.** The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions of spills, release or emission of various substances produced in association with certain mining industry operations, such as seepage from tailing disposal areas, which could result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require submissions to and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and directors, officers and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. The Company intends to fully comply with all environmental regulations.

**Conflicts of interest.** Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies that are similarly engaged in the business of acquiring, developing and exploiting natural resource properties. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

**Stage of development.** The Company's properties are in the exploration stage, and to date none of them have a proven ore body. The Company does not have a history of earnings or providing a return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

**Industry conditions.** Mining and milling operations are subject to government regulations. Operations may be affected in varying degrees by government regulations such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls or changes in conditions under which minerals may be mined, milled or marketed. The marketability of minerals may be affected by

## MANAGEMENT DISCUSSION AND ANALYSIS

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numerous factors beyond the control of the Company, such as government regulations. The effect of these factors cannot be accurately determined.

**Uninsured hazards.** Hazards such as unusual geological conditions are involved in exploring for and developing mineral deposits. The Company may become subject to liability for pollution or other hazards which cannot be insured against or against which the Company may elect not to insure because of the high cost of premiums or for other reasons. The payment of any such liability could result in the loss of Company assets or the Company's insolvency.

**Future financing.** Completion of future programs may require additional financing, which may dilute the interests of existing shareholders.

**Key employees.** Management of the Company rests on a few key officers and members of the board of directors, the loss of any of whom could have a detrimental effect on its operations.

**Canada Revenue Agency.** No assurance can be made that Canada Revenue Agency will agree with the Company's characterization of expenditures as Canadian exploration expenses or Canadian development expenses or the eligibility of such expenses as Canadian exploration expenses under the *Income Tax Act* (Canada).