CANADA STRATEGIC METALS

(an exploration company)

For the three-month period ended April 30, 2018

(First quarter)

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 three-month period ended April 30, 2018, and of the Company financial condition and future prospects. This discussion and analysis complements the unaudited condensed interim financial statements for the three-month period ended April 30, 2018 but does not form part of them.

The condensed interim financial statements do not include all the information and notes required for the purpose of audited annual financial statements. The accountings methods used are the same that those used for the purpose of audited annual financial statements for the year ended January 31, 2018, prepared in accordance with the IFRS as they are published by the International Accounting Standards Board ("IASB"). Therefore, this discussion and analysis should be read in conjunction with the unaudited condensed interim financial statements as at April 30, 2018 and notes thereto, as well as the audited consolidated financial statements and notes thereto and the MD&A for the year ended January 31, 2018.

DATE

The MD&A was prepared on the basis of information available as at June 27, 2018.

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.

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 one large contiguous block of 74 mineral claims totalling 4,013.30 hectares (40.13 km^2) that borders on the western edge of the Timcal Lac Des Îles graphite mine, close to the town of Mont-Laurier, 183 km northwest of Montréal in southern Québec.

Further to an option agreement signed between the Company and Lomiko Metals ("Lomiko") in February 2015, all the conditions of which having been met, Lomiko now owns 80% of the property.

On May 13, 2016, the Company and Lomiko agreed on the terms of an additional option agreement on the La Loutre and Lac des Iles West properties (the "Lomiko Properties") allowing Lomiko to acquire up to a 100% interest in the Lomiko Properties properties. Lomiko will also have to pay to the Company an amount of $1,125,000, issue to the Company an 950,000 common shares of Lomiko (for a period commencing on the deemed exercise date of the additional option signed on February 6, 2015 and ending on December 31, 2018.

Work done during the period

No exploration work was carried out on the property during the period covered by this MD&A.

LA LOUTRE – GRAPHITE PROJECT

Property Description

The La Loutre property consists of one large contiguous block of 48 mineral claims totaling 2,867.29 hectares (28.67 km^2) located approximately 53 km east of Imerys Carbon and Graphite (formerly known as the Timcal Graphite Mine, North America's only operating graphite mine) and 120 km northwest of Montréal.

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 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.

Further to an option agreement signed between the Company and Lomiko in February 2015, all the conditions of which having been met, Lomiko now owns 80% of the property.

On March 24, 2016, the Company filed its National Instrument 43-101 technical report titled "Technical Report and Mineral Resource Estimate for the La Loutre Property" on Sedar (www.sedar.com).

The La Loutre Property has an indicated resource of 18.4 M tonnes at 3.19% Cg and inferred resource of 16.7 M Tonnes at 3.75% Cg at a cut-off of 1.5% Cg. The sensitivity table also shows 4.1 M tonnes of 6.5% Cg Indicated and 6.2 M tonnes at 6.1% Cg Inferred at a cut-off of 3% Cg. The resource is estimated for 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% Cg over 90.75 metres reported on September 24, 2015, from the Refractory Zone.

The La Loutre resource is constrained within a drilled area of approximately 900 m along the N150° striking trend of the graphitic paragneiss, 250 m across the strike and 300 m below surface. Geological interpretation and mineral resource estimation were based on 62 NQ-size drill holes (totaling 8,193.3 m) drilled by Lomiko and Canada Strategic Metals in 2014 and 2015.

InnovExplo performed the geological interpretation of lithological domains and mineralized zones using vertical sections spaced 50 metres apart. The mineralized zones strike with an average trend of N150° and an average dip of 45°. A minimum width of 4.0 meters (true width) was respected for the interpretation. InnovExplo constructed wireframes of lithological domains and mineralized zones showing a sufficient continuity. The 2016 Mineral resource Estimate includes 18 graphite-bearing zones with high graphitic carbon grades (assays > 4% Cg), 4 graphite-bearing zones with low graphitic carbon grades (assays < 4% Cg), 5 graphite-bearing quartzite domains (assays < 4% Cg), and a remaining external envelope hosting isolated low graphitic carbon grades.

The mineral resource was estimated using 3-D block modeling (block size = 5 m x 5 m x 5 m). The grades of the blocks were estimated using the inverse distance squared (ID2) interpolation method for a 1000-metre strike length corridor and up to a vertical depth of 300 metres below surface.

The resources are constrained in a Pit shell of 1,100 m by 350 m and a maximal depth of 200 m.

2016 Pit constrained Mineral Resource Estimate (Indicated and Inferred resources) at different cut-off grades – La Loutre Property. NI 43 101 resource is reported at a cut-off grade of 1.5 % Cg.

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	**18,438,700**	**3.19**	**588,400**
	> 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	**16,675,100**	**3.75**	**624,900**
	> 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 (QPs) 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. The estimate was prepared under the supervision of Vincent Jourdain, PhD, 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 with high graphitic carbon grades (assays > 4% Cg), 4 graphite-bearing zones with low graphitic carbon grades (assays < 4% Cg), 5 graphite-bearing quartzite domains (assays < 4% Cg), and a remaining external envelope hosting isolated low graphitic carbon grades.

- 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 (grey highlighting).

- Cut-off grades must be re-evaluated in light of prevailing market conditions (graphite price, exchange rate and mining cost, etc.).

- Density (g/cm^3) data used is on a per zone basis varying from 2.70 to 2.85 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 (basic statistical analysis), no raw assays were capped for the mineralized zone, the lithological domains or the external envelope considered in the 2016 Mineral Resource Estimate.

- Compositing was done on drill hole sections falling within any of the interpreted mineralized zones, lithological domains or external envelope (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 was done in areas with sufficient density of visually observed information and supported by a maximum distance to drill hole composite of 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 (all amounts in Canadian dollars): Mining cost=$3.75; Processing cost=$9.40/t; G&A=$2.11/t; graphite price=$1,910/t; mining recovery=90%; milling recovery=95%; dilution=10%; wall slopes=45° (rock) and 18° (overburden).

A 1,550 metres drill program was completed in the new Refractory Zone which intercepted multiple zones of graphite mineralization.

TABLE OF MINERALIZED INTERSECTIONS IN NEW ZONE

Drill Hole #	From (m)	To (m)	Length (m)	Gp %
LL-16-001	3.90	139.50	135.60	7.74
Including	3.90	48.00	44.10	16.81
Including	135.00	138.00	3.00	14.85
LL-16-002	3.90	26.20	22.30	17.08
Including	**113.90**	129.00	15.10	14.80
LL-16-003	30.20	141.00	110.80	14.56
LL-16-004			NVS	
LL-16-005	55.80	57.40	1.60	13.35
LL-16-006	54.00	141.00	85.00	7.67***
Including	109.50	141.00	31.50	13.09
LL-16-007	52.50	115.80	63.30	8.51
Including	69.00	85.50	16.50	15.75
LL-16-008	109.50	121.50	12.00	3.91
LL-16-009			NVS	
LL-16-010	31.20	45.00	13.80	4.14
Including	72.00	147.00	75.00	4.60

*** Length along the core. The Company does not have enough information to estimates the true width of the mineralized zone intersected in the drill holes.

On May 13, 2016, the Company and Lomiko agreed on the terms of an additional option agreement on the La Loutre and La des Iles West properties allowing Lomiko to acquire up to 100% interest in the properties. Lomiko will also have to pay to the Company an additional amount of $1,125,000, issue to the Company an additional 950,000 common shares of Lomiko (450,000 shares received during the year in total for both properties) for a period commencing on the deemed exercise date of the Additional Option signed on February 6, 2015 and ending on December 31, 2018.

Work done during the period

Exploration and evaluation expenses on La Loutre property for an amount of $4,230 were incurred during the period covered by this MD&A.

SAKAMI – GOLD PROJECT

Property Description

The Sakami property consists of one large contiguous block of 213 mineral claims totaling 10,736.37 hectares (107.36 km^2) following the addition of 81 claim cells of the Apple property included in the zone of interest of 5 kilometers. The property is located approximately 570 km north of Val-d'Or and 900 km north northwest of Montreal. At the date covered by this MD&A, the Company has fulfilled its requirements to acquire a 50% interest in the Sakami property. The property is subject to a 1% Net Smelter Return ("NSR") on certain claims and 2% on 81 mining claims of which 1% may be purchased for an amount of $1,000,000.

Work done during the period

Exploration and evaluation expenses on Sakami property for an amount of $1,210,653 were incurred during the period covered by this MD&A.

On May 31, 2018, the Company announced the results from the first five holes of the 2018 winter drilling campaign on the Sakami property. A total of 7,295 m of drilling was completed in 21 drill holes (PT-18-107 to PT-18-127, see location map below). The campaign successfully extended the known mineralized area to the west and at depth. These holes included some infill drilling.

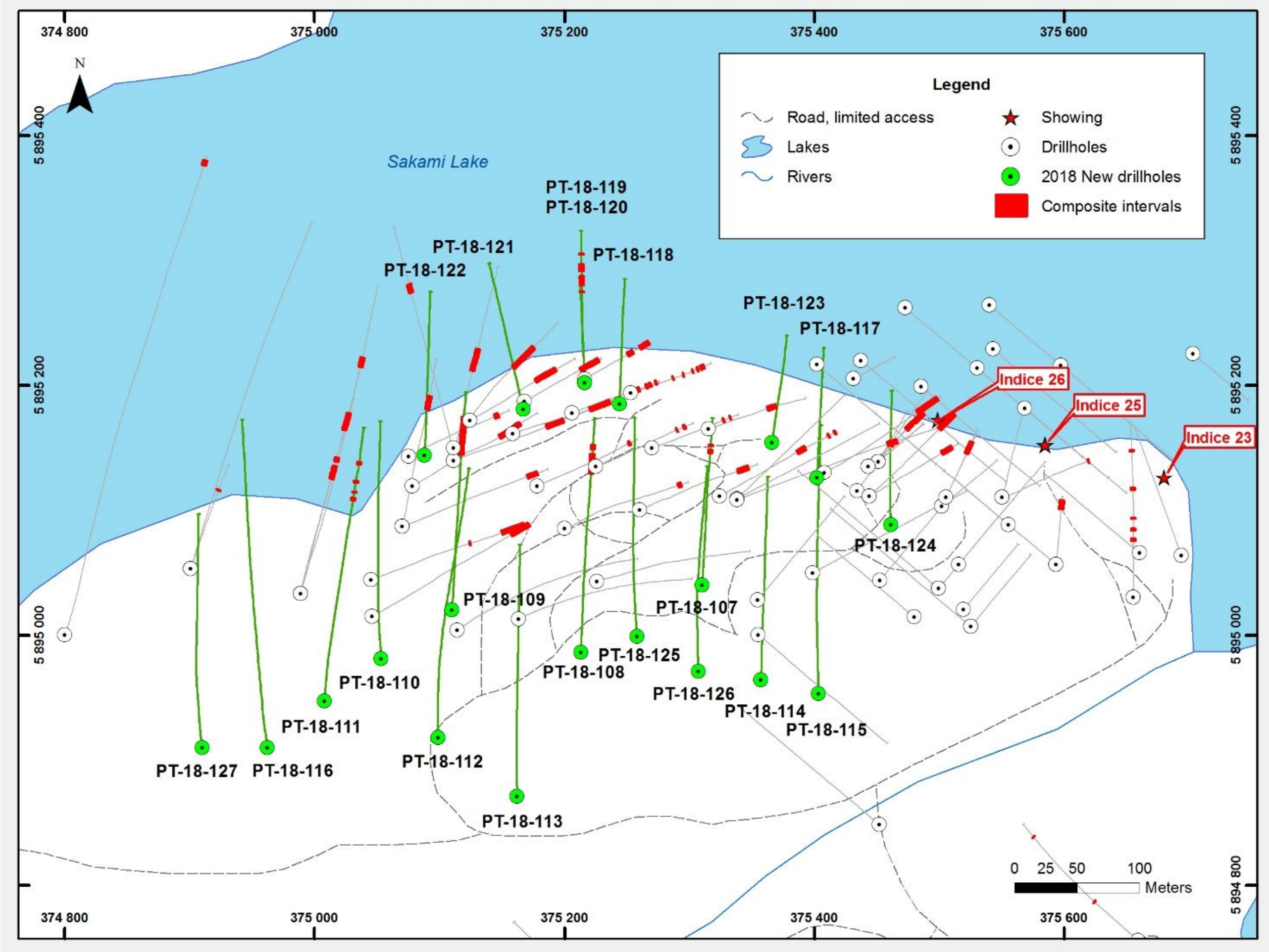
The first five holes intersected Zone 25 and increased the size of the project's mineralized area. Hole PT-18-111 extends Zone 25 at depth to the west side by approximately 30 m from the deepest elevation on section 2+00W with a grade and width similar to the above interception in hole PT-17-102. This result supports the potential for higher grade mineralization at depth. The deepest intersection from previous drilling was in hole PT-15-89 and PT-15-90 on section 0+50W. Highlights of the recent drill results are presented in the table below.

TABLE OF MINERALIZED INTERSECTIONS FROM RECENT 2018 WINTER DRILL PROGRAM

Hole #	From (m)	To (m)	Length* (m)	Au (g/t)
PT-18-107	250.50	256.50	6.00	1.31
Including	253.50	256.50	3.00	1.74
PT-18-107	264.00	265.50	1.50	1.28
PT-18-107	289.50	291.00	1.50	1.49
PT-18-108	285.00	313.50	28.50	0.62
Including	304.50	313.50	9.00	1.13
Including	309.00	313.50	4.50	1.46
PT-18-108	319.50	325.50	6.00	1.23
PT-18-109A	295.50	358.50	63.00	1.10
Including	300.00	315.00	15.00	3.08
Including	304.50	309.00	4.50	5.31
Including	304.50	310.50	6.00	4.81
PT-18-111	385.50	390.00	4.50	3.25
PT-18-111	399.00	400.50	1.50	1.27
PT-18-111	415.50	418.50	3.00	2.42
PT-18-111	445.50	450.00	4.50	1.14
PT-18-119	115.50	117.00	1.50	1.09
PT-18-119	124.50	136.50	12.00	1.49
PT-18-119	142.50	151.50	9.00	1.34
PT-18-119	163.50	165.00	1.50	1.15

* Length along the core. True thickness ranges from 70% to 95% of the drilled length.

DRILLHOLE LOCATION MAP OF RECENT 2018 WINTER DRILL PROGRAM



APPLE – GOLD PROJECT

Property Description

The Apple property currently consists of 46 claims covering 2,377.04 hectares (23.77 km^2) located 80 km southeast of Radisson in the James Bay region, following the transfer of 81 claim cells to the 5-km area of interest of the Sakami property on August 16, 2016. 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-bearing pyrite matrix in 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-bearing conglomerates were traced over a distance of eight kilometres along an east-west axis.

In 1974, INCO performed a non 43-101 compliant 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_3O_8 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_3O_8 (8.8 million pounds of U_3O_8) contained in a nine-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.

In addition to the subsequent uranium-related work done by Strateco Resources Inc. ("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% NSR royalty payable to Virginia Mines Inc., half of which can be bought back for $1,000,000.

Work done during the period

No exploration work was carried out on the property during the period covered by this MD&A.

NEW GOLD – GOLD PROJECT

Property Description

The New Gold property consists of 49 claims covering 2,590.01 hectares (25.90 km^2), 100% owned by Canada Strategic and 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 boulder dispersal 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 period

No exploration work was carried out on the property during the period covered by this MD&A.

ANNABELLE – GOLD PROJECT

Property Description

The Annabelle property consists of 353 claims covering 18,608.27 hectares (186,08 km^2), 100% owned by Canada Strategic and located approximately 40 km west of Goldcorp Inc.'s Eleonore deposit. The Annabelle property covers the volcano-sedimentary sequences and intrusions of the Opinaca subprovince,

The property was acquired by map designation following a compilation of all the information available from the Ministry of Energy and Natural Resources.

Work done during the period

No exploration work was carried out on the property during the period covered by this MD&A.

BLANCHE – GOLD PROJECT

Property Description

The Blanche property consists of 256 claims covering 13,092.25 hectares (130,92 km^2), 100% owned by Canada Strategic. The Blanche property covers the volcanico-sedimentary rocks of the La Grande subprovince. Several known showings found on properties about five kilometres south owned by Azimut Exploration Inc. ("Azimut") /SOQUEM and Osisko Mining.

The property was acquired by map designation following a compilation of all the information available from the Ministry of Energy and Natural Resources.

Work done during the period

No exploration work was carried out on the property during the period covered by this MD&A.

CHARLES – GOLD PROJECT

Property Description

The Charles property consists of 61 claims covering 3,115.52 hectares (31,15 km^2),100% owned by Canada Strategic. The Charles property covers the volcanico-sedimentary rocks of the La Grande subprovince. Several known showings found on properties about five kilometres south owned by Azimut./SOQUEM and Osisko Mining.

The property was acquired by map designation following a compilation of all the information available from the Ministry of Energy and Natural Resources.

Work done during the period

No exploration work was carried out on the property during the period covered by this MD&A.

Person In Charge of Technical Disclosure

Jean-Sebastien Lavallée (OGQ #773), geologist, shareholder, Exploration manager for the Company and a Qualified Person under *NI 43-101 on standards of disclosure for mineral projects*, has prepared and approved the technical content of this MD&A for the properties.

SUMMARY OF QUARTERLY RESULTS

The comments below provide an analysis of the operating results for the three-month period ended April 30, 2018. 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

	April 30 (3 months)	
	2018	**2017**
Salary & General administrative expenses	**$ 22,736**	$ 23,368
Registration, listing fees and shareholders'	**$ 69,321**	$ 25,998
Professionnal and consultant fees	**$ 69,596**	$ 48,143
Share-based payments	**$ -**	$ 4,309
Part XII.6 taxes	**$ 3,211**	$ -
Change in fair value of the marketable securities	**$ 93,750**	$ 7,724
Loss on disposable of marketable securities reclassified in profit or loss	**$ -**	$ 12,618
	$ 258,614	$ 122,160
Revenues	**$ -**	$ 1,235
Loss before income taxes	**$ 258,614**	$ 120,925
Deferred income taxes	**$ (236,976)**	$ (2,087)
Total net loss (income) for the period	**$ 21,638**	$ 118,838
Cash	**$ 683,130**	$ 2,616,871

Revenues

There was no Revenue for the three—month period ended April 30, 2018 ($1,235 in 2017). This item consisted in 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 April 30, 2018, consisted mainly of expenditures of a legal and regulatory nature incurred to comply with the requirements of the securities commission. The increase of $43,323 from the previous period was mainly due to an increase of shareholder information related to the annual and special meeting of the Company.

Professional and Consultant Fees

Professional and consulting fees for the three-month period ended April 30, 2018, consisted primarily of expenses of a legal and accounting nature, as well as audit, business development and management expenses. These fees were $21,453 lower than the prior period due to an increase in business development fees.

Stock-Based Compensation

Share-based payments and compensation for the three-month period ended April 30, 2017, represent the charge related to the value of the 55,000 stock options granted to a consultant. A compensation charge of $4,309 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	**Apr. 30 2018**	Jan. 31 2018	Oct. 31 2017	July 31 2017	Apr. 30 2017	Jan. 31 2017	Oct. 31 2016	July 31 2016
Revenues	**-**	14	-	-	2	10	-	(6)
Net profit (loss)	**(22)**	(62)	10	(68)	(119)	(174)	(123)	(130)
Basic and diluted net loss per share	**$ -**	$ -	$ -	$ -	$ -	$ -	$ -	$ -

LIQUIDITY AND CAPITAL RESOURCES

Cash as at April 30, 2018, totaled $683,130 compared to $2,616,871 as at April 30, 2017. 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 2017	Flow-through shares	$2,502,500	Exploration expenditures (balance of $425,901 to spend as of April 30, 2018)
March 2017	Common shares	$100,000	Working Capital

For the next year 2019 fiscal year, the Company has budgeted $600,000 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

	April 30 (3 months)	
	2018	**2017**
Operating activities	**$ (221,137)**	$ (189,347)
Financing activities	**$ (40,000)**	$ 2,447,845
Investing activities	**$ (748,547)**	$ 53,321
	$(1,009,684)	$ 2,311,819
Cash	**$ 683,130**	$ 2,616,871

During -the three-month period ended April 30, 2018,, funds used for operating activities were spent primarily on improving operations and promotion of the Company.

During the three-month period ended April 30, 2018, no financing activity took place, however, share issue costs of financing done during the previous period affected this item

During the three-month period ended April 30, 2018, investing activities consisted primarily of prospecting work for properties development.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE-SHEET ARRANGEMENTS

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 some claims
	Jean-Raymond Lavallée	50%	
Sakami	Osisko Gold Royalties Ltd	100%	2% NSR on 81 claims of which 1% may be purchased for an amount of $1,000,000
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 three-month period ended April 30, 2018, the Company has incurred professional and consultant fees amounting to $6,814 ($7,848 in 2017) with its Chief Financial Officer. In relation with these transactions, $3,764 was payable as at April 30, 2018 (nil as at April 30, 2017).

B) During the three-month period ended April 30, 2018, the Company incurred $1,214,883 ($11,921 in 2017) in exploration and evaluation assets, no professional and consultant fees ($20,850 in 2017), general administrative expenses for $15,702 ($9,800 in 2017) and no interest and penalties ($7,685 in 2017) with Consul-Teck Exploration Minière Inc., a company of which the Exploration Manager (former Executive Chairman) of the Company is a shareholder. An amount of $806,147 was payable to Consul-Teck Exploration Minière Inc. as at April 30, 2018 ($525,612 as at April 30, 2017).

C) During the three-month period ended April 30, 2018, the Company incurred $15,000 in professional and consultant fees (nil in 2017) with Paradox Public Relations, a company controlled by the President (former President and Chief Executive Officer) of the Company. An amount of $80,483 was payable in relation to these transactions as at April 30, 2018 (nil as at April 30, 2017).

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.

D) The Exploration Manager of the Company owns 33.33% of the 1.5% NSR on the La Loutre property regarding the agreement signed in 2012. The Company has the option to purchase 0.5% of this NSR for $500,000.

SUBSEQUENT EVENTS

On June 2018, the Company announced the closing of the business combination by way of the plan of arrangement approved by an order of Superior Court of Canada (the “Arrangement”), announced on April 26, 2018, to create a new gold exploration company. The company will be called Quebec Precious Metals Corporation (“QPM”). Canada Strategic has also acquired Sphinx’s three gold projects by way of an asset purchase, including Sphinx’s 50% interest in the Cheechoo-Éléonore Trend project, as well as the remaining 50% interest in that project held by Sirios Resources Inc.

The Company also announced, that Goldcorp Inc. (“Goldcorp”) invested $3,701,960, which was converted into units of QPM (the “Units”) at a price of CA $0.61 per unit. Each Unit consists of one common share of QPM and half a common share purchase warrant, with each whole warrant entitling its holder to purchase one additional common share of QPM (Canada Strategic), post-consolidation, for $0.85, for a period of two years following the closing of the transaction. Within the scope of the transaction, the Caisse de dépôt et placement du Québec invested $1,400,000. Other participants in the transaction include P.E. Partners, a corporation whose shareholders include a member of QPM’s management, who along with his partners invested $301,340, and two members of QPM’s management and board of directors, who invested a total of $20,004.

On June 28, 2018, the Company also announced the settlement of any amounts owing to insiders of Canada Strategic and the directors and other creditors of Matamec by issuing a total of 888,930 common shares of QPM.

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.

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.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-Market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if the number of share options ultimately exercised is different from that estimated on vesting.

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;
- Insufficient 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.

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

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.

The Company uses the residual value method with respect to the measurement of common shares and share purchase warrants issued as 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 placement and the balance, if any, is allocated to the attached 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 shares represents an issue of ordinary shares and the sale of the right to tax deductions to the investors. When the flow-through shares 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 shares are allocated between share and, if any, 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 the residual proceeds is allocated to the other liability.

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.

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.

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.

Loans and receivables 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. The Company's cash and other receivables (in 2017) fall into 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. Net change in the fair value is recognized in other comprehensive loss and reported within the accumulated other comprehensive loss within equity. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognized in other comprehensive loss is reclassified to profit or loss and presented as a reclassification adjustment within other comprehensive loss.

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 financial liabilities at amortized cost.

Financial liabilities at amortized cost

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost.

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 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 are related 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.

NEW STANDARD AND REVISED STANDARDS

Impact of the application of IFRS 9, Financial Instruments

During the quarter ended April 30, 2018, the Company applied IFRS 9, *Financial Instruments*, (issued July 2014) and related consequential amendments to other IFRS. The requirements of IFRS 9 are a significant change from IAS 39, *Financial Instruments: Recognition and Measurement*. These new requirements are relevant to the Company; the details of the requirements and their impact on the Company's financial statements are described below.

The Company has applied IFRS 9 retrospectively in accordance with the transitional provisions set out in the standard, and has restated its comparative financial statements. The initial application date for the Company was February 1, 2018. Consequently, the Company applied the requirements of IFRS 9 to financial instruments that were not derecognized as at February 1, 2018, but not to financial instrument requirements that were derecognized at that date. Comparative amounts relating to financial instruments not derecognized as at February 1, 2018, were restated where applicable.

Financial asset classification and measurement

IFRS 9 contains three classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally depends on the business model for managing the asset and the asset’s contractual cash flow characteristics. IFRS 9 eliminates the following IAS 39 categories: held-to-maturity financial investments, loans and receivables, and available-for-sale financial assets.

Management reviewed and measured the Company's existing financial instruments as at February 1, 2018, based on the facts and circumstances that existed at that date and concluded that the application of IFRS 9 has had the following impact on the Company’s financial instruments regarding their classification and measurement:

Investments previously designated as available-for-sale financial assets and measured at fair value at each reporting date under IAS 39 will now be classified in the fair value through profit and loss category in accordance with IFRS 9. Unrealized gains or losses reflected in other comprehensive income until these gains or losses are realized or a decline in value of the financial asset is other than temporary will now be charged to net earnings. This change resulted in the following adjustments to the prior year's financial statements:

Increase in net income for fiscal 2018	$7,724
Decrease in the sum of the other elements of comprehensive income as at January 31, 2018	$139,006
Increase in deficit as at January 31, 2018	$139,006

Classification and measurement of financial liabilities

The classification and measurement requirements for financial liabilities are the same in IFRS 9 as in IAS 39. The application of IFRS 9 had no impact on the classification and measurement of the Company's financial liabilities.

CERTIFICATION OF INTERIM FILINGS

The Chief Executive Officer and Chief Financial Officer have signed the official basic certificates for venture issuers as required by *Regulation 52-109 respecting certification of disclosure in issuers' annual and interim filings*, confirming the review, absence of untrue or misleading information and fair presentation of the interim documents filed.

- The Chief Executive Officer and Chief Financial Officer have confirmed that they have reviewed the interim financial statements and the interim MD&A (collectively referred to as the “interim filings”) of the Company for the three-month period ended April 30, 2018.
- The Chief Executive Officer and Chief Financial Officer have confirmed that, based on their knowledge, having exercised reasonable diligence, the interim 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, with respect to the period covered by the interim filings
- The Chief Executive Officer and Chief Financial Officer have confirmed that, based on their knowledge, having exercised reasonable diligence, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings for these periods.

OTHER REQUIREMENTS IN THE MANAGEMENT DISCUSSION AND ANALYSIS

The following selected financial information data is derived from the audited financial statements at the periods indicated.

EXPLORATION AND EVALUATION ASSETS

	April 30	
	2018	2017
Balance, beginning of period	**$ 2,884,045**	$ 1,828,853
Add:		
Acquisition of exploration and evaluation assets	-	120,000
Drilling	**1,208,343**	7,466
Other exploration and evaluation expenses	**6,540**	4,455
	1,214,883	131,921
Balance, before deduction	**4,098,928**	1,960,774
Rebilling	-	24,696
	-	24,696
Balance, end of period	**$ 4,098,928**	$ 1,936,078

MATERIAL COMPONENTS

	April 30 2018	2017	2016
Statements of Comprehensive Income			
Professional and consultant fees	**$ 69,596**	$ 48,143	$ 131,863
Loss on disposal of exploration and evaluation assets	**$ -**	$ -	$ (35,000)
Registration, listing fees and shareholders' information	**$ 69,321**	$ 25,998	$ 16,987
Change in fair value of the marketable securities	**$ 93,750**	$ 7,724	$ (9,683)
Stock-based payments	**$ -**	$ 4,309	$ 7,823
Management income	**$ -**	$ 1,235	$ 2,138

	April 30 2018	2017	2016
Statements of Financial Position			
Cash	**$ 683,130**	**$ 1,692,814**	$ -
Exploration and evaluation assets	**$ 4,098,927**	**$ 1,936,078**	$ 1,376,073

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

DISCLOSURE OF OUTSTANDING SHARE DATA (as at June 27, 2018)

Common shares outstanding: 102,927,246

Options outstanding: 6,055,000

Average exercise price of: $ 0.11

Expiry date	Number of shares	Exercise price $
June 2018	1,300,000	0.10
July 2018	450,000	0.10
October 2018	1,300,000	0.10
March 2019	55,000	0.14
July 2019	950,000	0.10
July 2019	800,000	0.11
August 2021	200,000	0.205
May 2022	1,000,000	0.15
	6,055,000	

Brokers warrants outstanding : 1,812,400

Average exercise price of: $ 0.15

Expiry date	Number of shares	Exercise price $
December 2018	433,600	0.11
January 2019	170,400	0.11
February 2019	64,400	0.11
March 2019	1,144,000	0.175
	1,812,400	

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.

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 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).