



CANADA STRATEGIC METALS
(an exploration company)

MANAGEMENT DISCUSSION AND ANALYSIS
For the six-month period ended July 31, 2014
(Second quarter)

MANAGEMENT DISCUSSION AND ANALYSIS

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 six-month period ended July 31, 2014, and of the Company financial condition and future prospects. This discussion and analysis complements the unaudited condensed interim financial statements for the six-month period ended July 31, 2014 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, 2014, 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, 2013 and notes thereto, as well as the audited consolidated financial statements and notes thereto and the MD&A for the year ended January 31, 2014.

All figures are in Canadian dollars unless otherwise stated. Additional information relating to the Company can be found on SEDAR at 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 September 9, 2014.

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

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

RESULTS OF OPERATIONS

LAC DES ILES WEST – GRAPHITE PROJECT

Property Description

The Lac des Iles West property consists of 1 large contiguous block of 104 mineral claims totaling 5,601.30 hectares (56.01 km²) 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.

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 1 large contiguous block of 42 mineral claims totaling 2,508.97 hectares (25.09 km²) located approximately 53 km east of Timcal's Lac des Iles graphite mine, 117 km northwest of Montréal in southern Québec.

Work done during the period

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

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 km²) located approximately 570 km north of Val-d'Or and 900 km north northwest of Montreal.

Work done during the period

On April 17, 2014, the Company announced that the drilling program began in March on the property was completed.

The program was aimed at increasing the size of the main gold zone (Zone 25) to the west-northwest, as well as its extension at depth. Zone 25 is in the La Pointe sector of the property. Now that the program is complete, Zone 25 has been tested over a strike length of more than 200 metres and to depth of over 450 metres along its plunge. To date, the zone 25 has been test to a vertical depth of 250 metres. The holes are spaced at 50 metres. A map of the new holes can be found on the Company's website at: www.csmetals.ca.

MANAGEMENT DISCUSSION AND ANALYSIS

Eleven diamond drill holes have been completed during the campaign. All the holes intersected Zone 25, with widths ranging from 7.30 to 22.95 metres. The mineralized intersections consist of a silicified biotite paragneiss containing 1-7% with locally up to 10% pyrite-arsenopyrite.

All the core have been logged and sampled and have been be sent to the laboratory for assaying. The Company will release the assay results as soon as they are received and compiled. A table of all the mineralized intersections from the recent program is shown below, along with previous drill results.

TABLE OF MINERALIZED INTERSECTIONS FROM THE MOST RECENT DRILLING

Hole #	Type	Length* (m)	From (m)	To (m)	Description
PT-14-73	Zone 25	7.30	163.00	170.30	Silicified paragneiss, 1 - 5% arsenopyrite
PT-14-74	Zone 25	19.85	231.60	251.45	Silicified paragneiss, 1 - 5% arsenopyrite
PT-14-75	Zone 25	13.30	268.70	282.00	Silicified paragneiss, 1 - 5% arsenopyrite
PT-14-76	Zone 25	18.90	171.75	190.65	Silicified paragneiss, 1 - 5% arsenopyrite
PT-14-77	Zone 25	9.75	173.25	183.00	Silicified paragneiss, Trace to 2% arsenopyrite
PT-14-78	Zone 25	9.90	205.50	215.40	Silicified paragneiss, 1 - 5% arsenopyrite±pyrite
PT-14-79	Zone 25	14.40	186.60	201.00	Silicified paragneiss, 1 - 7% arsenopyrite
PT-14-80	Zone 25	8.15	174.60	182.75	Silicified paragneiss, 1 - 3% arsenopyrite
PT-14-80	New Zone	12.00	192.00	204.00	Silicified paragneiss, 1 - 5% arsenopyrite
PT-14-81	Zone 25	14.65	219.90	234.55	Silicified paragneiss, 1 - 7% arsenopyrite
PT-14-82	Zone 25	11.70	221.80	233.50	Silicified paragneiss, 1 - 5% arsenopyrite
PT-14-83	Mineralized zone	22.95	230.55	253.50	Silicified paragneiss, Trace to 1% arsenopyrite

* Core length

TABLE OF DRILL HOLE COLLAR COORDINATES

Hole #	Easting (UTM)	Northing (UTM)	Elevation (m)	Length (m)	Azimuth (°)	Plunge
PT-14-73	375315	5895165	200,00	249,00	70	-70
PT-14-74	375260	5895100	209,00	285,00	70	-70
PT-14-75	375200	5895085	204,00	297,00	70	-70
PT-14-76	375270	5895150	200,00	219,00	70	-70
PT-14-77	375253	5895194	198,00	198,00	70	-70
PT-14-78	375225	5895135	207.00	231.00	70	-70
PT-14-79	375158	5895161	198.00	240.00	70	-70
PT-14-80	375206	5895178	197.00	210.00	70	-70
PT-14-81	375178	5895119	206.00	249.00	70	-70
PT-14-82	375111	5895140	198.00	336.00	70	-70
PT-14-83	375078	5895119	198.00	342.00	60	-70

As of May 28, 2014, the Company has received the assay results for the three first holes, PT-13-73 to PT-13-75, drilled during the December program. These holes were planned to test the extension of the mineralized zone to the west and northwest, as well as down dip. All three holes returned wide gold-bearing intersections, including **1.46 g/t Au over 21.85 metres from Hole PT-13-73, including 2.16 g/t over 12.00 metres, 2.30 g/t Au over 26.35 metres, including 3.80 over 8.80 metres and 5.18 g/t over 4.80 metres from hole PT-13-74, and 2.40 g/t Au over 7.15 metres from Hole PT-13-75.** All mineralized intersections and gold assay results from the recent program received to date are shown below.

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TABLE OF MINERALIZED INTERSECTIONS FROM THE RECENT DRILLING CAMPAIGN

Hole #	Type	From (m)	To (m)	Length* (m)	Au (g/t)
PT-14-73	Zone 25	150.65	172.50	21.85	1.46
PT-14-73 including	Zone 25	160.50	172.50	12.00	2.16
PT-14-74	Zone 25	237.65	264.00	26.35	2.30
PT-14-74 including	Zone 25	243.70	252.50	8.80	3.80
PT-14-74 including	Zone 25	247.70	252.50	4.80	5.18
PT-14-75	Zone 25	274.05	281.20	7.15	2.40

* Core length; the Company estimates the true width of the mineralized zone at 80 to 95% of the core length.

On July 3, 2014, the Company has received the assay results for five additional holes, PT-13-76 to PT-13-80, drilled in March and April as part of the program. These holes were planned to test the extension of the mineralized zone to the west and northwest, as well as down dip. They all returned gold-bearing intersections with significant gold grades, particularly Hole PT-14-79, which returned **2.51 g/t Au over 48.20 metres, including 6.93 g/t over 12.00 metres, 11.35 g/t Au over 6.00 metres and 3.06 g/t Au over 7.50 metres**. All the mineralized intersections and assay results received to date are shown below.

TABLE OF MINERALIZED INTERSECTIONS FROM THE RECENT DRILLING PROGRAM

Hole #	From (m)	To (m)	Length* (m)	Au g/t
PT-14-76	180.00	183.00	3.00	1.57
	198.00	199.50	1.50	1.36
PT-14-77	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
PT-14-78	193.50	195.00	1.50	1.37
	208.50	213.00	4.50	2.15
PT-14-79	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
PT-14-80	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

* Core length; the Company estimates the true width of the mineralized zone at 80 to 95% of the core length.

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On July 23, 2014, the Company has received the assay results for three additional holes, PT-14-81 to PT-14-83, drilled in March and April as part of the program. These holes were planned to test the extension of the mineralized zone to the west and northwest, as well as down dip. They all returned gold-bearing intersections with significant gold grades with **2.58 g/t Au over 4.60 metres** for hole PT-14-81, **1.43 g/t over 40.25 metres, including 3.58 g/t Au over 8.55 metres and 5.12 g/t Au over 4.05 metres** for Hole PT-14-82 and **1.06 g/t Au over 55.50 metres, including 3.54 g/t Au over 12.00 metres** for Hole PT-14-83. All the mineralized intersections and assay results are shown below.

TABLE OF MINERALIZED INTERSECTIONS FROM THE RECENT DRILLING PROGRAM

Hole #	From (m)	To (m)	Length* (m)	Au (g/t)
PT-14-81	228.00	232.60	4.60	2.58
PT-14-82	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
PT-14-83	240.00	295.50	55.50	1.06
Including	240.00	252.00	12.00	3.54

* Core length: the Company estimates the true width of the mineralized zone at 80 to 95% of the core length.

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.

APPLE – GOLD PROJECT

Property Description

The Apple property consists of 145 claims covering 74 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 subvertically-dipping zones. The historical estimate yielded 9,365,000 tons grading 0.054% U₃O₈ 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% U₃O₈ (8.8 million pounds of U₃O₈) contained in a six-metre by one-kilometre wide envelope extending to a depth of 300 metres, and remaining open at depth (a

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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, 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.

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 is 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 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 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.

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.

The following discussion and analysis are based on Canada Strategic's results of operations for the six-month period ended July 31, 2014. The selected financial information below was taken from the unaudited condensed interim financial statements for each period shown.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

	July 31 (6 months)	
	2014	2013
Revenues	\$ 65	\$ 6,119
Salary & General administrative expenses	\$ 27,501	\$ 34,096
Registration, listing fees and shareholders' information	\$ 143,332	\$ 74,250
Professional and consultant fees	\$ 121,168	\$ 176,139
Stock-based compensation	\$ 122,099	\$ -
Write-off of equipment	\$ -	\$ 70,872
Part XII.6 taxes	\$ 727	\$ 2,283
Gain on disposal of equipment	\$ -	\$ (664)
Depreciation of equipment	\$ -	\$ 2,243
Write-off and impairment of exploration and evaluation assets	\$ 51,004	\$ (26,354)
Loss before income taxes	\$ 465,766	\$ 326,746
Deferred income and mining taxes	\$ (11,959)	\$ (7,191)
Total comprehensive loss for the period	\$ 453,807	\$ 319,555
Cash	\$ 44,606	\$ 76,592

Revenues

Revenues for the six-month period ended July 31, 2014, amounted to \$65 (\$6,119 - 2013) and consisted of interest 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.

General Administrative Expenses

General administrative expenses for the six-month period ended July 31, 2014, consisted mainly of general office expenditures, travel expenses, promotional activities and the Company's claim renewal expenses. The main changes were a decrease in rent and office expenses and an increase in travel and claim renewal expenses.

Registration, Listing Fees and Shareholder Information

Registration, listing fees and shareholder information expenses for the six-month period ended July 31, 2014, consisted mainly of expenditures of a legal and regulatory nature incurred to comply with the requirements of the securities commission. The increase was attributable to shareholder information and investor relation expenses.

Professional and Consultant Fees

Professional and consulting fees for the six-month period ended July 31, 2014, consisted primarily of expenses of a legal and accounting nature, as well as audit, business development and management expenses. These fees were \$54,971 lower than the prior period due to a decrease in business development and legal expenses, somewhat offset by an increase in accounting fees.

Stock-Based Compensation

Share-based payments and compensation for the six-month period ended July 31, 2014, represent the charge related to the value of the 1,800,000 (Nil in 2013) stock options granted to directors, officers and consultants. A compensation charge of \$122,099 (Nil in 2013) was thus assigned in relation to the stock options granted during the period, using the Black-Scholes model.

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Write-off and impairment of exploration and evaluation assets

During the six-month period ended July 31, 2014, the Company wrote off the Goéland property following the issuance of shares subsequent to the fiscal year end. The Company also wrote off and impaired its exploration and evaluation assets on the Goéland and Lac des Isles West properties. A charge of \$51,004 was recognized in earnings.

SUMMARY OF QUARTERLY RESULTS

The comments below provide an analysis of the operating results for the three-month period ended July 31, 2014. 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

	July 31 (3 months)	
	2014	2013
Revenues	\$ -	\$ 6,119
Salary & General administrative expenses	\$ 13,551	\$ 9,438
Registration, listing fees and shareholders' information	\$ 82,219	\$ 10,574
Professional and consultant fees	\$ 57,105	\$ 64,348
Stock-based compensation	\$ 116,317	\$ -
Part XII.6 taxes	\$ -	\$ 1,125
Write-off and impairment of exploration and evaluation assets	\$ 1,004	\$ -
Loss before income taxes	\$ 270,196	\$ 79,366
Deferred income and mining taxes	\$ -	\$ (2,774)
Total comprehensive loss for the period	\$ 270,196	\$ 76,592
Cash	\$ 44,606	\$ 76,592

Revenues

Revenues for the comparative three-month period, amounted to \$6,119 and consisted of interest 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.

General Administrative Expenses

General administrative expenses for the three-month period ended July 31, 2014, consisted mainly of general office expenditures, travel expenses, promotional activities and the Company's claim renewal expenses. Changes consisted primarily of a decrease in rent and general office expenditures and higher claim renewal.

Registration, Listing Fees and Shareholder Information

Registration, listing fees and shareholder information expenses for the three-month period ended July 31, 2014, consisted mainly of expenditures of a legal and regulatory nature incurred to comply with the requirements of the securities commission. The increase was attributable to shareholder information and investor relation expenses.

Professional and Consultant Fees

Professional and consulting fees for the three-month period ended July 31, 2014, consisted primarily of expenses of a legal and accounting nature, as well as audit, business development and management expenses. These fees were \$7,243 lower than the prior period due to a decrease in legal expenses, partially offset by an increase in accounting fees.

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Stock-Based Compensation

Share-based payments and compensation for the three-month period ended July 31, 2014, represent the charge related to the value of the 1,800,000 stock options granted to directors, officers and consultants. A compensation charge of \$116,317 (Nil in 2013) was thus assigned in relation to the stock options granted during the period, using the Black-Scholes model.

Write-off and impairment of exploration and evaluation assets

During the three-month period ended July 31, 2014, the Company wrote off and impaired its exploration and evaluation assets on the Goéland and Lac des Isles West properties. A charge of \$1,004 was recognized in earnings.

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	July 31 2014	Apr. 30 2014	Jan. 31 2014	Oct. 31 2013	July 31 2013	Apr. 30 2013	Jan. 31 2013	Oct. 31 2012
Revenues	-	-	-	-	-	-	-	-
Net profit (loss) Basic and diluted	(270)	(184)	(2,279)	(154)	(77)	(243)	(568)	(153)
net loss per share	\$ (0.00)	\$ (0.00)	\$ (0.04)	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)	\$ (0.01)

LIQUIDITY AND CAPITAL RESOURCES

Cash as at July 31, 2014, totalled \$44,606 compared to \$76,592 as at July 31, 2013. 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	
Décembre 2013	Flow-through	\$87,300	Exploration expenditures	Completed

For the next year, the Company has budgeted \$400,000 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

	July 31 (6 months)	
	2014	2013
Operating activities	\$ (825,890)	\$ (337,966)
Financing activities	\$ 562,898	\$ (3,166)
Investing activities	\$ 170,129	\$ 750,535
	\$ (92,863)	\$ 409,403
Cash	\$ 44,606	\$ 76,592

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During the six-month period ended July 31, 2014, funds used for operating activities were spent primarily on improving operations and promotion of the Company.

During the six-month period ended July 31, 2014, the main financing activities undertaken by the Company were as follows:

In May 2014, the Company issued 5,745,000 common share units priced at \$0.10 per share for gross proceeds of \$574,500. Each unit consisted of one common share priced at \$0.10 and one half of one share purchase warrant. Each whole warrant entitles the holder thereof to purchase one common share of the Corporation for a period of 24 months at a price of \$0.15 per share.

During the six-month period ended July 31, 2014, investing activities consisted primarily of prospecting work for property development.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE-SHEET ARRANGEMENTS

Other Commitments

A) In September 2012, the Company retained the services of Paradox Public Relations ("Paradox") to handle public relations. Paradox focuses on developing and expanding the Company's communications with the financial community through a full investor relations program. The services provided include marketing to the financial community, an inbound email service, the use of an exclusive Paradox database, organization of meetings and presentations and service calls on behalf of the Company. The agreement covers a 24-month period at a monthly fee of \$7,000. Subsequent to amendments to the original contract dated October 2013 and July 2014, Paradox has 1,300,000 share purchase options to purchase the same number of common shares of the Company at a price of \$0.10 per share for a 2 year period.

B) In February 2012, the Company entered into an option agreement on the Lac des Iles West property in the province of Quebec. The agreement provides that Company may acquire a 100% interest in the property in consideration of a total of \$12,500 in cash payments, as follows:

- \$12,500 at the signature of the Agreement (condition fulfilled).

The Company has also agreed to issue 500,000 common shares as follows:

- 300,000 shares at the TSX Venture Exchange final approval (condition fulfilled);
- 200,000 shares six months following the TSX Venture Exchange final approval (condition fulfilled).

In addition to the above cash payments and common share issuances, the Company must issue a bonus in the form of common shares with a fair value of \$1,000,000 or pay \$1,000,000 upon commencement of production.

C) 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;
- 500,000 shares thirty-six months after the signature of the Agreement.

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A minimum of \$500,000 must be spent on exploration before the first anniversary of the agreement. In the event that the Company renounces its option, the unspent portion of the \$500,000 minimum in exploration expenses shall be paid in cash or in shares, at the sole discretion of the Company.

In addition, the Company has undertaken to incur \$2,250,000 in exploration and evaluation expenses before August 16, 2016 (\$884,443 had already been incurred as at July 31, 2014), as follows:

- \$500,000 twelve months after final TSX Venture Exchange approval (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 Metals 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 the period that the additional option is valid, Canada Strategic Metals 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.

D) In December 2013, the Company signed a formal agreement with Strateco Resources Inc. on the Apple property in the James Bay region of northern Quebec.

The agreement, which is effective immediately, provides for Canada Strategic Metals to acquire 100% of the Apple property, wholly-owned by Strateco, in consideration of \$10,000 and 4,000,000 shares of the Company. The common shares issued to Strateco, will be subject to resale restriction periods as follows:

- 800,000 common shares within four months of TSX-V approval of the Agreement (received in December 2013) (condition fulfilled);
- 800,000 common shares within nine months of TSX-V approval of the Agreement (condition fulfilled);
- 800,000 common shares within 12 months of TSX-V approval of the Agreement;
- 800,000 common shares within 18 months of TSX-V approval of the Agreement; and
- 800,000 common shares within 24 months of TSX-V approval of the Agreement.

The agreement also provides for a 2% NSR royalty payable to Virginia Mines Inc., half of which can be bought back for \$1.0 million.

E) In April 2014, the Company has retained FronTier Merchant Capital Group ("FronTier") for Investor Relations Services. FronTier will assist the Company by increasing market awareness utilizing a number of financial market communications initiatives. The core of which will be facilitating in-person introductions for the Company with institutional and retail brokers and investors in a number of cities across Canada, the US, Europe and Australasia. FronTier has been retained for a 12-month period, with fees set at \$60,000 payable on signature.

MANAGEMENT DISCUSSION AND ANALYSIS

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	Virginia Mines 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 comparative period, the Company has incurred professional and consultants fees amounting to \$1,995 with a company controlled by its former chief financial officer. In relation with these transactions, no amount was payable as at July 31, 2014.

B) During the year, the Company has incurred professional and consultants fees amounting to \$9,151 (Nil in 2013) with its chief financial officer. In relation with these transactions, \$3,963 was payable as at July 31, 2014.

C) During the period, the Company incurred \$25,719 (\$3,475 in 2013) in exploration and evaluation assets, professional fees for \$27,400 (\$26,934 in 2013) general administrative expenses for \$1,337 (\$5,653 in 2013) with Consul-Teck Exploration Minière Inc., a company controlled by the President and Chief Executive Officer of the Company. \$296,722 was payable to Consul-Teck Exploration Minière Inc. as at July 31, 2014.

All expenses incurred by Consul-Teck Exploration Minière Inc. on the Company's behalf are invoiced at cost plus 10%.

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) In February 2012, the Company signed an option agreement to acquire a 100% interest in the La Loutre property from several individuals, including Jean-Sébastien Lavallée. Under this agreement, the Company paid to Mr. Lavallée \$10,000 in cash and issued 866,666 common shares.

MANAGEMENT DISCUSSION AND ANALYSIS

The President of the Company also owns 33.33% royalty of the 1.5% NSR royalty on the said property. The Company has the option to purchase 0.5% of this NSR royalty for \$500,000.

These transactions are measured at amount of consideration established and agreed by the related parties.

Transactions with Board of Directors

E) During the comparative 2013 year, the Company has incurred professional and consultants fees amounting to \$30,000 and accounting fees with companies controlled by Directors of the Company. In relation with these transactions, no amount was payable as at July 31, 2014.

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

SUBSEQUENT EVENTS

In August 2014, the Company received \$38,054 in tax credit.

On August 18, 2014, the Company issued 500,000 common shares pursuant to the Sakami option agreement. The total fair value of the common shares issued was \$45,000.

On September 2, 2014, the Company announced that, it will extend until November 10, 2015 the expiration date of warrants issued in respect of a private placement which closed on November 8, 2012.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and accumulated impairment.

Amortization is calculated on the straight-line basis over the useful lives of the assets as follows:

Furniture and equipment	5 years
Leasehold improvements	5 years

Additions during the year are amortized at one-half the annual rates.

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 options to brokers) 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, 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 and property and equipment

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

An impairment loss is recognized in profit or loss for the amount by which the assets 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 if the assets or cash-generating units recoverable amount exceeds its carrying amount.

Capital share

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.

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.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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

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

- Loans and receivables.

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.

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 and evaluation and other receivables are included in this category of financial assets.

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 include accounts payable and accrued liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

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 to 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.

Foreign currency translation

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 placements 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.

CERTIFICATION OF INTERIM FILINGS

The President and 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 President and 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 six-month period ended July 31, 2014.

The President and 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 President and 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 unaudited condensed interim financial statements at the periods indicated.

MANAGEMENT DISCUSSION AND ANALYSIS

EXPLORATION AND EVALUATION ASSETS

	July 31	
	2014	2013
Balance, beginning of period	<u>\$ 1,020,152</u>	<u>\$ 2,647,761</u>
Add:		
Acquisition of exploration and evaluation assets	61,804	397,500
Drilling	381,184	3,391
Metallurgical test	-	8,782
Analysis	22,755	4,262
General exploration expenses	2,964	17,115
	<u>468,707</u>	<u>431,050</u>
Balance, before deduction	<u>1,488,859</u>	<u>3,078,811</u>
Tax credit and mining duties	35,794	339,398
Write-off and depreciation	51,004	(26,354)
	<u>86,798</u>	<u>313,044</u>
Balance, end of period	<u>\$ 1,402,061</u>	<u>\$ 2,765,767</u>

MATERIAL COMPONENTS

	July 31		
	2014	2013	2012
Statements of Comprehensive Income			
Professional and consultant fees	\$ 121,168	\$ 176,139	\$ 160,825
Write-off and depreciation of mining properties and deferred exploration expenses	1,004	(26,534)	-
Stock-based compensation	\$ 122,099	\$ -	\$ 62,563
	July 31		
	2014	2013	2012
Statements of Financial Position			
Cash reserved for exploration and evaluation	\$ -	\$ 446,998	\$ -
Exploration and evaluation assets	\$ 1,402,061	\$ 2,765,767	\$ 2,845,887

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 September 9, 2014)

Common shares outstanding:	66,157,905	
Options outstanding:	4,400,000	
Average exercise price of:	\$ 0.11	
Expiry date	Number of shares	Exercise price
		\$
November 2015	450,000	0.10
January 2016	450,000	0.22
January 2016	100,000	0.30
February 2016	100,000	0.72
July 2016	850,000	0.10
July 2017	200,000	0.10
October 2018	1,300,000	0.10
July 2019	950,000	0.10
	4,400,000	
Warrants outstanding :	4,972,900	
Average exercise price of:	\$ 0.09	
Expiry date	Number of shares	Exercise price
		\$
December 2014	50,400	0.08
November 2015	2,050,000	0.10
May 2016	2,872,500	0.15
	4,972,900	

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,

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).