# BAYSWATER URANIUM CORPORATION

## Management's Discussion and Analysis

## Year Ended February 28, 2017

This Management's Discussion and Analysis ("MD&A") is prepared as at June 28, 2017 and should be read in conjunction with the audited consolidated financial statements for the year ended February 28, 2017 of Bayswater Uranium Corporation (the "Company" or "Bayswater") with the related notes thereto. Those audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

Management is responsible for the preparation and integrity of the financial statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including that within the Company's financial statements and MD&A, are complete and reliable.

Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

**Executive Summary**

The Company is a natural resource company engaged in the acquisition and exploration of uranium properties. The Company's principal exploration asset is its interest in the Reno Creek uranium property, located in northeastern Wyoming (see Investment in Reno Creek Property section below). The Company also holds additional uranium interests in Saskatchewan.

The Company trades on the TSX Venture Exchange ("TSX-V") under the symbol BYU.

**Forward-Looking Statements**

This MD&A may contain "forward-looking statements" within the meaning of Canadian securities legislation and the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements are made as of the date of this Interim MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by law.

Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events and include, but are not limited to, statements with respect to the estimation of mineral reserves and resources, the realization of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital expenditures, success of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims and limitations on insurance coverage.

These forward-looking statements include, among others, statements with respect to the Company's objectives for the ensuing year, our medium and long-term goals, and strategies to achieve those objectives and goals, as well as statements with respect to our beliefs, plans, objectives, expectations, anticipations, estimates and intentions. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," and words and expressions of similar import are intended to identify forward-looking statements. In particular, statements regarding the

Company's future operations, future exploration and development activities or other development plans and estimated future financing requirements contain forward-looking statements.

All forward-looking statements and information are based on the Company's current beliefs as well as assumptions made by and information currently available to the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, development plans, exploration and development activities and commitments. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers not to place undue reliance on these statements as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations, anticipations, estimates and intentions expressed in such forward-looking statements.

These factors include, but are not limited to, developments in world financial and commodity markets, risks relating to fluctuations in the Canadian dollar and other currencies relative to the US dollar, changes in exploration plans due to exploration results and changing budget priorities of the Company or its joint venture partners, changes in project parameters as plans continue to be refined; possible variations in ore reserves, grade or recovery rates; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing, the effects of competition in the markets in which the Company operates, the impact of changes in the laws and regulations regulating mining exploration and development, judicial or regulatory judgments and legal proceedings, operational and infrastructure risks and the Company's anticipation of and success in managing the foregoing risks. The Company cautions that the foregoing list of factors that may affect future results is not exhaustive. When relying on our forward-looking statements to make decisions with respect to the Company, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the Company or on the Company's behalf, except as required by law.

## MANAGEMENT CHANGE

During June 2017, Praveen Varshney resigned from the Company's Board of Directors. The Company would like to thank Mr. Varshney for his many years of service to the Company and for his contribution towards the Company's success. The Company wishes Mr. Varshney every success in his future endeavors.

## INVESTMENT IN AND SALE OF RENO CREEK PROPERTY

The Reno Creek Property, located in Wyoming, 40 miles south of the community of Gillette, is the Company's flagship project and our corporate goal is to put the property into production in the shortest time frame possible in order to maximize shareholder value.

During the year ended February 28, 2010, the Company entered into a formal Purchase Agreement as amended (the "Agreement") with Strathmore Resources (US) Ltd. ("Strathmore"), a wholly-owned subsidiary of Strathmore Minerals Corp. (TSX-STM.V) and American Uranium Corp. (OTC:ACUC) ("American") for the acquisition (the "Acquisition") of a 100% interest in the Reno Creek uranium property, located in northeastern Wyoming (the "Reno Creek Property", "Reno Creek" or the "Property").

Reno Creek is an advanced, near–surface uranium project at the permitting/feasibility stage located in the Powder River Basin in northeastern Wyoming, a well-established uranium development region.

The Reno Creek Property encompasses approximately 20,900 acres of claims and leases, including 588 unpatented mining claims, seven Wyoming State mineral leases, four fee (private) mineral leases, and nine surface access agreements. The deposits at Reno Creek are considered to be amenable to In-Situ Recovery (ISR) production, and are located in close proximity to major infrastructure, power, and other operating ISR facilities.

Effective April 7, 2010, the acquisition of the Reno Creek Property was completed through the acquisition of AUC LLC (“AUC”), a limited liability company, in consideration of the aggregate payment of US$20,000,000 to Strathmore, of which US$17,500,000 was paid in cash and US$2,500,000 was paid through the issuance of 4,422,807 common shares of the Company valued at $2,502,150. In consideration for an extensive historical database, rights to a previous deep well injection permit and in exchange for American’s consent to the transaction and termination of its rights pursuant to a previous joint venture on the Property, the Company paid American US$2,000,000, of which US$1,000,000 was paid in cash and US$1,000,000 was paid through the issuance of 1,833,455 common shares of the Company.

The Company executed an investment agreement dated April 7, 2010 pursuant to which the Pacific Road Resources Funds (“PRRF”), a private mining equity investor, provided US$20,000,000 in financing to fund the purchase of the Property. The financing consisted of a US$20,000,000 investment into a special purpose entity, Reno Creek Holdings Inc., (“RCHI”) (formerly referred to as “Newco”), which holds the Property indirectly through AUC. On closing of the transaction, PRRF held a 76.92% interest in RCHI and the Company held a 23.08% interest in RCHI. The Company’s cost of its 23.08% interest totaled $8,250,678, which included an establishment fee of US$700,000 (originally payable on or before December 1, 2010 and subsequently amended to be paid upon, or prior to, the next capital contribution to RCHI by the Company and bearing interest at the rate of prime plus 15% per annum) and a finder’s fee of US$1,000,000, both payable in conjunction with the investment agreement. The Company and PRRF entered into a shareholders’ agreement in respect of RCHI which permitted the Company to contribute additional amounts to RCHI in order to achieve a 50% ownership interest. PRRF had the right to convert its investment in RCHI into common shares of the Company, subject to shareholder approval (obtained during the year ended February 28, 2011), at any time up to six months following the latter of completion of a feasibility study and mine permitting, but not later than five years from April 7, 2010 provided certain conditions were met. The shareholders’ agreement also provided for equal representation on the board of RCHI, subject to adjustment, as well as unanimous RCHI shareholder approval for certain key decisions including annual work programs and budgets for the Property.

While PRRF funded the acquisition of the Property and jointly funded with the Company a US$4,000,000 working capital position in RCHI for the first year’s program in 2010, Bayswater was to contribute additional amounts in stages totaling US$14,000,000 in order to complete a feasibility study and to secure mining permits. Upon the Company making the US$14,000,000 cash contribution to RCHI, it would have owned a 50% interest in RCHI. Upon PRRF converting its investment in RCHI into common shares of the Company, the Company would then own a 100% interest in RCHI and, thus, the Reno Creek Property.

Pursuant to the investment agreement and shareholders agreement dated April 7, 2010 (the “Agreements”) involving PRRF, the Company was obliged to fund RCHI with US$7,000,000 and pay certain fees to PRRF on or before December 1, 2010. Such funding and payment of fees did not occur. On January 5, 2011, PRRF and the Company entered into an amending agreement in respect of the Agreements whereby PRRF funded the first quarter of the 2011 RCHI budget in the amount of US$1,750,000 and, as a result, the interest held by the Company in RCHI was reduced to 21.29% from 23.08% with a maximum interest the Company could earn in RCHI having been reduced from 50.0% to 45.13%. As a result of this reduction in the Company’s maximum earnable interest, PRRF obtained control of the project. The remaining balance of the 2011 RCHI budget, being US$5,250,000 plus certain fees (and accrued interest thereon), was due before March 1, 2011. The Company was unable to secure such funding before March 1, 2011. As a result, PRRF funded the balance of $5,250,000 and, as of March 1, 2011, the interest held by Bayswater in RCHI was reduced to 17.27% from 21.29% with a maximum interest the Company could then earn in RCHI having been reduced from 45.13% to 31.14%.

Upon approval on December 7, 2011 by PRRF and the Company of the calendar 2012 program and budget for the Reno Creek Project in the amount of US$8,000,000, the Company was not able to fund either its obligation of US$7,000,000 and pro-rata share of the balance of US$1,000,000 or certain fees (and accrued interest thereon); and PRRF notified the Company and the parties agreed that PRRF would fund the entire US$8,000,000 for the 2012 program. Consequently, on January 31, 2012, PRRF and the Company further amended the Agreements to reflect such funding by PRRF and reduced the interest held by the Company in RCHI from 17.27% to 13.47% and the maximum interest the Company could then earn in RCHI was reduced from 31.14% to 13.47%.

On March 7, 2013, PRRF completed a further US$2,500,000 investment in RCHI. This financing was the first part of a US$5,500,000 new investment in RCHI which, together with cash on hand at March 7, 2013, financed the US$7,500,000 2013 Reno Creek work program budget. As a result, the interest held by Bayswater in RCHI was reduced to 12.73% from 13.47% with a maximum interest that Bayswater could then earn in RCHI having been reduced from 13.47% to 12.73%.

During June, 2013, PRRF completed a further US$3,105,000 investment in RCHI. The proceeds from this financing was used by AUC to fund AUC's acquisition of the AUC corporate 5% gross production royalty obligation to Strathmore for US$3,000,000 plus certain fees totaling US$105,000. Following the purchase of the royalty by AUC, the royalty was cancelled. As a result, the interest held by Bayswater in RCHI was reduced to 11.76% from 12.73% with a maximum interest that Bayswater could then earn in RCHI having been reduced from 12.73% to 11.76%.

During August, 2013, PRRF completed a further US$3,000,000 investment in RCHI. This financing was the second of two parts of a total US$5,500,000 (as discussed above). As a result, the interest held by Bayswater in RCHI was reduced to 11.09% from 11.76% with a maximum interest that Bayswater could then earn in RCHI having been reduced from 11.76% to 11.09%.

During December 2014, PRRF completed a further US$3,250,000 investment in RCHI. As a result, the interest held by Bayswater in RCHI was reduced to 10.40% from 11.09% with a maximum interest that Bayswater could then earn in RCHI having been reduced from 11.09% to 10.40%.

Pursuant to, and in accordance with the terms of, the investment agreement dated April 7, 2010 between Bayswater and PRRF, (as amended), PRRF was entitled to exchange its shares in Reno Creek Holdings Inc. ("RCHI") for common shares of Bayswater within six months following the later of the completion of a feasibility study on the Reno Creek uranium project or receipt of all required permits for production, but in any event not later that within five years of closing (April 7, 2010) provided certain conditions were met.

The conditions to such exchange were not satisfied by April 7, 2015 and, accordingly, PRRF's interest in RCHI was not exchanged for common shares of Bayswater. As a result, PRRF no longer has the right or obligation to convert its RCHI shares into shares of Bayswater.

During January 2016, PRRF completed a further US$3,350,000 investment in RCHI. As a result, the interest held by Bayswater in RCHI was reduced to 9.50% from 10.40% with a maximum interest that Bayswater could then earn in RCHI having been reduced from 10.40% to 9.50%.

During the year ended February 29, 2016, the Company wrote down its investment in the Reno Creek property by $922,806 (2015 - $4,013,143) to better reflect its estimated recoverable amount with respect to market conditions existing at the time of the write down.

During the year ended February 28, 2017, the Company announced that PRRF, Pacific Road Capital Management Pty Ltd. ("PRCM") and the Company agreed to a settlement of all outstanding indebtedness of the Company owed to PRRF and PRCM, under the investment agreement dated April 7, 2010, as amended, between the Company, its subsidiary, Bayswater Holdings Inc. ("BHI") and PRRF and the shareholders agreement dated April 7, 2010, as amended (the "Shareholders Agreement"), between the Company, BHI, PRRF and RCHI.

Pursuant to a debt settlement agreement dated May 11, 2016, BHI transferred an aggregate of 4,047,321 of its 6,000,000 common shares of RCHI, which shares had previously been pledged to PRRF under prior amendments to the Shareholders Agreement, in settlement of $2,114,143 (US$1,639,737) owing to PRRF. Additionally, the Company waived certain rights of first refusal and first offer under the Shareholders Agreement. As a result of the debt settlement, PRRF's interest in Reno Creek increased to 96.91% and the Company's interest decreased to 3.09%.

During February 2017, PRRF completed a further US$1,500,000 investment in RCHI. As a result, the interest held by Bayswater in RCHI was reduced to 2.73% from 3.09%.

During the year ended February 28, 2017, the Company wrote down its investment in the Reno Creek property by $163,140 (fiscal 2016 - $922,806) to better reflect its estimated recoverable amount to be received on subsequent disposal of the investment (see below).

The value of the Reno Creek property as at February 28, 2017 reflects the value of the common shares and share purchase warrants to be received as part of the subsequent share purchase agreement with Uranium Energy Corp. (see below). The shares and warrants were valued at $700,339 and $256,817, respectively. The warrants were valued using the Black-Scholes pricing model using a volatility of 71.16%, a share price of US$1.35, an expected life of 5 years and a discount rate of 0.85%.

Subsequent to February 28, 2017, PRRF entered into a definitive share purchase agreement with Uranium Energy Corp. ("UEC") to sell all of PRRF's issued and outstanding shares of RCHI and, indirectly thereby, 100% of the fully permitted Reno Creek.

The Company presently owns a 2.73% interest in RCHI and has received notice from PRRF whereby PRRF has exercised certain drag-along rights requiring the Company to sell its 2.73% interest in RCHI to UEC for prorated consideration identical to the consideration being issued to PRRF.

Under the terms of the agreement, UEC will issue to the Company, in return for the Company's 2.73% ownership interest in RCHI, the following:

a) 392,927 common shares of UEC;
b) 308,728 share purchase warrants of UEC, with each warrant entitling the holder to acquire one share of UEC at an exercise price of US$2.30 per share for a period of five years from closing. The warrants will have an accelerator clause that provides that, in the event that the closing price of UEC's common shares on its principally traded exchange is equal to or greater than US$4.00 per share for a period of twenty consecutive trading days, UEC may accelerate the expiry date of the warrants to within thirty days by providing written notice to the holders; and
c) At the Company's election, to be made in writing prior to the closing date for the transaction, a 0.01403% net profit interest royalty capped at US$70,165.50 (or the payment of US$2,807).

All securities issued to the Company are subject to a four-month hold period pursuant to applicable securities legislation, and UEC has agreed to register the UEC shares issuable with the U.S. Securities and Exchange Commission for resale in the United States. The transaction is expected to close by July 31, 2017.

## OTHER PROJECTS

### Brudell Property, Saskatchewan

The Company owns a 100% interest in the Brudell property, which remains in good standing.

### Future Plans and Outlook

Given current market conditions, the Company has significantly reduced overhead and project expenditures. In addition, the Company has entered into a definitive share purchase agreement to sell its interest in the Reno Creek property (see Investment in and Sale of Reno Creek Property section above). As a result, upon closing of this transaction, the Company will commence investigation of new exploration opportunities. However, the reader is cautioned that without additional financing for general working capital and to maintain is current properties, the Company may not be able to maintain the minimum listing requirements of the TSX-V beyond fiscal 2018 (Please see the discussion under Liquidity and Capital Resources, below).

### Selected Annual Financial Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Consolidated Financial Statements.

| | Year Ended February 28, 2017 | Year Ended February 29, 2016 | Year Ended February 28, 2015 |
|---|---|---|---|
| Loss for the year | $ (205,935) | $ (1,327,622) | $ (4,941,735) |
| Basic and diluted loss per share | (0.01) | (0.04) | (0.20) |
| Total assets | 1,174,104 | 3,528,576 | 4,341,949 |
| Total long-term liabilities | - | - | - |
| Cash dividends | - | - | - |

### Basis of preparation

The financial information for the years ended February 28, 2017 and February 29, 2016 have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

### Results of Operations

*Fourth Quarter results*

The Company recorded a loss of $65,129 for the three months ended February 28, 2017 compared with a loss of $1,020,630 incurred during the comparative period from fiscal 2016. The reason for the difference was primarily related to the write down of exploration and evaluation assets totaling $922,806 during the comparative period compared to a write-down of $163,138 during the current period. In addition, during the current period, accrued management fees and directors' fees were reduced by 50% from those recorded during the comparative period.

*Year ended February 28, 2017*

The Company recorded a loss of $205,935 for the year ended February 28, 2017 (the “current year”) compared to a loss of $1,327,622 for the year ended February 29, 2016 (the “comparative year”). The main reason for the decrease in loss of $1,121,687 was due to the fact that the Company wrote down the carrying value of its investment in the Reno Creek project by $922,806 during the comparative year as compared to $163,138 during the current year. In addition, the Company recognized a gain on sale of the Collins Bay Extension of $348,622 and a gain on forgiveness of debt of $68,015 during the comparative year while recognizing a foreign exchange gain of $122,593 during the current year and a foreign exchange loss of $215,264 during the comparative year. Finally, interest expense of $258,619 was recognized during the comparative year on amounts owing to PRRF. These amounts were settled during the comparative year.

**Quarterly Information**

| | Three Months Ended Feb 28, 2017 | Three Months Ended Nov 30, 2016 | Three Months Ended Aug 31, 2016 | Three Months Ended May 31, 2016 |
|---|---|---|---|---|
| Total assets | $ 1,174,104 | $ 1,207,425 | $ 1,266,103 | $ 1,288,302 |
| Exploration and evaluation assets | 957,157 | 979,458 | 979,458 | 979,458 |
| Working capital deficiency | (1,428,576) | (1,386,227) | (1,288,575) | (1,275,840) |
| Income (loss) for the period | (65,129) | (98,185) | (13,294) | (29,327) |
| Earnings (loss) per share | (0.00) | (0.00) | (0.00) | (0.00) |

| | Three Months Ended Feb 29, 2016 | Three Months Ended Nov 30, 2015 | Three Months Ended Aug 31, 2015 | Three Months Ended May 31, 2015 |
|---|---|---|---|---|
| Total assets | $ 3,528,576 | $ 4,473,915 | $ 4,543,522 | $ 4,311,670 |
| Exploration and evaluation assets | 3,234,438 | 4,157,244 | 4,157,244 | 4,157,244 |
| Working capital deficiency | (3,502,092) | (3,405,061) | (3,207,574) | (3,283,715) |
| Income (loss) for the period | (1,020,630) | (198,127) | 35,457 | (144,322) |
| Earnings (loss) per share | (0.03) | (0.01) | 0.00 | (0.00) |

**Fiscal 2017**

During the period from December 1, 2016 to February 28, 2017, total assets decreased by $33,321. The decrease was mainly due to the recognition of a further write-down of exploration and evaluation assets, offset by foreign exchange gain of $122,591.

During the period from September 1, 2016 to November 30, 2016, total assets decreased by $58,678. The decrease was mainly due to the recognition of a foreign exchange loss of $16,695 and an unrealized loss on marketable securities of $33,875.

During the period from June 1, 2016 to August 31, 2016, the Company sold marketable securities for proceeds totaling $66,292. The Company recorded a realized gain on the sale of marketable securities of $49,594.

From March 1, 2016 to May 31, 2016, total assets decreased by $2,240,274. The decrease was mainly due to the reduction of exploration and evaluation assets of $2,254,980 as a result of a debt settlement with

PRRF and cash used by operations. This was partially offset by a realized gain on marketable securities that was recorded during the quarter ended May 31, 2016.

**<u>Fiscal 2016</u>**

From December 1, 2015 to February 29, 2016, total assets decreased by $945,339. The decrease was mainly due to the write down of exploration and evaluation assets of $922,806 and cash used by operations. This was partially offset by a realized gain on marketable securities that was recorded during the quarter ended February 29, 2016.

From September 1, 2015 to November 30, 2015, total assets decreased by $69,607. The decrease was mainly due to cash used for operations.

From June 1, 2015 to August 31, 2015, total assets increased by $231,852. The increase was mainly due to cash from investing activities of $389,080 (net cash proceeds from the sale of the Collins Bay Extension), offset by cash used for operations of $178,319.

From March 1, 2015 to May 31, 2015, total assets decreased by $30,279. The decrease was mainly due to cash used for operations.

## Liquidity and Capital Resources

The Company commenced fiscal 2017 with a working capital deficiency of approximately $3,502,000 and cash of $205,361. As at February 28, 2017, the Company had a working capital deficiency of approximately $1,428,000 and cash of $130,900. Operating expenditures incurred during the year ended February 28, 2017 were primarily funded from cash on hand at February 29, 2016 and from proceeds of $66,292 received on the sale of marketable securities.

Included in accounts payable and accrued liabilities is the balance of a finder's fee totaling $693,142 (US$525,000) associated with the acquisition of the Reno Creek Property.

On May 18, 2016, the Company announced that Pacific Road Resources Funds ("PRRF"), Pacific Road Capital Management Pty Ltd. ("PRCM") and the Company agreed to a settlement of all outstanding indebtedness of the Company owed to PRRF and PRCM, under the investment agreement dated April 7, 2010, as amended, between the Company, its subsidiary, Bayswater Holdings Inc. ("BHI") and PRRF and the shareholders agreement dated April 7, 2010, as amended (the "Shareholders Agreement"), between the Company, BHI, PRRF and Reno Creek Holdings Inc. ("RCHI") which indirectly owns the Reno Creek uranium project.

Pursuant to a debt settlement agreement dated May 11, 2016, BHI transferred an aggregate of 4,047,321 common shares of RCHI, which shares had previously been pledged to PRRF under prior amendments to the Shareholders Agreement, in settlement of all amounts owing to PRRF. Additionally, the Company waived certain rights of first refusal and first offer under the Shareholders Agreement.

As a result of the debt settlement, PRRF's interest in Reno Creek increased to 96.91% and the Company's interest decreased to 3.09% (further reduced to 2.73% - see Investment in Reno Creek Property section above).

For the year ending February 28, 2018, Bayswater anticipates incurring minimal exploration and property maintenance expenditures in order to maintain the Company's project. As a result of the sale of its Collins Bay Extension property during the year ended February 29, 2016, the sale of marketable securities during the year ended February 28, 2017 and the pending sale of its interest in the Reno Creek property, the Company expects to have sufficient cash reserves to sustain operations beyond the 2018 fiscal year.

Bayswater's main source of financing is through issuances of equity, proceeds from the sale of marketable securities and, potentially, proceeds from the sale of certain mineral properties.

The Company does not anticipate generating revenues in the near future and intends to continue its mineral exploration activities. These activities, along with further mineral acquisitions, will need to be funded through additional equity financings.

The Company's annual consolidated financial statements have been prepared on the basis that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. However, the Company has sustained substantial losses from operations since inception and has no current source of revenue. Continued operations of the Company are dependent on the Company's ability to complete equity financings or generate profitable operations in the future. The Company's financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence. Financing opportunities for companies with early-stage exploration projects are limited at the present time and failure to re-finance the Company in Fiscal 2018 could result in the need to wind-down existing activities.

**Related party transactions**

During the year ended February 28, 2017, the Company:

a) Paid or accrued $60,000 (2016 - $120,000) for management fees to the current CEO of the Company.

b) Paid or accrued $21,000 (2016 - $22,000) for administration fees, $Nil (2016 - $750) for rent and $34,000 (2016 - $34,000) for professional fees to a company associated with two officers of the Company.

c) Accrued $18,750 (2016 - $37,500) for director fees.

Included in receivables at February 28, 2017 is $6,705 owing from AUC LLC, a company related via officers in common (2016 - $445).

Included in accounts payable and accrued liabilities at February 28, 2017 is $806,753 (February 29, 2016 - $761,374) owing to a company controlled by the former CEO of the Company, to the current CEO of the Company, to directors of the Company and to a company controlled by an officer of the Company, all related to the above transactions and for directors' fees.

The remuneration of directors and key management personnel during the years ended February 28, 2017 and February 29, 2016 are as follows:

| | 2017 | 2016 |
|---|---|---|
| Administration fees | $ 21,000 | $ 22,000 |
| Directors' fees | 18,750 | 37,500 |
| Management fees | 60,000 | 120,000 |
| Professional fees | 34,000 | 34,000 |
| Rent | - | 750 |
| | $ 133,750 | $ 214,250 |

**Off-Balance Sheet Arrangements**

The Company has no off-Balance Sheet arrangements as at the date of this report.

**Commitments**

During the year ended February 28, 2014, the Company entered into a management services agreement and various consulting agreements with the Company's CEO and consultants with remuneration of $10,000 (amended to $5,000 commencing March 1, 2016) and $5,733 per month, respectively. If the Company terminates the agreements, the Company will, in certain circumstances, be obligated to make a termination payment equal to twenty-four times, and twelve times, respectively, the monthly management or consulting fees.

**Risks and Uncertainties**

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company's properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that claims and leases are in good standing and obtaining permits for drilling and other exploration activities. The market prices for uranium and other metals can be volatile and there is no assurance that a profitable market will exist for a production decision to be made or for the ultimate sale of the metals even if commercial quantities of precious and other metals are discovered.
The Company is operating in Canada and the United States. Changing political situations may affect the manner in which the Company operates. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its expenditures in local currencies or in US dollars. At this time there are no currency hedges in place. All work is primarily carried out through independent consultants and the Company requires that all consultants carry their own insurance to cover any potential liabilities as a result of their work on a project.

**Accounting Standards Not Yet Effective**

The Company has not early adopted these standards, which are effective for annual periods beginning on or after March 1, 2017, and is assessing the impact that these standards will have on its financial statements:

a) IFRS 9 Financial Instruments (new; to replace IAS 39 and IFRIC 9);
b) IFRS 15 Revenue from Contracts from Customers (new, to replace IAS 11, IAS 18, IFRIC 13 and IFRIC 15); and
c) IFRS 16 Leases (new)

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

**Financial and Capital Risk Management**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's receivables and accounts payable and accrued liabilities approximate their carrying values. The Company's other financial instruments, being cash and marketable securities, are measured at fair value using Level 1 inputs.

The Company is exposed to varying degrees to a variety of financial instrument related risks:

*Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash is held at a large Canadian financial institution in interest bearing accounts. The Company has no investment in asset backed commercial paper.

The Company's receivables consist mainly of amounts due from a related company and HST receivable due from the government of Canada.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company manages liquidity risk through its capital management as outlined below. Accounts payable relating to mineral properties and other accounts payable and accrued liabilities are due within one year.

The Company has a working capital deficiency as at February 28, 2017 of $1,428,576. Included in accounts payable and accrued liabilities is a finder's totaling $693,142 (US$525,000) associated with the acquisition of the Reno Creek Property.

During May 2016, the Company transferred an aggregate of 4,047,321 common shares of RCHI to PRRF in settlement of US$1,639,373 owing to PRRF and recognized in the Company's payables as at February 29, 2016.

*Market risk*

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

a) Interest rate risk

   Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

   The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is minimal because these investments roll over daily.

b) Foreign currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, the United States and Ireland. The Company funds cash calls to its subsidiary companies outside of Canada in US dollars and a portion of its expenditures are also in other local currencies. The greatest risk is the exchange rate of the Canadian dollar relative to the US dollar and a significant change in this rate could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations. At February 28, 2017, the Company is exposed to currency risk through the following assets and liabilities denominated in US dollars:

| | US$ |
|---|---|
| Cash | 6,290 |
| Reclamation bonds | 5,070 |
| Accounts payable and accrued liabilities | (525,000) |
| Net exposure | (513,640) |

Based on the above net exposure as at February 28, 2017, and assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar would affect the loss and comprehensive loss by $51,364.

c) Price risk

The Company is exposed to price risk with respect to commodity prices, particularly uranium. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

The Company currently maintains investments in certain marketable securities. There can be no assurance that the Company can exit these positions if required, resulting in proceeds approximating the carrying value of these securities.

*Capital management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the exploration of its mineral properties. The Company relies mainly on equity issuances to raise new capital and on entering joint venture agreements on certain properties which enables it to conserve capital and to reduce risk. In the management of capital, the Company includes the components of shareholders' equity. The Company prepares annual estimates of exploration expenditures and monitors actual expenditures compared to the estimates in effort to ensure that there is sufficient capital on hand to meet ongoing obligations. The Company's investment policy is to negotiate premium interest rates on savings accounts or to invest its cash in highly liquid short-term deposits with terms of one year or less and which can be liquidated at any time without interest penalty. The Company will require additional financing in order to provide working capital to fund costs relating to the financing of the investment in the Reno Creek Property and fund its exploration programs. These financing activities may include issuances of additional debt or equity securities or disposal of mineral property interests in order to re-invest the proceeds.

The Company currently is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

## Outstanding Share Data

As at June 28, 2016, there were 30,739,548 common shares issued and outstanding. There are also 1,952,500 stock options with an exercise price of $0.10 per share which expire on February 3, 2018. There are no warrants outstanding.