



**Management's Discussion and Analysis**  
**of the Financial Condition and Results of Operations**  
**Nine Months Ended October 31, 2015**

**December 18, 2015**

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The following discussion of financial performance and condition should be read in conjunction with the unaudited condensed interim financial statements of Canadian Orebodies Inc. (the “Company”) for the nine months ended October 31, 2015 and the audited financial statements for the year ended January 31, 2015 and the notes thereto, that have been prepared in accordance with International Financial Reporting Standards (“IFRS”). All dollar amounts are expressed in Canadian dollars unless otherwise indicated. This report which is dated December 18, 2015 has been approved by the Board of Directors and the Company’s other public filings can be reviewed on the SEDAR website. ([www.sedar.com](http://www.sedar.com)).

### ***CAUTIONARY NOTE***

This document contains or refers to forward-looking information. Such forward-looking information includes, among other things, statements regarding targets, estimates and/or assumptions in respect of future production, capital costs and future economic, market and other conditions, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to: the grade and recovery of ore which is mined varying from estimates; exploration and development costs varying significantly from estimates; inflation; fluctuations in commodity prices; delays in the development of the any project caused by unavailability of equipment, labour or supplies, climatic conditions or otherwise; termination or revision of any debt financing; failure to raise additional funds required to finance the completion of a project; and other factors. Forward-looking statements are subject to significant risks and uncertainties and other factors that could cause actual results to differ materially from expected results. Readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no responsibility to update them or revise them to reflect new events or circumstances, except as required by law. Also refer to the ***Risks and uncertainties*** section of this MD&A.

## ***Corporate Information***

The Company was incorporated pursuant to the provisions of the *Business Corporations Act* (of Alberta) on January 28, 2008. On July 21, 2008, the Company was authorized to continue its operations from the jurisdiction of Alberta to Ontario. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of the amounts expended on the mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and upon future profitable production or proceeds from disposition of such properties.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has interests, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

## ***Overall Performance***

As at October 31, 2015, the Company had assets of \$126,111 and a net equity position of \$(238,115). This compares with assets of \$399,141 and a net equity position of \$129,100 at January 31, 2015.

## ***Review of Operations***

### ***Recent Activity***

On March 3, 2014, the Company issued 50,000 shares, valued at \$10,000, to the underlying owners of the Zig Zag Property as payment of the pre-production royalty.

On April 28, 2014, the Company exercised its Put Right (as described under the Farley Lake Project heading) to transfer its 10% interest back to Carlisle Goldfields Ltd. ("Carlisle") in exchange for 8,000,000 common shares in Carlisle. The Carlisle shares were received on May 1, 2014 with an aggregate value of \$400,000, and were subject to a four month hold that expired on September 2, 2014. The Put Right was exercised to give the Company additional financial flexibility, while still enabling the Company to benefit from any further advancement of the Farley Lake Project through its shareholding in Carlisle.

On April 28, 2014, the Company granted incentive stock options to Directors, Officers and consultants of the Company in the aggregate amount of 985,000 under the terms of the incentive stock option plan of the Company. The options are exercisable at a price of \$0.25 per share for a period of five years and are subject to a four month hold period from the date of the issuance thereof.

On June 6, 2014 the Company announced a proposed share consolidation on the basis of one post-consolidated common share for up to every five pre-consolidated common shares (the "Share Consolidation"). The Share Consolidation is subject to shareholder approval at an upcoming special meeting of shareholders to be held on July 9, 2014 and is subject to TSX Venture Exchange approval. If approved by the shareholders and implemented by the Company's Board of Directors, the Share Consolidation would reduce the Company's 163,420,290 issued and outstanding common shares to approximately 32,684,058 post-consolidation common shares at the maximum ratio proposed. The exercise price of outstanding stock options, and the number of such options, would be proportionately

adjusted based upon the Share Consolidation. On July 9, 2014 the proposed Share Consolidation was approved by the shareholders and remains available to be implemented by the Company's Board of Directors.

On August 11, 2014 the Company signed an Exploration Agreement with the Missanabie Cree First Nation ("MCFN"), relating to the Company's continuing exploration work on the Hawkins Property. Pursuant to the agreement, the company issued 40,000 common shares valued at \$3,000 to the MCFN and contributed \$2,000 toward the MCFN's legal fees as consideration for unobstructed access to certain portions of the MCFN's traditional lands.

On March 3, 2015, the Company issued 200,000 shares, valued at \$10,000, to the underlying owners of the Zig Zag Property as payment of the pre-production royalty.

On July 9, 2015, the Company completed the Share Consolidation on the basis of one post-consolidation common share for every five pre-consolidation common shares. The Share Consolidation reduced the Company's 164,620,290 issued and outstanding common shares to 32,924,059 post-consolidation common shares. The exercise price of outstanding share options, and the number of such options, were also proportionately adjusted based upon the Share Consolidation. All historical information has been adjusted to reflect the Share Consolidation.

On September 28, 2015 the Company's Board of Directors passed a resolution to cancel all 2,135,000 of the outstanding share options.

On November 12, 2015 the Company signed an option agreement with Pavey Ark Minerals Inc. ("Pavey Ark") whereby Pavey Ark can acquire a 100% legal and beneficial interest in the Company's Hawkins property, subject to a 0.5% NSR retained by the Company. Under the terms of the option agreement, Pavey Ark must make 13 monthly payments of \$8,000 for total consideration of \$104,000 in cash. Pavey Ark has the option to reduce the total consideration to \$96,000 by paying that amount in full on or before February 12, 2016.

On November 27, 2015, the Company voluntarily delisted its shares from the TSX Venture Exchange but will remain a reporting issuer in Ontario. The Company delisted from the TSX Venture Exchange to reduce operating costs during the continued weakness in the resource sector and to allow for a streamlined process to undertake a change of business if necessary.

### ***Portfolio of Properties***

#### ***Exploration Expenditures by Property***

During the nine months ended October 31, 2015 the Company incurred a total of \$13,678 in exploration expenditures and recovered \$2,500 in prior expenditures across all of its projects.

For the Lithium and Rare Metals Project, the Company spent \$10,000 to fulfill its option requirements. The Company also spent \$3,678 on its Belcher Islands Iron Project and recovered \$2,500 in previous expenditures.

A complete breakdown of the exploration expenditures by project and category is provided below:

	Belcher Islands Iron		Farley Lake		Lithium & Rare Metals		Trump & Hawkins		Total	
	01-Feb-2015	01-Feb-2014	01-Feb-2015	01-Feb-2014	01-Feb-2015	01-Feb-2014	01-Feb-2015	01-Feb-2014	01-Feb-2015	01-Feb-2014
Period beginning	31-Oct-2015	31-Jan-2015	31-Oct-2015	31-Jan-2015	31-Oct-2015	31-Jan-2015	31-Oct-2015	31-Jan-2015	31-Oct-2015	31-Jan-2015
<b>Balance, beginning of period</b>	<b>\$ 14,196,238</b>	<b>\$ 14,202,007</b>	<b>\$ -</b>	<b>\$ 800,000</b>	<b>\$ 1,285,724</b>	<b>\$ 1,275,724</b>	<b>\$ 750,984</b>	<b>\$ 745,484</b>	<b>\$ 16,232,946</b>	<b>\$ 17,023,215</b>
Acquisition, Staking & Options	3,678	2,702	-	-	10,000	10,000	-	-	13,678	12,702
Assays & Sampling	-	-	-	-	-	-	-	-	-	-
Camp Costs & Equipment	-	-	-	-	-	-	-	-	-	-
Consulting	-	-	-	-	-	-	-	500	-	500
Drilling	-	-	-	-	-	-	-	-	-	-
Geology	-	-	-	-	-	-	-	-	-	-
Geophysical	-	-	-	-	-	-	-	-	-	-
Permitting	-	-	-	-	-	-	-	5,000	-	5,000
Recovery of Costs	(2,500)	(8,471)	-	-	-	-	-	-	(2,500)	(8,471)
Salaries & Labour	-	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-	-
Property Sales	-	-	-	(400,000)	-	-	-	-	-	(400,000)
Disposals	-	-	-	(400,000)	-	-	-	-	-	(400,000)
<b>Total for period</b>	<b>1,178</b>	<b>(5,769)</b>	<b>-</b>	<b>(800,000)</b>	<b>10,000</b>	<b>10,000</b>	<b>-</b>	<b>5,500</b>	<b>11,178</b>	<b>(790,269)</b>
<b>Balance, end of period</b>	<b>\$ 14,197,416</b>	<b>\$ 14,196,238</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,295,724</b>	<b>\$ 1,285,724</b>	<b>\$ 750,984</b>	<b>\$ 750,984</b>	<b>\$ 16,244,124</b>	<b>\$ 16,232,946</b>

### ***Belcher Islands Iron***

The Company has a 100% interest in the Belcher Islands Iron Project (“Belcher Project”), which covers 23,042 hectares located on the Belcher Islands in Nunavut, Canada. The project consists of 1,226 hectares of Inuit Owned Land and 29 claims covering 21,816 hectares of Municipal Land. A significant amount of exploration work, including numerous widely-spaced diamond drill holes, was carried out on the property during the 1950’s by Belcher Mining Corporation Ltd. Since acquiring the Belcher Project, the Company has drilled 97 holes on a number of target areas. The Company’s 2011 exploration program culminated in a NI 43-101 Resource Estimate prepared by George Wahl of GH Wahl & Associates Consulting, which was effective February 6, 2012. The Belcher Project is host to the Haig Inlet Deposit which has an indicated resource of 230 million tonnes at 35.17% Fe and an additional inferred resource of 289 million tonnes at 35.47% Fe.

The Haig Inlet Deposit is a Lake Superior Type iron formation, is Paleoproterozoic (1,880 Ga) and is located at the western edge of the Superior Province. This iron formation is thought to have been deposited under similar conditions and timing as the Sokoman Formation which hosts the Labrador Trough iron deposits. Many of the stratigraphic sub-units of the Sokoman can be correlated to similar units in the Kipalu Formation which hosts the Haig Inlet deposit. The Kipalu Iron Formation hosts the Haig Inlet Iron mineralization and is overlain by a sequence of flood basalts. The iron formation is comprised of granular cherts and banded red cherts suggesting an alternating sequence of near shore environment with deposition above and below the wave base and a deeper and quieter marine environment. Lake Superior Type deposits mineralized predominantly with hematite have been successfully mined and concentrated at mining operations in the Labrador Trough since 1954.

### ***Farley Lake Project***

The Company held a 10% non-diluting interest in the Farley Lake Mine Project (“Farley Lake Project”) operated and 90% owned by Carlisle Goldfields Ltd. (TSX:CGJ) (“Carlisle”). The Company earned the interest by incurring aggregate exploration expenditures on the property of \$800,000 by December 31,

2013. On April 28, 2014, the Company exercised its “put right” and transferred its 10% interest back to Carlisle in exchange for 8,000,000 common shares of Carlisle. On May 1, 2014 the Company received the Carlisle shares valued at \$400,000.

### ***Lithium and Rare Metals***

The Company has 3 Lithium and Rare Metals properties (the “Lithium Project”) which in total consist of 162 claim units comprising 2,592 hectares, all of which are 100%-owned. The Zig Zag property is located near Crescent Lake, Ontario, and together cover 86 claim units consisting of 1,376 hectares. The Falcon and Outer Zig Zag properties are located near Falcon Lake, Ontario, and cover 76 claim units consisting of 1,216 hectares.

The Lithium Project is located within the northeastern region of the Wabigoon Sub-Province of the Achaean Superior Province, along a 130 kilometre long boundary zone with the English River Sub-Province. The boundary is marked by a major, anastomosing east-west trending suture and hosts numerous pegmatite dykes which have intruded amphibolite facies meta-volcanic rocks of the Wabigoon Sub-Province and occasionally meta-wackes of the English River Sub-Province. The east-west trending Caribou Lake-O’Sullivan Greenstone Belt underlying the Lithium Project is composed of the older Marshall Lake Group and the younger Toronto Lake Group, which are sandwiched by the Robinson Lake Batholith to the south and the English River Sub-Province to the north. The Summit Lake Batholith, a tonalitic to quartz-dioritic intrusive complex, has intruded the northeastern portion of the belt and is thought to be the parent magma to the Crescent Lake and Falcon Lake Group Pegmatite Dykes.

### ***Trump Property***

The Trump Property consists of 96 claim units comprising 1,536 hectares in the James Bay Lowlands near McFaulds Lake, Ontario. The Company holds an 80% interest through a joint venture agreement with Rainy Mountain Royalty Corp (“Rainy Mountain”). The property is located 28 km south east of the Norton nickel-copper-cobalt-PGE deposit, held by Rainy Mountain and approximately 128 km south west of the Noront Resources Ltd. Eagle Nest nickel-PGE deposit. Data collected during airborne magnetic surveys flown in 2008 was reinterpreted using additional information uncovered by other discoveries in the “Ring of Fire” area. The resulting conclusions show that the Trump Property features a complex magnetic environment that could represent a volcanogenic environment with the potential of hosting VMS deposits and possibly magmatic sulphides. As a result, eight separate electromagnetic conductor targets that are interpreted to represent conductive sulphide zones have been outlined on the property. These occur along a magnetic feature that is interpreted to be a folded ultramafic complex which is a favourable environment for nickel-copper, or volcanogenic massive sulphide deposits.

### ***Hawkins Property***

The Hawkins Property, located 120 km South of Hearst, Ontario, consists of 96 claim units covering a total area of 1,536 hectares. The property is host to the historic Shenango Gold Mine. The Shenango prospect was in production during 1936, 1937 and 1945. Two shafts were sunk to 52 and 125 feet and an adit was driven 90 feet while following auriferous quartz veins cutting mafic metavolcanics. In the mid-1980’s Falconbridge Exploration Ltd. carried out an extensive shallow drilling program and defined a low-grade auriferous felsic horizon with values of 1 to 4 grams per ton gold over 4 to 30 meter widths along a minimum strike length of 3 to 4 kilometers. No thorough drilling was carried out to evaluate these felsic volcanoclastic units at depth or to the west.

On November 12, 2015 the Company signed an option agreement with Pavey Ark Minerals Inc. ("Pavey Ark") whereby Pavey Ark can acquire a 100% legal and beneficial interest in the Hawkins Property, subject to a 0.5% NSR retained by the Company. Under the terms of the option agreement, Pavey Ark must make 13 monthly payments of \$8,000 for total consideration of \$104,000 in cash. Pavey Ark has the option to reduce the total consideration to \$96,000 by paying that amount in full on or before February 12, 2016.

***McFaulds Lake 'Ring of Fire' Royalty Interests***

In May 2010, the Company entered into an agreement with Noble Mineral Exploration Inc. ("NOB", formally Ring of Fire Resources Inc. and Hawk Uranium Inc.) by which the Company sold its interest in eight 100% owned northern properties (the "Northern Properties") and seven 50% owned southern properties (the "Southern Properties"). The agreement entitles the Company to a 10% NPI royalty on the Northern Properties and a 10% NPI royalty on the portion of the Southern Properties acquired by NOB, which would be converted to a 0.15% NSR royalty if NOB's interest in the Southern Properties is reduced to less than 10% and therefore converted to a NSR royalty. NOB subsequently sold the Northern Properties and Southern Properties to Macdonald Mines Exploration Ltd. ("BMK").

*Summary of Quarterly Results*

	<b>Aug. 1, 2015 to Oct. 31, 2015</b>	<b>May 1, 2015 to Jul. 31, 2015</b>	<b>Feb. 1, 2015 to Apr. 30, 2015</b>	<b>Nov. 1, 2014 to Jan. 31, 2015</b>
<b>(\$)</b>				
Total revenues	-	-	-	-
Net loss before other comprehensive loss	(120,661)	(120,733)	(157,513)	(377,394)
Net loss and comprehensive net loss per share – basic and fully diluted	(0.00)	(0.00)	(0.00)	(0.00)
Total assets	126,111	138,850	258,736	399,141
Long-term debt	Nil	Nil	Nil	Nil
Shareholders' equity	(238,115)	(131,469)	(9)	129,100
Cash dividends declared per common share	Nil	Nil	Nil	Nil
	<b>Aug. 1, 2014 to Oct. 31, 2014</b>	<b>May 1, 2014 to Jul. 31, 2014</b>	<b>Feb. 1, 2014 to Apr. 30, 2014</b>	<b>Nov. 1, 2013 to Jan. 31, 2014</b>
<b>(\$)</b>				
Total revenues	-	-	-	-
Net loss before other comprehensive loss	(168,380)	227,103	(271,129)	(881,916)
Net loss and comprehensive net loss per share – basic and fully diluted	(0.00)	0.00	(0.00)	(0.00)
Total assets	482,077	708,975	457,711	691,758
Long-term debt	Nil	Nil	Nil	Nil
Shareholders' equity	246,686	470,016	200,413	420,692
Cash dividends declared per common share	Nil	Nil	Nil	Nil



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## ***Results of Operations***

For the nine months ended October 31, 2015, the Company incurred a loss of \$398,907 compared to a loss of \$212,406 in the prior year for a decrease of \$186,501. The large decrease was due to the fact that there was income of \$400,000 from a property sale in the prior period. Excluding this item, the loss was \$213,499 less than the same period in the previous year.

In addition, the Company had other comprehensive loss comprised of an unrealized loss of \$8,016 compared to a loss of \$210,000 for the comparative period with respect to marketable securities held on hand. The Company also reclassified realized losses to profit and loss in the amount of \$29,708 during the nine months ended October 31, 2015, compared to \$122,500 in the prior year.

### ***Results of Operations for the nine months ended October 31, 2015 as compared to the nine months ended October 31, 2014***

The Company spent \$13,678 on exploration expenditures, slightly less than the \$15,000 incurred during the same period in the prior year. During the period the Company did not receive any proceeds from the sale of properties, but did recover \$2,500 of previous exploration costs, down from the \$408,471 of property sales and cost recoveries in the same period of the previous year.

Over the past year, the Company has actively worked to reduce expenditures in order to conserve capital.

The Company expensed \$23,216 in professional and consulting fees as compared to \$19,181 in the corresponding period of the preceding year for an increase of \$4,035.

The Company incurred \$272,198 (2014 - \$272,039) for management and administrative expenses. Of the amount in the current period, \$112,950 relates to deferred compensation that has been voluntarily accrued by the Company's management and not paid out. Since August 1, 2015 the Company's management has deferred all salaries.

Office and administrative expenses were \$39,759 for the period (2014 - \$54,029) for a net decrease of \$14,270.

Shareholder information expense for the period was \$23,197 (2014 - \$26,244) for a decrease of \$3,047.

During the period, the Company earned interest on its cash investments aggregating \$349 (2014 - \$1,882).

In accordance with IFRS reporting, an investment loss of \$29,708 (2014 – loss of \$123,300) is recognized in operations and is the realized loss on the sale of marketable securities during the period. In the prior period, this figure also included the difference between the fair value of the 4,000,000 Noble Mineral Exploration Inc. warrants the Company held, which expired on May 11, 2014.

## ***Objectives and Milestones***

The objectives of the Company are to (i) enhance its geological knowledge of its Haig Inlet Iron Project and its Lithium/Rare Metals Properties (ii) develop targets on the properties for future sampling and drilling programs; and (iii) target, review and, if desirable, acquire and develop additional mineral assets in order to augment and strengthen its current mineral property portfolio.

In conducting its search for additional mineral properties, the Company may consider acquiring properties that it considers prospective based on criteria such as the exploration history or location of the properties, or a combination of these and other factors. Risk factors to be considered in connection with the Company's search for and acquisition of additional mineral properties include the significant expenses required to locate and establish mineral reserves; the fact that expenditures made by the Company may not result in discoveries of commercial quantities of minerals; environmental issues; land title; competition; and, the potential failure of the Company to generate adequate funding for any such acquisitions. See the ***Risks and Uncertainties*** section of this MD&A.

### ***Liquidity and Capital Resources***

As at October 31, 2015, the Company had a working capital deficiency of \$(238,115) (January 31, 2015 – \$129,100). See ***Risks and Uncertainties – Liquidity Risk***. The working capital at October 31, 2015 and at January 31, 2015 includes \$233,035 due to a related party that accrues no interest and has no fixed term of repayment and \$112,950 in deferred compensation due to the Company's management.

During the nine months ended October 31, 2015, no share purchase warrants of the Company were exercised.

The Company estimates that its corporate and general costs to maintain the requirements of a reporting issuer for the next twelve months will total approximately \$395,000. The Company currently does not have sufficient working capital to fund its corporate and general costs over the twelve months and repay the related party loan. The Company will have to monetize its interest in one or more of its properties or raise additional capital in the next year to continue operations.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its mining interest expenditures is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. Accordingly, the Company's financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the financial statements.

The exploration and development of the Company's properties depends on the ability of the Company to obtain financing. If the Company's exploration programs are successful, additional funds will be required to develop the Company's properties and, if successful, to place them in commercial production. The only sources of future funds available to the Company are further offerings of either debt or equity capital of the Company, or the sale by the Company of an interest in any of its properties in whole or in part. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish

rights to certain of its interests. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its interests in some or all of its properties and reduce or terminate its operations.

### ***Capital Management***

In managing its capital, the Company's primary objective is to ensure the entity can continue as a going concern as well as to provide optimal returns to its shareholders, in the long term. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of properties for the mining of minerals that are economically recoverable. The Board of Directors does not establish quantitative returns on capital criteria for management due to the nature of the industry, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company considers its capital to be equity, which is comprised of share capital, reserves and accumulated deficit, which at October 31, 2015 totaled \$(238,115) (January 31, 2015 - \$129,100).

The properties in which the Company currently has an interest are in the exploration stage. As such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

1. attempting to maintain a liquidity cushion in order to address any potential disruptions or industry downturns;
2. minimizing discretionary disbursements;
3. reducing or eliminating exploration expenditures that are of limited strategic value; and
4. exploring alternative sources of liquidity.

As such, the Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the Company's relative size, is reasonable.

There were no changes in the Company's approach to capital management during the nine months ended October 31, 2015. The Company is not subject to externally imposed capital requirements.

### ***Critical Accounting Policies and Estimates***

#### ***Mineral Properties and Exploration Expenditures***

The Company expenses all costs relating to the acquisition of, exploration for and development of mineral claims and credits all revenues received against the exploration expenditures. Such costs include, but are not limited to geological, geophysical studies, exploratory drilling and sampling.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized; this includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of

development costs that give rise to a future benefit.

### ***Use of Estimates***

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

### ***Share-based Compensation***

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. The fair value is measured at grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

### ***Related-party Transactions***

During the nine months ended October 31, 2015, a total of nil (2014 – 970,000) share options were granted to directors and officers of the Company.

On April 1, 2015, the executive management of the Company voluntarily began accruing \$4,000 of their monthly salary. On June 1, 2015 the amount of the accrual was increased to \$8,000 per month. As of August 1, 2015, the Company's executive management elected to defer all compensation. As at October 31, 2015, the balance outstanding was \$112,950 and is due on demand.

As at October 31, 2015, the Company has a loan from 695202 Ontario Limited, a corporation controlled by a relative of Gordon McKinnon, the Chief Executive Officer and a director of the Board, in the amount of \$233,035 (2014 - \$233,035) and is due on demand as at October 31, 2015. The loan is interest free and unsecured.

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

### ***Off-balance Sheet Transactions***

During the nine months ended October 31, 2015, there were no off-balance sheet transactions. The Company has not entered into any specialized financial agreements to minimize its investment risk, currency risk or commodity risk.

## ***Dividends***

The Corporation has neither declared nor paid any dividends on its Common Shares. The Corporation intends to retain its earnings, if any, to finance growth and expand its operations and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

## ***Risks and Uncertainties***

### **Credit Risk**

The Company deposits cash with financial institutions it believes to be creditworthy. In some circumstances, cash balances at these financial institutions may exceed the federally guaranteed amount. The Company's current credit risk is primarily attributable to cash and HST recoverable. Cash is held with a reputable, Tier A Canadian chartered bank and as such, management believes the risk of loss to be minimal. HST recoverable is due from the federal government of Canada. Management believes that the credit risk with respect to financial instruments included in HST recoverable is minimal and remote.

### **Liquidity Risk**

The Company's ability to remain liquid over the long term depends on its ability to obtain financing necessary to complete exploration and development of its mineral properties and their future profitable production or, alternatively, upon the Corporation's ability to dispose of its interest on an advantageous basis.

As mentioned previously in this MD&A, as at October 31, 2015, the Company had a working capital deficiency of \$(238,115) (January 31, 2015 – \$129,100). The Company is seeking additional capital to increase its liquidity over the medium to long term. All of the Company's accounts payable and accrual liabilities have contractual maturities of less than 60 days and are subject to normal trade terms. The Company's financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assume the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's continued existence is dependent upon its ability to obtain the necessary financing to meet ongoing expenses, to complete the development of its mineral properties and upon future profitable operations.

### **Market Risk**

#### ***Currency Risk***

The Company has no foreign currency denominated assets or liabilities. Major purchases are transacted in Canadian dollars and therefore the Company has no material foreign currency exposure at October 31, 2015.

#### ***Interest Rate Risk***

The Company has cash and cash equivalents balances and no interest-bearing debt. Interest rate risk is remote.

***Equity Price Risk***

Market risk arises from the possibility that changes in market prices will affect the value of financial instruments of the Company. Except for marketable securities, the Company's other financial instruments (cash, HST recoverable, accounts payable and accrued liabilities and due to a related party) are not subject to price risk.

***Commodity Price Risk***

The Company is exposed to price risk with respect to iron and other commodity prices, such prices impacting the future economic feasibility of its exploration properties. The Company closely monitors iron and other commodity prices to determine the appropriate course of action to be taken by the Company.

***Sensitivity Analysis***

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period.

The Company's marketable securities are sensitive to a plus or minus 50% change in Canadian equity prices which would affect comprehensive income (loss) by approximately nil.

***Fair Value***

The Company has designated its cash as held-for-trading. HST recoverable is classified for accounting purposes as loans and receivables, which are measure at amortized costs which equals fair value. Marketable securities are valued at the bid price as at October 31, 2015. Accounts payable and accrued liabilities and amounts due to related parties are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equal fair value. Fair values of accounts receivable, marketable securities, accounts payable and accrued liabilities and amounts due to a related party are determined from transaction values which were derived from observable market inputs. Fair values of these financial instruments are based on Level 2 measurements.

As at October 31, 2015, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

***Additional Risk Factors***

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of mining properties. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected.

***Additional Capital***

The exploration activities of the Company may require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration and development of any of the Company's properties. There can be no assurance that additional capital or other types of



financing will be available if needed or that, if available, the terms of such financings will be favourable to the Company. In addition, low commodity prices may affect the Company's ability to obtain financing.

### **Environmental and Permitting**

All aspects of the Company's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations, among other things, mandate the maintenance of air and water quality standards, land reclamation, transportation, storage and disposal of hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors, and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

### **Acquisition**

The Company uses its best judgment to acquire mining properties for exploration and development. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable agreements, including arrangements to finance the acquisitions and development, or integrate such opportunity and their personnel with the Company. The Company cannot assure that it can complete any acquisition that it pursues or is currently pursuing, on favourable terms, or that any acquisition completed will ultimately benefit the Company.

### **Competition**

The mining industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than the Company. Competition in the mining business could adversely affect the Company's ability to acquire suitable producing properties or prospectus for mineral exploration in the future.

### **Political Risk**

All of the Company's properties are located in Canada. Accordingly, the Company is subject to risks normally associated with exploration for and development of mineral properties in Canada, which the Company believes to be low. The Company's mineral exploration activities could be affected in varying degrees by future political instability and or government regulation relating to foreign investment and the mining business. Although not expected, operations may also be affected in varying degrees by terrorism, military conflict or repression, crime, extreme fluctuations in currency rates and high inflation.

### **Business Risk**

There are numerous business risks involved in the mineral exploration industry, some of which are outlined below. The Company may not always own 100% of the mineral concessions. Similarly, any non-compliance with or non-satisfaction of the terms of the Option by the Company could affect its ability to exercise the Option and earn its interest in the mining concessions and assets relating to properties.

Mining concessions may not include surface rights and there can be no assurance that the Company will be successful in negotiating long term surface rights access agreements in respect of the properties. Failure to obtain surface rights could have an adverse impact on the Company's future operations. The

Company's current or future operations, including development activities, are subject to environmental regulations which may make operations not economically viable or prohibit them altogether.

The success of the operations and activities of the Company is dependent to a significant extent on the efforts and abilities of its management, outside contractors, experts and other advisors. Investors must be willing to rely to a significant degree on management's discretion and judgement, as well as the expertise and competence of the outside contractors, experts and other advisors. The Company does not have a formal program in place for succession of management and training of management. The loss of one or more of the key employees or contractors, if not replaced on a timely basis, could adversely affect the Company operations and financial performance.

### ***Disclosure of Outstanding Share Information***

The following table sets forth information concerning the outstanding securities of the Company as at December 18, 2015:

<b>Common Shares of no par value</b>	<b>Number</b>
Shares	32,924,059
Options	nil
Warrants	nil

### ***Internal Controls Over Financial Reporting***

The Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting ("ICFR") or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework that has been used is the COSO framework. There were no changes in the Company's ICFR that occurred that have materially affected, or are reasonably likely to materially affect, the Company's ICFR.

### ***Disclosure Controls and Procedures***

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

### ***Additional Information***

Additional information relating to the Company is available on the Internet at the SEDAR website located at [www.sedar.com](http://www.sedar.com) or the Company's website located at [www.canadianorebodies.com](http://www.canadianorebodies.com).