

CANADIAN PALLADIUM RESOURCES INC.
(Formerly 21C Metals Inc.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Expressed in Canadian Dollars)

Year Ended
September 30, 2019

Report Date - January 28, 2020

CANADIAN PALLADIUM RESOURCES INC.
(Formerly 21C Metals Inc.)
Management's Discussion and Analysis
Year Ended September 30, 2019

Introduction

Canadian Palladium Resources Inc. (formerly 21C Metals Inc.) (the "Company") is a public company incorporated on August 25, 2005, under the laws of British Columbia, Canada. The Company is a reporting issuer in British Columbia and Alberta, and its common shares are listed and posted for trading on the Canadian Securities Exchange ("CSE") under the trading symbol "BULL". The Company's offices are located at 302 - 1620 West 8th Avenue, Vancouver, BC, V6J 1V4.

The Company is a natural resource company engaged in the acquisition and exploration of resource properties in North America and in Europe. During the year ended September 30, 2019, the Company acquired the Tisová and TGER cobalt-copper properties in Europe, as well as the East Bull palladium property in Canada, and commenced exploration programs on the Tisová property located in the Czech Republic and the East Bull property located in Sudbury, Ontario.

In accordance with Form 51-102F1, the following Management's Discussion & Analysis ("MD&A") provides a review of activities, results of operations and financial condition of the Company for the year ended September 30, 2019. The following discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements for the years ended September 30, 2019 and 2018 which were prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). All monetary amounts, unless otherwise indicated, are expressed in Canadian dollars.

Overall Performance and Results of Operations

Three Month Period Ended September 30, 2019

During the three months ended September 30, 2019 (the "Current Quarter"), the Company reported a loss and comprehensive loss of \$550,754 compared to \$1,760,411 during the three months ended September 30, 2018 (the "Prior Quarter"), representing a decrease in loss of \$1,209,657.

Year Ended September 30, 2019

During the year ended September 30, 2019 (the "Current Year"), the Company reported net loss of \$5,398,591 compared to \$2,596,906 for the year ended September 30, 2018 (the "Prior Year"). Operating expenses for the Current Year were \$5,569,247 compared to \$2,016,762 for the Prior Year which represented an increase of \$3,552,485. The increase in loss was primarily due to the following:

- Consulting fees increased by \$294,065 from \$631,282 during the Prior Year to \$925,347 during the Current Year. The increase is due to the Company being significantly more active with the acquisition and development of mineral properties and requiring support from contractors to operate the business as compared to the Prior Year when the Company was less active.
- Exploration and evaluation expenses increased by \$1,280,539 from \$18,850 during the Prior Year to \$1,299,389 during the Current Year. This increase is due to the Company commencing an exploration program on its Tisová copper-cobalt project in the Czech Republic and its East Bull project in Ontario during the Current Year, whereas in the Prior Year the Company had no active resource property.
- Investor relations increased by \$1,836,313 from \$15,750 during the Prior Year to \$1,852,063 during the Current Year. The increase is due to the Company providing several mineral property tours for shareholders and investors, completing various North American roadshows, engaging in marketing and media campaigns, undergoing numerous property investigations, and retaining investor

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relations consultants during the Current Year as opposed to the Prior Year when the Company was less active with no active project.

- Management fees increased by \$157,500 from \$52,500 during the Prior Year to \$210,000 during the Current Year. During the Prior Year, the Company was less active while evaluating potential property and acquisition opportunities. As a result, management did not charge the Company any management fees for a portion of the year in an effort to conserve cash.

Exploration and Evaluation Properties

Turner Lake

On July 5, 2017, the Company acquired all of the shares of 5498 Nunavut Inc. ("5498") in exchange for consideration of \$25,000. 5498's only asset is the Turner Lake property located in Nunavut, of which 5498 is the registered and beneficial owner of a 100% interest in and to the mineral claims in the Turner Lake property.

During the year ended September 30, 2018, the Company entered into a mineral purchase agreement with Pacific Cascade Ventures ("PCV") whereby PCV would purchase 100% of the interest in and to the mineral claims of the Turner Lake Property in exchange for 1,000,000 common shares of PCV to be delivered to the Company within 10 days after PCV receives regulatory approval for the transaction. The Company will also be reimbursed \$46,720 by PCV, representing prior cash expenditures incurred on the property. Upon commencement of commercial production, PCV shall pay a royalty to the Company equal to 1% of net smelter returns royalty ("NSR"), which may be purchased for the sum of \$1,000,000 at any time after commercial production.

As at September 30, 2019, the Company has recorded \$26,940 (2018 - \$26,940) related to the acquisition of the Turner Lake property. During the year ended September 30, 2019, the Company incurred \$Nil (2018 - \$18,850) in claim fees on the Turner Lake property. As at September 30, 2019, PCV has not yet received Exchange approval and this transaction is pending.

Tisová/TGER European Copper-Cobalt Properties

On July 6, 2018 the Company entered into an arm's length share purchase agreement to purchase 100% of the shares of Tisová Pty. Ltd. ("Tisova") And TGER Pty. Ltd. ("TGER"). Tisová and TGER are private companies which have been granted 100% interest in and to certain mineral concessions located in the Czech Republic and Germany.

Pursuant to the agreement, and in exchange for the Tisová and TGER shares, the company is committed to issue, in aggregate, to the shareholders of Tisová and TGER the following:

- \$60,000 cash to the vendors upon execution of the agreement (paid);
- Upon satisfaction of certain conditions precedent, issue 1,500,000 common shares of the Company to the vendors on the closing date (issued);
- Spend \$1,000,000 on the properties by July 1, 2019, and issue an aggregate of 2,500,000 common shares of the Company to the vendors at such time (issued);
- Spend an additional \$1,000,000 on the properties each year for the next three years and no later than July 1, 2022 and issue an additional 4,000,000 common shares of the Company to the vendors.

If the Company fails to satisfy any of the above requirements, the shares of Tisová and TGER will be returned to the original vendors.

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Exploration and Evaluation Properties (continued)

On October 23, 2018, the Company issued 1,500,000 common shares with fair value of \$450,000 in exchange for 100% ownership of Tisová and TGER, subject to the above terms, and their respective mineral concessions. A finder's fee was issued in connection with this closing through the issuance of 46,875 common shares with a fair value of \$14,063. The related mineral concessions are subject to a 1.5% NSR of which one-half can be purchased for \$750,000.

During the year ended September 30, 2019, the Company incurred the minimum \$1,000,000 in exploration expenditures on the properties and pursuant to the above agreement has issued an aggregate of 2,500,000 common shares with a fair value of \$525,000. The Company paid a finder's fee by way of the issuance of 78,125 common shares with a fair value of \$16,406.

As at September 30, 2019, the Company has recorded \$543,947 (September 30, 2018 - \$Nil) related to the acquisition of the TGER property, and \$596,037 (September 30, 2018 - \$Nil) related to the Tisová property.

East Bull Palladium Property

On February 26, 2019, the Company entered into an option agreement through its newly incorporated and wholly-owned subsidiary, East Bull Resources Inc. with Pavey Ark Minerals Inc. to acquire a 100 percent interest in the East Bull palladium property in the Sudbury mining division, Ontario.

Pursuant to the Agreement, and over a period of four years (should the Company elect to continue), the Company is obliged to incur \$1,750,000 in exploration expenditures, issue \$975,000 in cash payments, and issue an aggregate of 4.5 million common shares of the Company to Pavey Ark in accordance with the following schedule:

Minimum Exploration Expenditures	Common Shares Issued	Cash Issued	Due Date
-	-	\$25,000	On Term Sheet signing (paid)
-	750,000	\$75,000	Within 5 days of signing (issued)
\$250,000	750,000	\$150,000	On or before March 1, 2020
\$500,000	1,000,000	\$200,000	On or before March 1, 2021
\$500,000	1,000,000	\$250,000	On or before March 1, 2022
\$500,000	1,000,000	\$300,000	On or before March 1, 2023
\$1,750,000	4,500,000	\$975,000	

Agnew Lake Property

During the year ended September 30, 2019, the Company acquired a significant palladium project in Ontario through staking. The Agnew Lake property is located 80 kilometers west of Sudbury, Ont., home of Glencore and Vale's Canadian nickel-copper-platinum-group-elements mining and smelting operations. The Agnew Lake property comprises over 260 claims (about 6,000 hectares) and is part of the larger East Bull Lake-Agnew Lake mafic-ultramafic complex. During the year ended September 30, 2019, the Company incurred \$1,299,389 (2018 - \$18,850) in exploration expenses on its mineral properties.

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Exploration and Evaluation Properties (continued)

Deferred Acquisition Costs

Tisová/TGER European Copper-Cobalt Properties

As at September 30, 2019 the Company has recorded \$Nil (September 30, 2018 - \$665,490) as deferred acquisition costs in relation to the acquisition of the companies. During the year ended September 30, 2019, the Company completed the acquisition of Tisová and TGER, and consequently expensed the exploration expenditures included in deferred acquisition costs and reallocated the acquisition costs to exploration and evaluation assets on closing.

Summary of Quarterly Results

The following table sets out selected unaudited financial information for the eight most recent quarters. The financial data has been prepared in accordance with IFRS.

Three Months Ended	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
	(\$)	(\$)	(\$)	(\$)
Total Revenue	-	-	-	-
Loss from Operations	(759,240)	(1,958,574)	(1,116,427)	(1,735,006)
Net Income (Loss) and Comprehensive Income (Loss)	(550,754)	(1,949,917)	(1,149,864)	(1,748,056)
Basic and Diluted Earnings (Loss) per Share	(0.04)	(0.04)	(0.02)	(0.04)

Three Months Ended	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
	(\$)	(\$)	(\$)	(\$)
Total Revenue	-	-	-	-
Loss from Operations	(1,656,084)	(176,896)	(151,185)	(32,597)
Net Income (Loss) and Comprehensive Income (Loss)	(1,760,411)	(176,768)	(115,185)	(544,542)
Basic and Diluted Earnings (Loss) per Share	(0.06)	(0.01)	0.00	(0.04)

Liquidity and Capital Resources

The Company's consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing on reasonable terms and to commence profitable operations in the future.

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Liquidity and Capital Resources (continued)

The Company had a cash position of \$227,838 and working capital of \$495,364 as at September 30, 2019, compared to cash position of \$1,571,477 and working capital of \$1,228,015 as at September 30, 2018.

During the year ended September 30, 2019, 3,448,571 warrants were exercised for gross proceeds of \$862,143.

The Company has reduced its near-term cash requirements after its decision not to proceed with exploration on certain exploration projects. Subsequent to September 30, 2019, the Company closed a non-brokered private placement of units raising gross proceeds of \$4,000,403 which will provide sufficient working capital to commence work on its exploration and evaluation projects for the next 12 months.

Financing activities

On June 4, 2019 the Company closed the second tranche of a non-brokered private placement through the issuance of 140,000 units at a price of \$0.18 for aggregate gross proceeds of \$25,200. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant shall entitle the holder thereof to acquire one share at a price of \$0.30 for a period of 24 months following the closing date.

On May 3, 2019 the Company closed the first tranche of a non-brokered private placement through the issuance of 15,579,122 units at a price of \$0.18 for aggregate gross proceeds of \$2,804,242. Each unit consists of one common share and one transferable common share purchase warrant. Each warrant shall entitle the holder thereof to acquire one share at a price of \$0.30 for a period of 24 months following the closing date.

On July 31, 2018, the Company completed a non-brokered private placement generating gross proceeds of \$2,820,500 through the issuance of 11,282,000 units at \$0.25. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable at \$0.45 for a period of one year from the date of issue.

On November 10, 2017, the Company completed a non-brokered private placement through the issuance of 7,142,857 units for gross proceeds of \$1,000,000. Each unit consisting of one common share and one common share purchase warrant exercisable at \$0.25 for 12 months from the date of issue.

During the year ended September 30, 2018, the Company received \$90,000 from the issuance of notes payable which bear interest at 10% per annum and mature in three years, which was repaid in full.

Selected Annual Information

The following table sets out selected financial information for the Company for each of the fiscal years ended September 30, 2019, 2018 and 2017. The selected financial information should only be read in conjunction with the Company's audited annual financial statements for the fiscal year ended September 30, 2018, including the notes thereto.

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Selected Annual Information (continued)

Statement of Operations, Comprehensive Loss and Deficit Data:

	Year Ended September 30, 2019	Year Ended September 30, 2018	Year Ended September 30, 2017
	(\$)	(\$)	(\$)
Revenue	-	-	-
Loss from operations	(5,569,247)	(2,016,762)	(286,956)
Loss and comprehensive loss for the year	(5,398,591)	(2,596,906)	379,085
Loss per share, basic and diluted	(0.10)	(0.08)	0.05

Balance Sheet Data:

	As at September 30, 2019	As at September 30, 2018	As at September 30, 2017
	(\$)	(\$)	(\$)
Current Assets	840,289	2,009,478	1,066,626
Total Assets	2,345,264	2,713,408	1,105,156
Current Liabilities	344,925	781,463	770,586
Long Term Debt	-	-	248,271
Shareholders' Equity (Deficiency)	2,000,339	1,931,945	86,299

Disclosure of Outstanding Share Data

The authorized capital of the Company consists of an unlimited number of common shares without par value.

Shares Issued and Outstanding

As at the Report Date, there were 65,693,849 common shares issued and outstanding.

Warrants

As at the Report Date, there were 15,819,572 warrants outstanding as follows:

<u>Expiry Date</u>	<u>Warrants Outstanding</u>	<u>Exercise Price</u>
		(\$)
May 3, 2021	15,672,572	0.30
June 3, 2021	147,000	0.30
	15,819,572	

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Disclosure of Outstanding Share Data (continued)

Stock Options

As at the Report Date, there were 6,010,000 stock options outstanding as follows:

Expiry Date	Options Outstanding	Options Exercisable	Weighted Average Exercise Price (\$)
August 9, 2023	2,800,000	2,800,000	0.39
October 2, 2023	300,000	150,000	0.30
October 16, 2023	500,000	250,000	0.31
October 24, 2023	100,000	25,000	0.30
June 4, 2024	2,560,000	2,560,000	0.20
	6,010,000	5,735,000	0.29

Off Balance Sheet Arrangements

The Company is not a party to any off-balance sheet arrangements or transactions.

Transactions with Related Parties

The Company's key management personnel consist of directors, officers and companies owned or controlled in whole or in part by officers and directors. The following summarizes the Company's related party transactions during the years ended September 30, 2019 and 2018:

Key Management Compensation

	2019	2018
Rent	67,200	80,000
Consulting fees	120,000	109,582
Management fees	210,000	52,500
Professional fees	-	1,000
Share-based payments	177,415	705,845
	574,615	948,927

- a) As at September 30, 2019, included in accounts payable and accrued liabilities was \$175,085 (2018 - \$105,898) owing to current and former officers and directors.
- b) During the year ended September 30, 2019, the Company incurred interest expense of \$Nil (2018 - \$4,491) to corporations controlled by related parties.
- c) Accounts payable as of September 30, 2019 includes \$12,042 (2018 - \$51,678) in notes payable accrued interest to corporations controlled by related parties.
- d) During the year ended September 30, 2019, the Company issued notes payable of \$Nil (2018 - \$90,000) and repaid \$58,000 (2018 - \$412,453) of accrued interest resulting in a principal balance outstanding of \$Nil (2018 - \$Nil) to corporations controlled by related parties.

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Recent Accounting Pronouncements

The Company has adopted IFRS 9 for financial instruments as at October 1, 2018, in accordance with its transitional provisions and described below. The adoption of IFRS 9 has not resulted to adjustments in previously reported figures and no change to the opening deficit balance as at October 1, 2018.

IFRS 9

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and supersedes the guidance relating to the classification and measurement of financial instruments in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39).

Under IFRS 9, on initial recognition, a financial asset or liability is classified and measured at either: amortized cost; fair value through other comprehensive income ("FVTOCI"); or fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, there is an irrevocable option for each equity instrument to present fair value changes in other comprehensive income (FVTOCI).

For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change relating to an entity's own credit risk is recorded in other comprehensive income rather than the statement of income or loss, unless this creates an accounting mismatch.

Classification and Measurement Changes

The Company has assessed the classification and measurement of its financial assets and financial liabilities under IFRS 9 and has summarized the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 in the following table:

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Classification and Measurement Changes (continued)

	Measurement Category	
	Original (IAS 39)	New (IFRS 9)
Financial Assets:		
Cash	FVTPL	FVTPL
Receivables	Loans and receivables	Amortized cost
Short-term investments	FVTPL	FVTPL
Financial Liabilities:		
Accounts payables and accrued liabilities	Amortized cost	Amortized cost

There has been no change in the measurement categories, carrying values or to previously reported figures of the Company's financial instruments. The adoption of the IFRS 9 did not have a significant impact on the financial statements.

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt these standards when they become effective. The pronouncements are being assessed to determine their impact on the Company's results and financial position.

The following standards, amendments to standards and interpretations have been issued for annual periods beginning on or after January 1, 2019 but are not yet effective:

Recent Accounting Pronouncements (continued)

IFRS 16, Leases

This new standard replaces the existing leasing guidance in IAS 17, Leases.

IFRS 16 distinguishes between leases and service contracts on the basis of whether the customer controls the asset being leased. For those contracts determined to meet the definition of a lease, IFRS 16 requires a lessee to recognize on the balance sheet a lease asset along with the associated lease liability which reflects future lease payments, similar to current finance lease accounting. There are limited exceptions for leases with a term of less than 12 months or leases of assets which have a very low value. As a result of the adoption of IFRS 16, operating leases which were previously only recognized on the statement of earnings will be recognized on the balance sheet.

The purpose of the standard is to provide users of the financial statements with a more accurate picture of a company's leased assets and associated liabilities, while also improving the comparability of companies that lease assets to those that purchase them.

The Company has not yet assessed the potential impact of the application of this standard, nor determined whether it will early adopt this standard.

Financial Instruments and Risk Management

Financial 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 Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, short-term investments, receivables, restricted deposits, accounts payable and notes payable.

The Company classified its cash and short-term investments as fair value through profit or loss; receivables and restricted deposits as loans and receivables; and accounts payable and notes payable as other financial liabilities. The fair values of cash and short-term investments are measured on the statement of financial position using level 1 of the fair value hierarchy. The fair values of receivables, restricted deposits, accounts payable approximate their book values because of the short-term nature of these instruments.

Financial instrument risk exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its payment obligations. The Company has no material counterparties to its financial instruments with the exception of the financial institutions which hold its cash. The Company manages this credit risk by ensuring that these financial assets are placed with a major financial institution with strong investment grade ratings by a primary ratings agency. The Company's receivables consist primarily of goods and services tax due from the government and other receivables; the balances are in good standing as at September 30, 2019. The Company does not believe it has a material exposure to credit risk.

Liquidity risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support its normal operating requirements.

The Company's ongoing liquidity is impacted by various external events and conditions. The Company expects to repay its financial liabilities, consisting of accounts payable and accrued liabilities and notes payable, in the normal course of operations and to fund future operational and capital requirements future equity and debt financing.

To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will seek to secure additional funds through long term debt and equity transactions.

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Financial Instruments and Risk Management (continued)

Interest rate risk

The Company is exposed to interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. Interest rate risk is minimal as the Company does not have significant interest-bearing assets or any variable interest bearing liabilities that are tied into market rates.

Commodity price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

Foreign exchange risk

The Company is not exposed to any significant foreign currency risk.

Management of Capital

The Company manages its common shares, stock options and share purchase warrants as capital. 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 development of its exploration and evaluation assets and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury invested in certificates of deposit with major financial institutions.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets and debt securities to fund its activities. 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.

There have been no changes to the Company's approach to capital management during the year ended September 30, 2019.

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Subsequent Events

Subsequent to September 30, 2019, the following significant transactions took place:

- a) the Company amended its articles to change its name to Canadian Palladium Resources Inc., effective January 15, 2020 to reflect the Company's concentration on its flagship East Bull palladium project in Ontario, Canada.
- b) the Company received gross proceeds of \$45,000 from the exercise of 250,000 stock options at \$0.18.
- c) the Company announced a non-brokered private placement of units (each, a "Unit") to raise up to \$4,000,000 at a price of \$0.12 per Unit. Each Unit will consist of one common share and one common share purchase warrant exercisable at a price of \$0.18 for a period of 12 months from the date of issuance. Proceeds from the private placement will be used to advance the Company's exploration projects in North America and Europe, and for general working capital.

Additional Information

On January 23, 2019, Jamie Newall was appointed a director of the Company, replacing Michael Curtis who resigned on the same day.

Additional information relating to the Company is available on the Company's website at www.canadianpalladium.com and under the Company's profile on SEDAR at www.sedar.com.

Forward-Looking Statements

Except for statements of historical fact, this MD&A contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. In particular, forward-looking information in this MD&A includes, but is not limited to, statements with respect to future events and is subject to certain risks, uncertainties and assumptions. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information.

Forward-looking information is based on the opinions and estimates of management at the date the statements are made, and is subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the United States and globally; industry conditions, including fluctuations in commodity prices; governmental regulation of the mining industry, including environmental regulation; geological, technical and drilling problems; unanticipated operating events; competition for and/or inability to retain drilling rigs and other services; the availability of capital on acceptable terms; the need to obtain required approvals from regulatory authorities; stock market volatility; volatility in market prices for commodities; liabilities inherent in mining operations; changes in tax laws and incentive programs relating to the mining industry; and the other factors described herein under "Risks and Uncertainties" as well as in our public filings available at www.sedar.com. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

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The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

Risks and Uncertainties

The Company is in the mineral exploration and development business and, as such, is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. Some of the possible risks include the following:

- a) The industry is capital intensive and subject to fluctuations in metal prices, market sentiment, foreign exchange and interest rates. The recovery of the Company's investment in exploration and evaluation assets and the attainment of profitable operations are dependent upon the discovery and development of economic ore reserves and the ability to arrange sufficient financing to bring the ore reserves into production.
- b) The most likely source of future funds for further acquisitions and exploration programs undertaken by the Company are the sale of equity capital or the offering by the Company of an interest in its properties to be earned by another interested party carrying out further exploration or development. If such exploration programs are successful, the development of economic ore bodies and commencement of commercial production may require future equity financings by the Company which are likely to result in substantial dilution to the holdings of existing shareholders.
- c) The Company's capital resources are largely determined by the strength of the resource markets and the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.
- d) The prices of metals greatly affect the value of and the potential value of its exploration and evaluation assets. This, in turn greatly affects its ability to raise equity capital, negotiate option agreements and form joint ventures.
- e) The Company must comply with health, safety, and environmental regulations governing air and water quality and land disturbances and provide for mine reclamation and closure costs. The Company's permission to operate could be withdrawn temporarily where there is evidence of serious breaches of such regulations, or even permanently in the case of extreme breaches. Significant liabilities could be imposed on the Company for damages, clean-up costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of acquired properties or noncompliance with environmental laws or regulations.
- f) The operations of the Company will require various licenses and permits from various governmental authorities. There is no assurance that the Company will be successful in obtaining the necessary licenses and permits to continue exploration and development activities in the future.
- g) Although the Company has taken steps to verify title to exploration and evaluation assets in which it has an interest, these procedures do not guarantee the Company's title. Such assets may be subject to prior agreements or transfers and title may be affected by such undetected defects.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in any forward-looking statement. The development and exploration activities of the Company are subject to various laws governing exploration, development, and labour standards which may affect the operations of the Company as these

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laws and regulations set various standards regulating certain aspects of health and environmental quality. They provide for penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are or were conducted.

Corporate Information

Directors:	Michelle Gahagan Wayne Tisdale Garry Clark Bryce Tisdale Jamie Newall
Officers:	Wayne Tisdale, President and CEO Kelsey Chin, CFO and Corporate Secretary
Auditor:	Manning Elliott LLP Chartered Professional Accountants Suite 1700, 1030 West Georgia Street Vancouver, BC, V6E 2Y3
Legal Counsel:	Tingle Merrett LLP Suite 639 – 1250 Standard Life Building 5 th Avenue SW Calgary, AB T2P 0M9
Transfer Agent:	Computershare Trust Company of Canada 2 nd Floor – 510 Burrard Street Vancouver, BC, V6C 3B9

Contact Information

Wayne Tisdale, President and CEO
Canadian Palladium Resources Inc.
Suite 302 – 1620 West 8th Avenue
Vancouver, British Columbia V6J 1V4
info@canadianpalladium.com