KARIANA RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

December 31, 2014

GENERAL

The following information, prepared as of March 24, 2015, should be read in conjunction with the audited consolidated financial statements of Kariana Resources Inc. (the "Company" or "Kariana") for the year ended December 31, 2014 and December 31, 2013. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

During the year ended December 31, 2014, the Company's critical accounting estimates and significant accounting policies have remained substantially unchanged and are still applicable to the Company unless otherwise indicated. All amounts are expressed in Canadian dollars unless noted otherwise.

The risk factors identified in previous management's discussion and analysis (the "MD&A") have also remained substantially unchanged but the risk factor of future financings has assumed a greater importance to the Company in view of the current economic climate and stock market volatility. Management has assessed and will continue to address the implications of recent events in order to ensure that Kariana can continue to achieve its long term objectives.

CAUTIONARY NOTE REGARDING FORWARDING LOOKING STATEMENTS

Certain statements contained in the foregoing management discussion & analysis (the "MD&A") constitutes forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below.

DESCRIPTION OF BUSINESS

The Company was incorporated on September 14, 2010 pursuant to the *Business Corporations Act,* British Columbia. The Company's principal business activity is the exploration of mineral properties. The Company's shares commenced trading on the Canadian Securities Exchange (formerly Canadian Stock Exchange) under the trading symbol "KAA" on August 17, 2011.

CHANGES IN MANAGEMENT

On May 21, 2013, Joel Dumaresq resigned his position as the CEO of the Company. On May 22, 2013, Nicholas Miller was appointed as the CEO and director of the Company. On May 28, 2013, Isaac Moss was appointed as a director of the Company. On June 21, 2013, Lawrence Dick resigned his position as a director of the Company. On December 3, 2013, Nicholas Miller resigned his position as the CEO and director of the Company. On December 9, 2013, Isaac Moss resigned his position as director of the Company. On December 13, 2013, David Velisek, the Company's director, was appointed as the CEO of the Company, and Savio Chiu was appointed a director of the Company. On December 16, 2013, Christian Klingebiel resigned his position as a director of the Company.

The Company's Board of Directors now consists of following: Savio Chiu, Herrick Lau, and David Velisek.

OVERALL PERFORMANCE

The following discussion of the Company's financial performance is based on the audited consolidated financial statements for the year ended December 31, 2014 and December 31, 2013.

The audited statements of financial position as of December 31, 2014 indicate a cash position of $189,928 (2013 - $1,140) and total current assets of $391,946 (2013 - $70,023). The increase in total current assets was mainly due to completion of a private placement of $250,000 of unsecured convertible debentures in May 2014 and convertible promissory note of $120,000 in December 2014.

At December 31, 2014 current liabilities total $241,464 (2013 - $1,707) and long-term liabilities total $160,125 (2013 – nil). Shareholders' equity is comprised of share capital of $1,338,336 (2013 - $1,022,791), reserves of $102, 140 (2013 - $102,314), equity portion of convertible debenture of $19,891 (2013 – nil), and accumulated deficit of $1,470,010 (2013 - $1,056,789) for a net deficiency $9,643 (2013- equity of $68,316).

Working capital, which is current assets less current liabilities, is $150,482 at December 31, 2014 compared to $68,316 at December 31, 2013. Management believes that there is sufficient working capital to maintain its day-to-day operations.

During the year ended December 31, 2014, the Company reported a net loss of $428,103 ($0.13 basic and diluted loss per share) compared to a net loss of $441,800 ($0.15 basic and diluted loss per share) during the year ended December 31, 2013. Losses in the year ended December 31, 2014 represent operating expenses of $430,168 (2013 – $492,072) and interest and other income of $2,065 (2013 – $2,574).

The weighted average number of common shares outstanding for the year ended December 31, 2014 was 3,408,442 (2013 –3,006,250).

COMPARISON RESULTS OF OPERATIONS

During the year ended December 31, 2014, the Company reported a net loss of $428,103 (2013 - $441,800) and a basic and diluted loss per share of $0.13 (2013 - $0.15). The net loss of $428,103 was due to accounting fees of $12,200 (2013 - $12,720), consulting fees of $201,613 (2013 - $161,471), advertising and promotion of $15,000 (2013 – nil), accretion expense of $110,470 (2013 – nil), legal fees of $60,271 (2013 – $16,903), management fees of nil (2013 – $92,500), meals and travel expenses of $5,326 (2012 – $15,673), office general expenses of $3,341 (2013 - $9,159), project investigation of nil (2013 - $15,825), transfer agent and filing fees of $21,947 (2013 - $19,828) in connection with monthly transfer agent services and regular filing with Canadian Securities Exchange (CSE) and securities commission, and write-off of mineral properties of nil (2013 - $147,993). During the year ended December 31, 2014 expenses were offset by interest income of $2,065 (2013 - $2,574) and cost recoveries of nil (2013 - $47,698).

The increase in legal fees to $60,271 from $16,903 was due to legal services relating to the convertible debentures that closed in May and December 2014 and other general corporate matters.

The increase in accretion expense from nil to $110,470 was due the convertible debentures that closed during the year ended December 31, 2014.

The increase in consulting fees to $201,613 from $161,471 was due to consulting services provided by a consultant for business development that commenced in April 2014 and ended in December 2014.

During the year, there were no revenues aside from the interest income of $2,065 (2013 - $2,574) and cost recoveries of nil (2013 - $47,698). Costs incurred during the year ended December 31, 2014 were primarily related to general and administrative activities.

As the Company is a company without any significant revenue, it will continue to require funds to meet its ongoing day-to-day operating requirements and will have to continue to rely on equity and debt financing during the year. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular year or if available, that it can be obtained on terms satisfactory to the Company.

SELECTED ANNUAL INFORMATION

The following table sets out selected financial information derived from the Company's audited financial statements for the two most recently completed financial years. These financial data are prepared in accordance with IFRS.

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
	$	$	$
OPERATIONS			
Revenue	Nil	Nil	Nil
Net Loss	(428,103)	(441,800)	(459,229)
Other income	2,065	50,272	109
Basic and diluted loss per share	(0.13)	(0.15)	(0.15)
BALANCE SHEET			
Working capital	150,482	68,316	371,723
Total assets	391,946	70,023	533,612
Total non-current liabilities	160,125	Nil	Nil
Cash dividends declared	Nil	Nil	Nil

During the year ended December 31, 2014 the Company incurred a net loss of $428,103 ($0.13 basic and diluted loss per share) compared to a net loss of $441,800 ($0.15 basic and diluted loss per share) for the year ended December 31, 2013 and a net loss of $459,229 ($0.15 basic and diluted loss per share) for the year ended December 31, 2012. The net loss was mainly due to four major categories of expenses. The categories are accretion expense, legal fees, and consulting and management fees incurred during the year. Additional explanations for the fluctuation in net loss are summarized below:

Accretion Expense
For the 2014 fiscal year, accretion expense was $110,470 (2013 and 2012 – nil) which was related to the convertible debentures that closed during the year.

Legal Fees
For the 2014 fiscal year, $60,271 in legal fees was recorded compared to $16,903 legal fees in fiscal 2013 and $7,668 legal fees in fiscal 2012. Legal fees were incurred mainly due to general corporate matters and the convertible debentures.

Consulting and Management Fees
For the 2014 fiscal year, $201,613 in consulting fees was recorded compared to $161,471 consulting fees in fiscal 2013 and $185,282 consulting fees in fiscal 2012. During fiscal 2014, the Company entered into a consulting agreement with an advisory firm for accounting and administrative services for a monthly fee of $15,000 compared to a monthly fee of $10,000 in fiscal 2013.

For the 2014 fiscal year, nil in management fees was recorded because none of the executive officers received compensation for service provided whereas in fiscal 2013 and 2012 $92,500 and $75,000 were compensated to executive officers respectively.

Transfer Agent and Filing Fees
For the 2014 fiscal year, $21,947 in transfer agent and filing fee was recorded in connection with regular filing with CSE and securities commission compared to $19,828 in fiscal 2013 and $17,219 in fiscal 2012.

Write-off of Mineral Properties
For the 2014 fiscal year, nil was recorded as write-off of mineral properties compared to $147,993 in fiscal 2013 and nil in fiscal 2012 due to the termination of the option agreement related to the Company's South Baird Property on July 8, 2013.

Total Assets
Total assets increased from $70,023 as at December 31, 2013 to $391,946 as at December 31, 2014. Total assets as at December 31, 2014 consist of cash, short term investment, loan receivable and receivables. The increase was mainly due to the cash received from the convertible debentures that closed during the year.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected unaudited financial information of the Company for the eight most recently quarters of operations. This information is derived from unaudited quarterly financial statements prepared by management. These financial data are prepared in accordance with IFRS.

	Qtr 4 December 31, 2014	Qtr 3 September 30, 2014	Qtr 2 June 30, 2014	Qtr 1 March 31, 2014	Qtr 4 December 31, 2013	Qtr 3 September 30, 2013	Qtr 2 June 30, 2013	Qtr 1 March 31, 2013
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Loss	$210,371	$118,619	$42,309	$56,804	$72,965	$83,580	$212,290	$72,965
Basic and diluted loss per share	$0.06	$0.04	$0.01	$0.02	$0.02	$0.03	$0.07	$0.02
Total assets	$391,946	$548,474	$548,765	$43,447	$70,023	$187,761	$275,336	$497,255
Working Capital	$150,482	($44,874)	$73,743	$11,512	$68,316	$141,282	$224,862	$298,758

Net Loss

Overall, management, consulting, accounting, legal, write-off of mineral properties, and accretion expense are the major components that caused variances in net losses from quarter to quarter.

During the quarters ended December 31, 2014, September 30, 2014, and June 30, 2014, the major expenses of the Company are related to accretion expense from the convertible debentures. In total $110,470 was recognized as accretion expense.

During the quarter ended March 31, 2014, the major expenses of the Company are the consulting fees of $32,853.

During the quarter ended December 31, 2013, the major expenses of the Company are the management fees of $30,000 and consulting fees of $67,407.

During the quarter ended September 30, 2013, the major expenses of the Company are the management fees of $40,000 and consulting fees of $31,897.

During the quarter ended June 30, 2013, the major expenses of the Company are the write-off of mineral properties of $147,993, consulting fees of $31,120 and project investigation expenses of $15,825.

During the quarter ended March 31, 2013, the major expenses of the Company are the consulting fees of $31,047, management fees of $22,500 and accounting fees of $11,220.

Fourth Quarter

In the fourth quarter ended December 31, 2014, the Company incurred a loss of $210,373 (2013 - $72,965). The current period's loss was mainly caused by accretion expense of $87,143 (2013 – nil), legal fees of $54,839 (2013 – $5,698), and consulting fees of $54,960 (2013 - $67,407).

Working Capital

Working capital for the quarter ended December 31, 2014 increased compared to the previous quarters due re-allocation of $160,125 from current liabilities to long-term liabilities.

MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

On September 21, 2010, the Company signed an option agreement (the "Option Agreement") with optionor to acquire an undivided 100% interest in the South Baird Property, subject to a 2% NSR to the optionor, with an option buyout of 50% of the NSR for $1,000,000 upon or prior to the commencement of commercial production. The South Baird Property is located in the District of Red Lake Mining in the province of Ontario.

The Company entered into a finder's fee agreement dated November 25, 2010 in connection with the acquisition of the South Baird Property. The Company paid finder's fee in cash of $25,000 and issued 18,750 common shares on December 23, 2010.

Pursuant to the Option Agreement, the Company issued 25,000 common shares at $0.80 per share to the optionor on August 17, 2011 after the completion of the Company's IPO.

On July 8, 2013, the Company terminated the Option Agreement. The Company wrote off all the related exploration and evaluation costs of $147,993.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2014, the Company's cash and cash equivalents balance was recorded as $189,928 (2013 – $1,140) and the Company had a working capital of $150,482 (2013 - $68,316). As at December 31, 2014, the Company has share capital of $1,338,336 (2013 – $1,022,791) representing 8,206,250 (2013 – 3,006,250) common shares, reserves of $102,140 (2013 – $102,314) and an accumulated deficit of $1,470,010 (2013 – $1,056,789).

The Company has no operating revenues. Accordingly, the Company is dependent on the equity markets as its sole source of operating working capital.

The Company will have to continue to rely on equity and debt financing. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms satisfactory to the Company.

CONTRACTUAL OBLIGATIONS

A summary of our contractual obligations at December 31, 2014 is detailed in the table below.

Contractual Obligations	Payments Due by Period				
	Total	**Less than 1 Year**	**1 – 3 Years**	**4 – 5 Years**	**After 5 Years**
Accounts Payable, Accrued and other Liabilities	$401,589	$241,464	$160,125	N/A	N/A
Total	$401,589	$241,464	$160,125	**N/A**	**N/A**

Management believes that the Company has sufficient cash to meet its current obligation for the next twelve months.

OFF BALANCE SHEET ARRANGEMENTS

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

TRANSACTIONS WITH RELATED PARTIES

		Years Ended December 31,	
Services provided by:		2014	2013
Baron Global Financial Canada Ltd.	a	$142,500	$120,270
Pashleth Investment Ltd.	b	-	$22,500
Little Hampton Capital	c	-	$35,000
Isaac Moss	d	-	$35,000

(a) On April 1, 2014, the Company entered into an agreement with Baron Global Financial Canada Ltd. ("Baron") that is related by way of a common director of the Company. Baron provided corporate advisory services to the Company.

(b) Pashleth Investment Ltd. ("Pashleth") is owned by the former CEO and director of the Company. On December 31, 2013, the former CEO and director forgave amounts owing of $45,000 which was recorded as a cost recovery.

(b) Little Hampton Capital is owned by the former CEO and director of the Company.

(c) Isaac Moss is a former director of the Company.

Related Party Payable:

	December 31, 2014	December 31, 2013
Baron Global Financial Canada Ltd.	$160,125	-

Baron has agreed not to seek repayment of this amount until March 1, 2016.

PROPOSED TRANSACTIONS

On December 16, 2014, the Company signed a Letter of Intent ("LOI") with Canna Delivery Systems Inc. ("Canna") in which the Company will acquire all of the issued and outstanding common shares of Canna for 7,800,000 shares of the Company. The shares will be escrowed and will be released over two years based upon

Canna meeting certain financial milestones. The Company also loaned US$150,000 to Canna. The loan is unsecured, non-interest bearing and is repayable 90 days after termination of the proposed transaction.

In connection with the LOI, on a best-efforts basis, the Company intends on completing a concurrent financing by way of a non-brokered private placement at the close of the transaction. The private placement will raise gross proceeds of $500,000 through the sales of 3,333,334 subscription receipts at a price of $0.15 per subscription receipt. Each subscription receipt will automatically convert into one unit. Each unit will be comprised of one common share and one half of one common share purchase warrant. Each whole warrant will entitle the holder to purchase one additional common share of the Company at the price of $0.30 for the first year and $0.45 for the second year from the closing of the concurrent financing. Subsequent to December 31, 2014, the Company received $271,610 in subscription proceeds towards the private placement.

SIGNIFICANT ACCOUNTING POLICIES AND CRITIAL ACCOUNTING ESTIMATES

All significant accounting policies and critical accounting estimates are fully disclosed in Note 2 of the audited consolidated financial statements for the year ended December 31, 2014.

FINANCIAL INSTRUMENTS

All financial assets and financial liabilities are initially recorded at fair value and designated upon inception into one of the following categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit and loss. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Held-to-maturity instruments, loans and receivables and financial liabilities not at fair value through profit and loss are measured at amortized cost using the effective interest rate method.

The Company has implemented the following classifications for its financial instruments:

a) Cash has been classified as FVTPL;
b) Short-term investments have been classified as FVTPL;
c) Receivables and loan receivable have been classified as loans and receivables; and
d) Accounts payables and accrued liabilities and convertible debentures have been classified as financial liabilities not at fair value through profit and loss.

Assets measured at fair value on a recurring basis were presented on the Company's balance sheet as at December 31, 2014 as follows:

	Fair Value Measurements Using				
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, December 31, 2014 $	Balance, December 31, 2013 $
Cash	189,928	-	-	189,928	1,140
Short-term investment	11,500	-	-	11,500	54,500

The Company's financial instruments are exposed to a number of financial and market risks, including credit, liquidity, interest rate and currency risks. The Company may, or may not, establish from time to time active policies to manage these risks. The Company does not currently have in place any active hedging or derivative trading policies to manage these risks since the Company's management does not believe that the current size, scale and pattern of its operations would warrant such hedging activities.

Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash and short term investment with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

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 the management of its capital structure.

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has interest-bearing assets in relation to cash at banks and GIC carried at floating interest rates with reference to the market. The Company's operating cash flows are substantially independent of changes in market interest rates. The Company has not used any financial instrument to hedge potential fluctuations in interest rates. The exposure to interest rates for the Company is considered minimal. The Company has no interest bearing borrowings.

The policies to manage interest rate risk have been followed by the Company during the prior year and are considered to be effective.

Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company's ability to raise capital to fund exploration and development activities is subject to risks associated with fluctuations in the market price of commodities.

OTHER MD&A DISCLOSURE REQUIREMENTS

Disclosure of Outstanding Share Data

The Company's issued and outstanding share capital as at the date of this report is as follows:
(1) Authorized: Unlimited common shares without par value.
(2) As at the date of this MD&A, the Company has 8,470,250 common shares, 132,500 options, and 5,200,000 warrants issued and outstanding. In addition, $20,000 of convertible debenture that is convertible into one unit (one common share and one warrant) at $0.10 per unit and $120,000 of convertible promissory note that can be converted into one common share at $0.10 per common share.

Additional Disclosure For Junior Issuers

The Company has expensed the following material cost components:

	Year ended December 31, 2014 $	Year ended December 31, 2013 $
Accretion expense	110,470	-
Consulting fees	201,613	161,471
Transfer agent and filing fees	21,947	19,828
Legal fees	60,271	16,903

Write-off of mineral properties	-	147,993
Management fees	-	92,500

Accretion expense of $110,470 (2013 – nil) was related to the convertible debenture and convertible promissory note that closed during fiscal year 2014.

Consulting fees of $201,613 (2013 – $161,471) included financial and business development advisory fees.

Transfer agent and filing fees of $21,947 (2013 - $19,828) are in connection with regular filing with CSE and securities commission and monthly transfer agent services.

Legal fees of $60,271 (2013 - $16,903) included legal services in connection with the convertible debentures and general corporate matters.

Write-off of mineral properties of nil (2013 - $147,993) was related to the termination of the option agreement related to the Company's South Baird Property on July 8, 2013. The property was written off in fiscal year 2013.

Management fees of nil (2013 - $92,500) was related to the strategic planning services provided by former officers and directors of the Company in fiscal year 2013.

FUTURE ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2014 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

RISKS AND UNCERTAINTIES

The Company is engaged in the exploration and development of mineral properties. These activities involve a high degree of risk which, even with a combination of experience, knowledge and careful evaluation, may not be overcome. Consequently, no assurance can be given that commercial quantities of minerals will be successfully found or produced.

The Company has no history of profitable operations and its present business is at an early stage. As such, the Company is subject to many common risks to new and developing enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Company will be successful in achieving a positive return on shareholders' investment.

The Company has no source of operating cash flow and no assurance that additional funding will be available to it for further exploration and development of its projects when required. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in the delay or indefinite postponement of further exploration and development of its properties.

The Company's property interests are located in remote, undeveloped areas and the availability of infrastructure such as surface access, skilled labour, fuel and power at an economic cost, cannot be assured. These are integral requirements for exploration, development and production facilities on mineral properties. Power may need to be generated on site.

The mineral industry is intensely competitive in all its phases. The Company competes with many other mineral exploration companies who have greater financial resources and technical capacity.

The Company is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Company could result, and other persons would be required to manage and operate the Company.

SUBSEQUENT EVENTS

On January 12, 2015, the Company issued 240,000 shares for Fee Shares in relation to the December 15, 2014 promissory note.

On February 12, 2015 the Company issued 24,000 shares for finder's fees in relation to the December 15, 2014 promissory note.

ADDITIONAL INFORMATION

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