# Zanzibar Gold Inc. (formerly Moshi Mountain Industries Ltd.)

Management's Discussion and Analysis of Results of
Operations and Financial Condition
For the nine months ended May 31, 2017
(Expressed In Canadian Dollars)

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## Introduction

The following Management Discussion and Analysis ("MD&A") of Zanzibar Gold Inc. (formerly Moshi Mountain Industries Ltd.) (the "Company") has been prepared by management, in accordance with the requirements of National Instrument 51-102 ("NI 51-102") as of July 17, 2017 and should be read in conjunction with the unaudited condensed interim financial statements for the nine months ended May 31, 2017 and, 2016, and the related notes contained therein which have been prepared under International Financial Reporting Standards ("IFRS"). The following should also be read in conjunction with the audited annual financial statements for the year ended August 31, 2016, and all other disclosure documents of the Company. The information contained herein is not a substitute for detailed investigation or analysis on any particular issue. The information provided in this document is not intended to be a comprehensive review of all matters and developments concerning the Company. The Company is presently a "Venture Issuer" as defined in NI 51-102. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com.

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted.

## Overall Performance

The Company is a junior mineral exploration entity without any operating segments. It has one project in Tanzania that is based on gold which is a worldwide saleable commodity subject to the normal variations in the global market. No extraordinary circumstances have or are expected to affect the Company's operations outside the normal risks inherent in the global economy. An upturn in the global demand could increase the cost of acquisition and exploration but it would also increase the potential and interest in acquisitions and developing prospects that would attract capital to the Company.

No extraordinary trends or risks have or will affect the Company's financial statements.

## Significant Events

In April 2017, the Company filed a preliminary prospectus, offering on a commercially reasonable efforts basis, to purchasers resident in the provinces of British Columbia and Alberta, through its agent, PI Financial Corp. (the "Agent"), 4,000,000 units (the "Units") of the Company at a price of $0.10 per Unit. Each Unit comprises of one common share in the capital of the Company (a "Share") and one common share purchase warrant (a "Warrant"). Each Warrant is exercisable to acquire one further common share (a "Warrant Share") for a period of two years, at an exercise price of $0.15 per Warrant Share in the 1st year and $0.20 per Warrant Share in the 2nd year.

## Overview

On August 12, 2016, the Company changed its name to Zanzibar Gold Inc. (formerly Moshi Mountain Industries Ltd.). Moshi Mountain Industries Ltd. was incorporated on August 21, 2014 and Moshing Capital Inc. was incorporated on August 22, 2014 under the Business Corporation Act of British Columbia. Under the plan of arrangement, the companies amalgamated on March 2, 2015 to form an amalgamated company under the name "Moshi Mountain Industries Ltd." (the "Company"). The head office of the Company is 5623 145a Street, Surrey, British Columbia, V3S 8E3. The registered and records office is Suite 1780, 400 Burrard Street, Vancouver, British Columbia, V6C 3A6.

## Exploration Activities

### Kwedilima Cheetah Property, Tanzania

The Company entered into a sub-option agreement with AFGF Holdings (Tanzania) Ltd. ("AFGF") and True Zone Resources Inc. ("True Zone") dated September 26, 2014. AFGF is a private company existing under the laws of Tanzania. AFGF represented and warranted that it had acquired a one hundred percent legal and beneficial interest in a prospecting licenses 6903/2011 & 6905/2011 located in the Handeni Kilindi Regional district of Tanzania. The prospecting licenses were issued February 28, 2011 and transferred in June 2011 to AFGF and grants rights for a period of 48 months to carry on prospecting operations. The prospecting licenses are renewable for a further 36 months.

The grant of the sub-option under the sub-option agreement is subject to an assignment agreement effective on the same date which provides that the right earn to an 80% interest shall be assigned to the Company pursuant to a sub-option: (i) granted under the sub-option agreement and (ii) granted effective the completion of a proposed plan of arrangement between True Zone and the Company. On March 2, 2015, the plan of arrangement became effective and True Zone transferred the sub-option to the Company.

The sub-option agreement lapsed and was replaced by an option agreement (the "Option Agreement") between the Company and AFGF dated for reference September 30, 2016. The property that is the subject of the Option Agreement is located on prospecting license 11043/2016 in the Handeni Region, United Republic of Tanzania (the "Property"). The key terms of the Option Agreement are:

The Company or its assignee can acquire an 80% undivided interest in and to the Property (the "Option") free and clear of all charges, encumbrances and claims in consideration for:

- (i) cash payment of $25,000 to the AFGF (Tanzania) Limited ("AFGF") (which has previously been paid);
- (ii) issuance of 500,000 common shares of the Company to the AFGF with a deemed price of $0.02 per share on or before September 26, 2017 (which has previously been issued);
- (iii) incur $75,000 in exploration expenses on or before September 26, 2016 (which has been incurred); and
- (iv) an additional $75,000 in exploration expenses on or before December 31, 2016 (incurred).

Pursuant to the Option Agreement, AFGF further granted the Company an option to purchase up to an additional 20% interest in the Property (the "Second Option") upon exercise of the Option by the Company to earn an 80% interest in the Property.

The Second Option may be fully exercised to attain a further 20% legal and beneficial interest in the Property (for an aggregate of up to 100% legal and beneficial interest in the Property) for a 3 year period from the execution of the Option Agreement in consideration for further payments of:

(i) $1,000,000 for each additional 5% interest in the Property for up to $4,000,000; or
(ii) $3,000,000 for an additional 15% interest in the Property whereby the Company may at its sole discretion, pay a further $1,000,000 for a 3% net smelter return (the "Royalty"). The Company is entitled to repurchase up to 2% of the Royalty thereby reducing the Royalty to as low as 2% or 1% net smelter return as the case may be, which may be exercisable at any time, upon the Company giving AFGF notice of exercise together with $1,000,000 for each 1% net smelter return for an aggregate of up to $2,000,000.

Results of Operations

**Revenues**

Due to the Company's status as an exploration and development stage mineral resource company and a lack of commercial production from its properties, the Company currently does not have any revenues from its operations.

**General and administrative expenses**

***For the nine months ended May 31, 2017 and 2016***

The Company had a net loss of $52,380 for the nine months ended May 31, 2017, compared to $86,402 for the nine months ended May 31, 2016.

Expense details are as follows:

a) Consulting fees of $22,500 (2016 - $45,000) – The decrease is due to reduced consulting rates associated with a management agreement entered into with a company of which a director of the Company is the Chief Executive Officer.

b) Office and administration of $49 (2016 –$23,675) – The decrease is due to less office and administrative services from a director of the Company and recoveries of certain office expenses during the period.

c) Property investigation costs of $6,683 (2016 - $Nil) – The increase is due to expenses related to opportunities in Nevada, Utah and Mexico.

The Company's project is an early stage mineral exploration and development project. The plan for the project is outlined in the exploration section.

No commitments, events, risks or uncertainties that will materially affect the Company's future performance are envisioned.

There have been no unusual or infrequent events or transactions in the most recently completed financial year.

***For the three months ended May 31, 2017 and 2016***

The Company had a net loss of $15,497 for the three months ended May 31, 2017, compared to $25,193 for the three months ended May 31, 2016.

Expense details are as follows:

a) Consulting fees of $7,500 (2016 - $15,000) – The decrease is due to reduced consulting rates associated with a management agreement entered into with a company of which a director of the Company is the Chief Executive Officer.

b) Office and administration of $519 (2016 – $7,518) – The decrease is due to less office and administrative services from a director of the Company and recoveries of certain office expenses during the period.

c) Property investigation costs of $6,479 (2016 - $2,525) – The increase is due to expenses related to opportunities in Nevada, Utah and Mexico.

Summary of Quarterly Reports

| | May 31, 2017 | February 28, 2017 | November 30, 2016 | August 31, 2016 |
|---|---|---|---|---|
| Revenue | $ Nil | $ Nil | $ Nil | $ Nil |
| Loss and comprehensive loss for the period | (15,497) | (15,423) | (21,460) | (49,151) |
| Exploration and evaluation assets | 230,237 | 223,327 | 219,727 | 214,227 |
| Exploration advances | 19,786 | 19,786 | 19,786 | 19,786 |
| Total assets | 309,377 | 287,693 | 276,587 | 255,877 |
| Loss per share | (0.00) | (0.00) | (0.00) | (0.00) |

| | May 31, 2016 | February 29, 2016 | November 30, 2015 | August 31, 2015 |
|---|---|---|---|---|
| Revenue | $ Nil | $ Nil | $ Nil | $ Nil |
| Loss and comprehensive loss for the period | (25,193) | (28,760) | (32,449) | (123,642) |
| Exploration and evaluation assets | 206,446 | 206,446 | 206,446 | 206,446 |
| Exploration advances | 23,786 | 23,786 | 23,786 | 19,786 |
| Total assets | 233,566 | 233,449 | 233,375 | 234,327 |
| Loss per share | (0.00) | (0.00) | (0.00) | (0.04) |

For the three months ended August 31, 2015, the Company incurred a loss of $123,642 of which significant expenses include year-end adjustments of $60,000 of consulting fees, $13,972 of filing and regulatory fees, $13,732 of professional fees, and $ 30,943 in office and administration.

No abnormal variations are present. Any variation is normal for a junior mineral exploration company at this stage of exploration and development.

Liquidity and Capital Resources

The Company will continue to require funds for exploration work on the Kwedilima Cheetah Property, as well as to meet its ongoing day-to-day operating expenses and will continue to rely on equity financing during such period. There can be no assurance that financing will be available to the on terms satisfactory to the Company. The Company does not have any other commitments for material capital expenditures over the near and long term other than as disclosed above plus normal operating expenses.

Since incorporation, the Company's capital resources have been limited. The Company relied upon the issue of equity securities to acquire interest in mineral properties acquisition payments and to pay operating expenses.

During the period ended May 31, 2017, the Company received loan proceeds of $89,100 from a director of the Company. These amounts are non-interest bearing with no stated terms of repayment.

The Company had a working capital of $26,815 as at May 31, 2017.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company has significant financial liabilities outstanding including accounts payable and accrued liabilities and due to related parties. The Company is exposed to the risk that it may not have sufficient liquid assets to meet its commitments associated with these financial liabilities.

The Company's approach to managing liquidity is to ensure that it will always have sufficient cash to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through equity transactions. The Company manages its liquidity risk by continuously monitoring cash flow requirements relating to its anticipated exploration and evaluation activities as well as general overhead requirements.

Credit Risk
Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to its cash balances. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada.

Foreign Exchange Risk
Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the foreign currency exchange rates. The Company's functional currency is the Canadian dollar. All of the Company's financial instruments are denominated in Canadian dollars. The Company conducts some of its business in US dollars and is therefore exposed to variations in the

foreign exchange rate. In management's opinion there is no material foreign exchange risk to the Company.

## Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

## Transactions with Related Parties

As at May 31, 2017, there is $49,125 (August 31, 2016 – $49,125) due to a director of the Company. These amounts are non-interest bearing with no stated terms of repayment.

As at May 31, 2017, there is $110,500 (August 31, 2016 – $90,043) due to a company controlled by a director of the Company. These amounts are non-interest bearing with no stated terms of repayment.

Included in loan payable is a balance of $130,360 (August 31, 2016 – $41,260) due to a director of the Company. These amounts are non-interest bearing with no stated terms of repayment.

During the period ended May 31, 2017, the Company incurred $22,500 (2016 - $45,000) in consulting fees and $Nil (2016 - $22,500) in office fees for services from a company controlled by a director of the Company.

During the period ended May 31, 2017, a director of the Company, a company for which a director of the Company is the Chief Executive Officer and a third party agreed to postpone the payment due date of $179,485, $110,500 and $13,498 respectively until that date which is 13 months from the date that the Company's common shares are listed and called for trading on the Exchange. The amounts owing by the Company are non-interest bearing. Notwithstanding such postponement, the Company may pre-pay all or any part of the debt without penalty before such payment due date. The amounts have been classified as non-current liabilities on the condensed interim statements of financial position.

## Critical Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual reports could differ from management's estimates.

## Adoption of new and amended accounting standards

Please refer to the May 31, 2017 condensed interim financial statements on www.sedar.com

## Financial Instruments

Please refer to the May 31, 2017 condensed interim financial statements on www.sedar.com

## Additional Information

Additional information relating to the Company is on SEDAR at www.sedar.com.

## Disclosure of Outstanding Security Data

As at the date of this report, the following securities are outstanding:

| | |
|---|---|
| Common Shares: | 7,557,755 |
| Warrants: | Nil |
| Options: | Nil |

## Forward-looking information

This MD&A contains "forward-looking statements". Forward-looking statements reflect the Company's current views with respect to future events, are based on information currently available to the Company and are subject to certain risks, uncertainties, and assumptions, including those discussed above. Forward-looking statements include, but are not limited to, statements with respect to the success of mining exploration work, title disputes or claims, environmental risks, unanticipated reclamation expenses, the estimation of mineral reserves and resources and capital expenditures. In certain cases, forward-looking statements can be identified by the use of words such as "intends", "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to international operations, fluctuation of currency exchange rates, actual results of current exploration activities, changes in project parameters as plans are refined over time, the future price of gold and other precious or base metals, possible variations in mineral resources, grade or recovery rates, accidents, labour disputes and other risks of the mining industry, delays in obtaining, or inability to obtain, required governmental approvals or financing, as well as other factors discussed under "Risks and Uncertainties". Although the Company has attempted to identify material factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. The Company has made numerous assumptions about the forward-looking statements and information contained herein, including among other things, assumptions about the Company's anticipated costs and expenditures and its ability to achieve its goals. Even though the Company's management believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that the forward-looking statements statement or information will prove to be accurate. Forward-looking statements contained in this MD&A are made as of the date of this report. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company will update forward-looking statements in its management discussion and analysis as required by applicable law.

## Risks and Uncertainties

The common shares should be considered highly speculative due to the nature of the Company's business and the present stage of its development. In evaluating the Company and its business, investors should carefully consider, in addition to the other information contained in the MD&A, the following risk factors. These risk factors are not a definitive list of all risk factors associated with an investment in the Company or in connection with the Company's operations. There may be other risks and uncertainties that are not known to the Company or that the Company currently believes are not material, but which also may have a material adverse effect on its business, financial condition, operating results or prospects. In that case, the trading price of the Company's common shares could decline substantially, and investors may lose all or part of the value of the common shares held by them.

An investment in securities of the Company should only be made by persons who can afford a significant or total loss of their investment. There is currently no market through which these securities may be sold and purchasers may not be able to resell securities purchased.

*No Ongoing Operations and No Production History*

The Company is a mineral exploration company and has no operations or revenue.

*Limited Operating History*

The Company has no history of earnings. There are no known commercial quantities of mineral reserves on the Company's Property. There is no assurance that the Company will ever discover any economic quantities of mineral reserves.

*Operations in Tanzania*

There is no assurance that future political and economic conditions in Tanzania will not result in the government adopting different policies respecting foreign development and ownership of mineral resources. Any such changes in policy may result in changes in laws affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, which may affect both the ability of the Company to undertake exploration and development activities in respect of future properties in the manner currently contemplated, as well as its ability to continue to explore and develop those properties in respect of which it has obtained exploration and development rights to date. The possibility that a future government of Tanzania may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

The economy of Tanzania differs significantly from the economies of Canada, the United States and Western Europe in such respects as structure, level of development, gross national product, growth rate, capital reinvestment, resource allocation, self-sufficiency, rate of inflation and balance of payments position, among others. Growth rates, inflation rates and interest rates of developing nations are expected to be more volatile than those of western industrial countries.

The Company's operations are in Tanzania and so are subject to risks associated with operating in a foreign jurisdiction, including political, infrastructure, legal and other unique risks as discussed below.

The Company is exposed to risk due to its operations being located primarily in Tanzania as that country is currently facing issues of regional and/or global conflicts, terrorism and political violence, and violent organized crime by extremist terrorists and religious organizations. These risks may include but are not limited to:

(i) potential loss of life, loss of assets and disruption to normal business processes;
(ii) increased costs due to more complex supply chain arrangements and/or the cost of building new facilities or maintaining inefficient facilities;
(iii) reduced volumes and impact on profits; and
(iv) reputational impact of inability to protect staff and assets from serious harm.

The Company is attempting to mitigate the risks associated with operations in Tanzania by working with Tanzania nationals whose job in part is to advise the Company of the regulatory and political landscape and provide foresight and critical paths for the execution of the Company's business plans.

*Negative Operating Cash Flow*

Since inception, the Company has had negative operating cash flow. The Company has incurred losses since its founding. The losses and negative operating cash flow are expected to continue for the foreseeable future as funds are expended on the exploration program on the Property and administrative costs. The Company cannot predict when it will reach positive operating cash flow.

*Requirement for Further Financing*

The Company has limited financial resources and may need to raise additional funds to carry out exploration of its Property. There is no assurance the Company will be able to raise additional funds or will be able to raise additional funds on terms acceptable to the Company. If the Company's exploration programs are successful and favourable exploration results are obtained, the Property may be developed into commercial production. The Company may require additional funds to place the Property into production. The only sources of future funds presently available to the Company are the sale of equity capital, debt, or offering of interests in its Property to be earned by another party or parties by carrying out development work. There is no assurance that any such funds will be available to the Company or be available on terms acceptable to the Company. If funds are available, there is no assurance that such funds will be sufficient to bring the Company's Property to commercial production. Failure to obtain additional financing on a timely basis could have a material adverse effect on the Company, and could cause the Company to forfeit its interest in its Property and reduce or terminate its operations. There is no assurance the Company will be able to raise additional funds.

*Exploration*

At present, there are no bodies of ore, known or inferred, on the Property and there are no known bodies of commercially recoverable ore on the Property. There is no assurance that the Company's mineral exploration activities will result in any discoveries of commercial bodies of ore on the Property.

*Development*

The business of exploration for precious metals involves a high degree of risk. Few exploration properties are ultimately developed into producing properties. The Company's Property is at the exploration stage.

*Title to Properties*

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to, and the area of, mineral properties may be disputed. Although the Company has investigated its title to the Property for which it holds an option to acquire concessions or other mineral leases or licenses and the Company is satisfied with its review of the tile to the Property, the Company cannot give an assurance that title to the Property will not be challenged or impugned. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify, and transfers under foreign law often are complex. The Company does not carry title insurance on the Property. A successful claim that the

Company does not have title could cause the Company to lose its rights to the Property, perhaps without compensation for its prior expenditures relating to the Property.

The Company's interest in the Property is by way of an option agreement only: (i) the Company does not own the Property, rather the Company has the right to acquire an interest in the Property by issuing common shares, incurring the expenditures and meeting the certain obligations; (ii) the exploration expenditures under the Option Agreement are optional to the Company, such that if the Company determines the Property to be without sufficient merit at any time prior to exercising its option it is not obligated to incur any further expenditures; (iii) if the Company fails to incur expenditures in accordance with the Option Agreement, it will lose all of its interest in the Property; (iv) the Company is dependent on AFGF to perform its obligations under the Option Agreement and if AFGF fails to perform its obligations thereunder the Company's interest in the Property may be lost. There is no guarantee the Company will be able to raise sufficient funding in the future to incur all expenditures under the Option Agreement.

*Surface Rights*

The Company does not own the surface rights to the Property. The Company understands that it is necessary, as a practical matter, to negotiate surface access, and the Company is continuing to do so. However, there is a risk that local communities or affected groups may take actions to delay, impede or otherwise terminate the contemplated activities of the Company. There can be no guarantee that the Company will be able to negotiate a satisfactory agreement with any such existing landowners/occupiers for such access, and therefore it may be unable to carry out significant exploration and development activities. In addition, in circumstances where such access is denied, or no agreement can be reached, the Company may need to rely on the assistance of local officials or the courts in such jurisdiction, which assistance may not be provided or, if provided, may not be effective. If the development of a mine on the Property becomes justifiable it will be necessary to acquire surface rights for mining, plant, tailings and mine waste disposal. There can be no assurance that the Company will be successful in acquiring any such rights.

*Management*

The success of the Company is largely dependent upon the performance of its management. The loss of the services of these persons may have a material adverse effect on the Company's business and prospects. There is no assurance that the Company can maintain the service of its management or other qualified personnel required to operate its business.

*Requirement for Permits and Licenses*

The Company will be applying for all necessary licenses and permits under applicable laws and regulations to carry on the exploration activities which it is currently planning in respect of the Property, and the Company believes it will comply in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to changes in regulations and in various operational circumstances. A substantial number of additional permits and licenses will be required should the Company proceed beyond exploration. There can be no guarantee that the Company will be able to obtain such licenses and permits.

*Environmental Risks and other Regulatory Requirements*

The current or future operations of the Company, including the exploration activities and commencement of production on the Property, will require permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, site safety and other matters. There can be no assurance that all permits which the Company may require for its facilities and conduct of exploration and development operations will be obtainable on reasonable terms or that such laws and regulations would not have an material adverse effect on any exploration and development project which the Company might undertake.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in exploration and development operations may be required to compensate those suffering loss or damage by reason of the exploration and development activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the operations and activities of mineral companies, or more stringent enforcement thereof, could have a material adverse impact on the Company and cause increases in capital expenditure or exploration and development costs or reduction in levels of production at producing properties or require abandonment or delays in development of new properties.

*Uninsurable Risks*

Exploration of mineral properties involves numerous risks, including unexpected or unusual geological conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. The Company does not maintain insurance against environmental risks.

*Competition*

Significant and increasing competition exists for mineral opportunities in Tanzania. There are a number of large established mineral exploration companies with substantial capabilities and greater financial and technical resources than the Company. The Company may be unable to acquire additional mineral properties or acquire such properties on terms it considers acceptable. Accordingly, there can be no assurance that the Company's exploration programs will yield any reserves or result in any commercial mineral operations.

*Economic Conditions*

Unfavorable economic conditions may negatively impact the Company's financial viability as a result of increased financing costs and limited access to capital markets.

*Conflicts of Interest*

Directors of the Company may, from time to time, serve as directors of, or participate in ventures with other companies involved in natural resource development. As a result, there may be situations that involve a conflict of interest for such directors. Each director will attempt not only to avoid dealing with such other companies in situations where conflicts might arise but will also disclose all such conflicts in accordance with the *Business Corporations Act* (British Columbia) and will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

*Litigation*

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit. The Company does not know of any such pending or actual material legal proceedings as of the date of the Prospectus.

*No Cash Dividends*

The Company has not declared any cash dividends to date. The Company intends to retain any future earnings to finance its business operations and any future growth. Therefore, the Company does not anticipate declaring any cash dividends in the foreseeable future.

*Ore Reserves and Reserve Estimates*

The Company's business relies upon the ability to determine whether a given property has commercial quantities of recoverable minerals. No assurance can be given that any discovered mineral reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are based on limited sampling and, consequently, are uncertain because the samples may not be representative. Mineral reserve and resource estimates may require revision (either up or down) based on actual production experience.

## Proposed Transactions

There are no proposed transactions that have not been disclosed herein.

## Contingencies

There are no contingent liabilities.

## Additional Disclosure for Venture Issuers without Significant Revenue

Exploration and Evaluation Assets

The Company records its interests in exploration and evaluation assets and areas of geological interest at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the assets to which they relate are placed into production, sold or management has determined there to be impairment. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production.

The recorded cost of exploration and evaluation asset interests is based on cash paid, the assigned value of share considerations issued for exploration and evaluations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

The Company defers all exploration expenses relating to exploration and evaluations assets and areas of geological interest until the properties to which they relate are placed into production, sold or abandoned or management has determined there to be impairment. These costs will be amortized over the proven reserves available on the related property following commencement of production.
Please refer to the May 31, 2017 condensed interim financial statements on www.sedar.com for details of the Company's exploration and evaluation assets.

## Internal Controls over Financial Reporting

Changes in Internal Control over Financial Reporting ("ICFR")

In connection with National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Interim Filings ("NI 52-109") adopted in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis. The Venture Issue Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI52-109.

## Management's Responsibility for Financial Statements

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

## Directors and Officers

Souhail Abi-Farrage – Director, President, CEO
Leonard Vern Senft – Director
George Zarzour – Director
Glen MacDonald – Director
Michael Mulberry – CFO