

# STONE RIDGE EXPLORATION CORP.

## Management Discussion and Analysis

For the three ended May 31, 2016

The Management Discussion and Analysis (“MD&A”), prepared July 7, 2016 should be read in conjunction with the audited financial statements and notes thereto for the year ended February 29, 2016, and the notes thereto of Stone Ridge Exploration Corp. (“Stone Ridge”) which were prepared in accordance with International Financial Reporting Standards.

This management discussion and analysis may contain forward-looking statements in respect of various matters including upcoming events. The results or events predicted in these forward-looking statements may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Additional information about Stone Ridge Exploration Inc. and other filings are available through the System of Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

### DESCRIPTION OF BUSINESS

The Company was incorporated under the laws of the Province of British Columbia on January 26, 2012.

The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties. The Company is currently focusing its financial resources on conducting an exploration program on the Hanson Mineral Property. The Company has not yet determined whether this property contains reserves that are economically recoverable. The recoverability of amounts shown for resource property and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the resource property and upon future profitable production or proceeds from the disposition thereof.

### EXPLORATION AND EVALUATION ASSETS

	Acquisition Costs \$	Exploration Costs \$	Total \$
Balance, February 28, 2015	12,647	112,970	125,618
Other exploration costs	–	7,500	7,500
BCMETS credit	–	(11,800)	(11,800)
Balance, February 29, 2016	12,647	108,720	121,367
Acquisition costs	38,720	–	38,720
Exploration costs	–	46,847	46,847
Balance May 31, 2016	51,637	155,567	206,934

### Hanson Mineral Property

Pursuant to an option agreement (the “Original Agreement”) dated January 26, 2012, with KGE Management Ltd. (“KGE”) and John Chapman, collectively, the “Optionors”, the Company was granted an option to acquire a 100% undivided interest in the Hanson Mineral Property (the “Property”) in the Omineca Mining Division of British Columbia. The terms of the Original Agreement were amended on February 25, 2012, August 1, 2013, September 19, 2014, February 23, 2015, July 23, 2015, November 13, 2015 and January 14, 2016 (collectively, the “Option Agreement”).

In accordance with the Option Agreement, the Company has the option to acquire a 100% undivided interest in the Property by issuing a total of 630,000 common shares of the Company to the Optionors, making cash payments totaling \$161,220, and incurring a total of \$2,600,000 in exploration expenditures as follows:

	<b>Common Shares</b>	<b>Cash</b>	<b>Exploration Expenditures</b>
	#	\$	\$
Upon execution of the Original Agreement (paid)	-	10,000	-
Upon listing of the Company's common shares on a Canadian Stock Exchange (the "Listing") <sup>(1)</sup>	125,000	26,220	100,000
On or before the first anniversary of the Listing	-	15,000	35,000
On or before the second anniversary of the Listing	90,000	15,000	-
On or before the third anniversary of the Listing	100,000	40,000	1,165,000
On or before the fourth anniversary of the Listing	315,000	55,000	1,300,000
<b>Total</b>	<b>630,000</b>	<b>161,220</b>	<b>2,600,000</b>

<sup>(1)</sup> The Listing date was April 15, 2016

The Property is comprised of two mineral claims and a 2.5 kilometre area of influence measured from the outside perimeter of the claims but not including claims already held by third parties.

The Company will also be required to issue an additional 600,000 common shares to the Optionors upon completion of a positive feasibility study on the Property, and an additional 1,000,000 common shares upon the commencement of commercial production.

The Optionors will retain a 3% Net Smelter Returns royalty on the Property. The Company has the right to purchase 1.5% of the royalty for \$3 million at any time prior to the commencement of commercial production. Beginning on December 31, 2019 and annually thereafter, the Company will make an annual advance minimum royalty payment of \$25,000.

During the year ended February 29, 2016, the Company received \$11,800 in British Columbia Mining Exploration Tax Credits ("BCMETS").

## **SELECTED ANNUAL INFORMATION**

**(\$000's except loss per share)**

	February 29 <u>2016</u>	February 28, <u>2015</u>	February 28, <u>2014</u>
Revenue	\$ 0	\$ 0	\$ 0
Net Loss	\$ (241)	\$ (61)	\$ (63)
Basic and Diluted Loss Per Share	\$ (0.02)	\$ (0.01)	\$ (0.01)
Total Assets	\$ 149	\$ 134	\$ 127
Long-Term Debt	\$ 0	\$ 0	\$ 0
Dividends	\$ 0	\$ 0	\$ 0

## OPERATIONS

### Three month period ended May 31, 2016

During the three months ended May 31, 2016 the Company reported a net loss of \$48,394 (2015 - \$95,165). Included in the determination of operating loss was \$3,256 (2015 - \$2,250) spent on rent, \$17,250 (2015 - \$17,250) on management and administration, \$5,173 (2015 - \$10,875) on professional fees, \$14,261 (2015 - \$Nil) and on transfer agent and filing fees, \$2,460 (2015 - \$Nil) on travel and promotion and \$5,994 (2015 - \$253) on office and miscellaneous.

### SUMMARY OF QUARTERLY RESULTS

(\$000's except earnings per share)

	May 31, <u>2016</u>	February 29, <u>2016</u>	November 30, <u>2015</u>	November 30, <u>2015</u>
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
NET LOSS	\$ (48)	\$ (85)	\$ (41)	\$ (19)
Basic and diluted Loss per share	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.00)

	May 31, <u>2015</u>	February 28, <u>2015</u>	November 30, <u>2014</u>	November 30, <u>2014</u>
Revenue	\$ 0	\$ 0	\$ 0	\$ 0
NET LOSS	\$ (96)	\$ (16)	\$ (11)	\$ (11))
Basic and diluted Loss per share	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.00)

## LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents at May 31, 2016 were \$67,093 compared to \$8,486 at February 29, 2016.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

## TRANSACTIONS WITH RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

The following amounts are due to related parties and have been included in accounts payable and accrued liabilities:

	May 31, 2016	February 29, 2016
	\$	\$
Accounts payable and accrued liabilities	9,971	138,277

The amounts are due to companies controlled by directors of the Company. The amounts are non-interest bearing, unsecured and are due upon demand.

The Company had the following related party transactions:

	Period ended May 31, 2016	Period ended May 31, 2015
	\$	\$
Professional fees	4,800	2,875
Rent	2,250	2,250
Total	7,050	5,125

Professional fees and rent are paid to companies controlled by directors of the Company.

Key management personnel receive compensation in the form of short-term employee benefits. The remuneration of key management is as follows:

	Period ended May 31, 2016	Period ended May 31, 2015
	\$	\$
Management fees	17,250	17,250
Share-based payments	–	64,537
Total	17,250	81,787

Management services were provided by companies owned by two directors of the Company. Key management includes directors and key officers of the Company, including the President, Chief Executive Officer and Chief Financial Officer.

## **COMMITMENTS**

The Company is obligated to make certain payments and issue shares in connection with the acquisition of its mineral property.

## **SUBSEQUENT EVENTS**

There were no material subsequent events.

## **APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The mandatory adoption of the following new and revised accounting standards and interpretations on March 1, 2015 had no significant impact on the Company's financial statements for the years presented:

### **IAS 1 – Presentation of Financial Statements**

In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.

### **IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets**

In May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

## **NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

New accounting standards effective for annual periods on or after March 1, 2018:

### **IFRS 9 – Financial Instruments**

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013 the standard was revised to add the new general hedge accounting requirements. The standard was finalized in July 2014 and was revised to add a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income (FVOTCI) category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test.

### **IFRS 15 – Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programs, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

## **CRITICAL ACCOUNTING POLICIES**

### Share-based payments

The Company has an equity-settled share-based compensation plan. Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

### Financial Instruments

Financial assets are classified into one of four categories:

- Fair value through profit or loss;
- Held-to-maturity;
- Available for sale and;
- Loans and receivables

The classification is determined at initial recognition and depends on the nature and purpose of the financial asset.

#### *Financial assets at fair value through profit or loss ("FVTPL")*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if

- It has been acquired principally for the purpose of selling in the near future;
- It is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or;
- It is a derivative that is not designated and effective as a hedging instrument.

The Company's cash is classified as FVTPL.

#### *Held-to-maturity ("HTM")*

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

### *Available-for-sale financial assets (“AFS”)*

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets as at FVTPL. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss.

### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less and impairment losses.

### Derecognition of financial assets

A financial asset is derecognized when:

- The contractual right to the asset’s cash flows expire; or
- If the Company transfer the financial assets and substantially all risks and rewards of ownership to another entity.

### *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset’s carrying amount and the present value of the estimated future cash flows, discounted at the financial asset’s original effective interest rate.

The carrying amount of all financial assets is directly reduced by the impairment loss. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

### **Financial risk management objectives and policies**

The Company’s financial instruments include cash and accounts payable. The risks associated with financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *(i) Currency risk*

The Company’s expenses are denominated in Canadian dollars. The Company’s corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary liabilities. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

The Company does not have any significant foreign currency denominated monetary assets or liabilities.

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high quality financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

## **SHARE CAPITAL**

### Issued

The company has 15,835,000 shares issued and outstanding as at May 31, 2016 and July 7, 2016.

### Share Purchase Options

The Company has 800,000 stock options outstanding as at May 31, 2016 and July 7, 2016.

### Warrants

The Company has 250,000 share purchase warrants outstanding as at May 31, 2016 and July 7, 2016.

### Escrow Shares

The Company has 4,500,000 shares held in escrow as at May 31, 2016 and July 7, 2016.