

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the financial years ended June 30, 2018 and 2017

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the consolidated financial statements and notes thereto for the years ended June 30, 2018 and 2017 of Chemesis International Inc. (formerly Canadian Mining Corp.) (the "Company"). Such financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All dollar amounts are expressed in Canadian dollars unless otherwise indicated.

DATE

This MD&A is prepared as of October 4, 2018.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this report are forward-looking statements, which reflect our management's expectations regarding our future growth, results of operations, performance and business prospects and opportunities including statements related to the development of existing and future property interests, availability of financing and projected costs and expenses. Forward-looking statements consist of statements that are not purely historical, including any statements regarding beliefs, plans, expectations or intentions regarding the future. Such statements are subject to risks and uncertainties that may cause actual results, performance or developments to differ materially from those contained in the statements. No assurance can be given that any of the events anticipated by the forward-looking statements will occur or, if they do occur, what benefits we will obtain from them. These forward-looking statements reflect management's current views and are based on certain assumptions and speak only as of the date of this report. These assumptions, which include management's current expectations, estimates and assumptions about current mineral property interests, the global economic environment, the market price and demand for commodities and our ability to manage our property interests and operating costs, may prove to be incorrect. A number of risks and uncertainties could cause our actual results to differ materially from those expressed or implied by the forward-looking statements, including: (1) a downturn in general economic conditions, (2) a decreased demand or price of precious and base metals, (3) delays in the start of projects with respect to our property interests, (4) inability to locate and acquire additional property interests, (5) the uncertainty of government regulation and politics in the state of Arizona regarding mining and mineral exploration, (6) potential negative financial impact from regulatory investigations, claims, lawsuits and other legal proceedings and challenges, and (7) other factors beyond our control.

There is a significant risk that such forward-looking statements will not prove to be accurate. Investors are cautioned not to place undue reliance on these forward-looking statements. No forward-looking statement is a guarantee of future results. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Additional information about these and other assumptions, risks and uncertainties are set out in the section entitled "Risk Factors" below.

DESCRIPTION OF BUSINESS

The Company was incorporated under the laws of the province of British Columbia on April 26, 2013 under the name Chemesis International Inc. (formerly Canadian Mining Corp.). The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties in British Columbia and Arizona, USA. The Company has recently focused on the acquisition of interests in the State of Arizona, USA, through its wholly-owned subsidiary, Canadian Mining Company of Arizona Inc. The Arizona subsidiary was incorporated April 17, 2007 under the name Canadian Mining Company of Arizona Inc. The Company acquired the wholly-owned subsidiary and all of its issued and outstanding shares along with all of its assets as part of the plan of arrangement with the Company's then parent company International Zeolite Corp. ("CNZ"), a publicly traded company.

CNZ and the Company entered into an agreement (the “Vend-In Agreement”) dated February 17, 2017. Under the terms of the Vend-In Agreement, the Company issued CNZ shareholders 2,826,838 common shares valued at \$16,243 in exchange for CNZ’s 100% interest in Canadian Mining Company of Arizona Inc. (through which CNZ holds its interest in the Bullard Pass Project).

On February 17, 2017, CNZ and the Company also entered an Arrangement Agreement (the “Arrangement Agreement”). Under the terms of the Arrangement Agreement, the capital of CNZ was reorganized by renaming and redesigning all of the issued and unissued CNZ common shares as Class A shares and creating an unlimited number of common shares without par value as the new CNZ common shares (“New CNZ Common Shares”). Each issued and outstanding Class A share was deemed to be exchanged for one New CNZ Common Share and for every five (5) CNZ Shares held, one (1) Share of the Company. Each CNZ Warrant to the extent it had not been exercised as of May 23, 2017, was cancelled and exchanged for one (1) CNZ Amended Warrant and for every five (5) CNZ Warrants held, one (1) Warrant of the Company rounded down to the nearest whole Warrant of the Company. The Arrangement was approved by the shareholders of CNZ on April 28, 2017 and by the Supreme Court of British Columbia on May 1, 2017. As part of the Arrangement, the Company applied to list its common shares on the TSX Venture Exchange (the “Exchange”). All conditions of the Arrangement were completed as of May 30, 2017. Shares of the Company will began trading on the TSX Venture Exchange on June 5, 2017 under the symbol “CNG.” For further details, please see the related documents of the Company which are available on SEDAR at www.sedar.com.

The Company currently has one material exploration property, the Bullard Pass Property located in Arizona, USA, the details of which are set out below. The Company has not yet determined whether its property interests contain reserves that are economically recoverable. The recoverability of amounts shown for resource properties 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.

On July 17, 2018, the Company completed a reverse takeover transaction (“RTO”) with 1145411 B.C. Ltd. (“B.C. Ltd.”), pursuant to which the Company acquired all of the issued and outstanding shares of B.C. Ltd. in exchange for 46,807,559 common shares of the Company.

As the former shareholders of B.C. Ltd. owned a majority interest in the Company immediately after closing, the substance of the transaction, for accounting purpose, is a reverse merger. The transaction does not constitute a business combination as the Company does not meet the definition of a business as defined under IFRS. As a result, the transaction will be accounted for as a capital transaction in substance, with B.C. Ltd. being identified as the acquirer.

B.C. Ltd. is the owner of 100% of the issued and outstanding capital stock of Bonhomie Labs Inc., a California corporation (“Bonhomie”). Bonhomie is the owner of 51% of the issued and outstanding capital stock of SAP Global, a California corporation (“SAP”). SAP is the holder of various licenses and permits that allow it to legally operate cannabis businesses in the State of California.

Under the Management Agreement, SAP is entitled to manage, consult and supervise all operations of a medical marijuana (inclusive of cannabidiol (“CBD”)) cultivation and manufacturing facility, along with all marketing and sales of medical marijuana products (inclusive of CBD) arising from operations as well as all financial and operational matters. In addition, SAP has the sole authority and responsibility to manage, deposit, disburse and invest the funds received by the assignor from operation of the business. SAP is responsible for all operating costs, including, but not limited to, rent, payroll, advertising, sales, power, gas, electricity, security, water, and building insurance.

In exchange for these services, SAP is entitled to receive a management fee (the “Management Fee”) from the assignor equal to the gross revenues less product costs and operating costs. The Management Fee shall constitute SAP’s sole compensation and all other amounts represent reimbursement to SAP for all indirect costs, including all overhead, legal, accounting, financial, marketing, management and administrative assistance provided by SAP corporate staff. Until SAP’s net collections exceed the product costs and operating costs, on a cumulative basis, SAP shall not receive payment of the Management Fee.

Pursuant to the Management Agreement, SAP has been assigned all right, title, and interest in and to all intellectual property, branding rights, good will, customer lists, leasehold rights, and any and all other interests and rights associated with the operation of the business. Additionally, SAP has the ultimate authority, control and direction of the officers of the assignor and all other assets, affairs and business of the assignor, including all financial and operational matters. SAP provides the assignor with overall supervision and administration of the business, including general business and office administration services, and cultivation and harvesting activities. In exchange, the assignor maintains their permits to cultivate, manufacture, harvest, sell marijuana and engage in commercial cannabis related activities, and any other business licenses required to operate the business. The Management Agreement also provides SAP the absolute right to manage any new permit, venture or business opportunity presented to the assignor or proposed by the assignor's Board of Directors.

The Management Agreement will continue indefinitely, subject to the occurrence of certain events, which include, among other things, the enactment of federal, state, or local laws or regulations which prohibit the relationship of the parties as structured under the Management Agreement. Should such circumstances arise, the parties have agreed to employ diligent good faith efforts to modify the Management Agreement to the minimum extent necessary to comply with such newly enacted laws or regulations.

The shares issued to B.C. Ltd. were issued on a post-consolidation basis. Concurrent with the transaction, the Company changed its name to Chemosis International Inc. and started trading on the Canadian Securities Exchange ("CSE") under the symbol "C.CSI".

EXPLORATION ACTIVITY

BULLARD PASS PROPERTY – ARIZONA, USA

In 2007 the Canadian Mining Company of Arizona Inc. staked the DB 1 to 176 mineral claims totalling 3,420 acres and acquired 476.52 acres of Arizona State land under mineral exploration permit #08-111861, for total land holdings of 3,896.52 acres, located in the vicinity of the Harcuvar and Harquahala Mountains, Yavapai County, Arizona (the "Bullard Pass Property"). The Company subsequently reduced its ownership interest in the Bullard Pass Property to 22 claims. The Company has recently staked additional claims to increase the Property to 171 claims. The Company is evaluating the property to determine if further exploration will be performed.

On September 27, 2017, the Company announced it had entered into a letter of intent (LOI) with Crust Resources Corp., a British Columbia-registered company, to acquire a 100-per-cent direct or indirect interest in its operating subsidiary, Care Mining Company Ltd., a company registered in the Republic of Ghana. Upon closing, The Company shall issue to, or as directed by, Care, up to 4.8 million common shares in the capital of The Company in exchange for transferring all of the issued and outstanding shares of Care to The Company. During the quarter-ended December 31, 2017, the Company announced that it had terminated the LOI with Crust Resources Corp.

OVERALL PERFORMANCE

As an exploration stage company, the Company has not generated revenues to date from its property and anticipates that it will continue to require equity financing to fund operations until such time as its properties are put into commercial production on a profitable basis. Since the plan of arrangement, the Company holds the Bullard Pass exploration property. Please see "Description of Business" for management's plans for the Company.

The net assets of the Company increased from \$678,858 at June 30, 2017 to \$3,341,995 at June 30, 2018, an increase of \$2,663,137. The most significant assets at June 30, 2018 cash and cash equivalents of \$2,540,505 (June 30, 2017: \$1,016,593) and promissory notes of \$759,413 (June 30, 2017 - \$nil).

The \$1,523,912 increase in cash and cash equivalents was primarily attributed to the private placement the Company completed in August 2017 as well as the exercise of warrants for cash. The Company issued 4,399,472 units at \$0.50 per unit for gross proceeds of \$2,199,736. Each unit was comprised of one common share and one common share purchase warrant exercisable at \$2.00 per common share for a period of two years from the date of closing. The Company issued 3,076,282 common shares for gross proceeds \$1,517,677 pursuant to the exercise of warrants.

The Company's liabilities at June 30, 2018 consisted of accounts payable and accrued liabilities of \$52,453 (June 30, 2017: \$354,367).

SELECTED ANNUAL INFORMATION

The following information sets out the Company's audited selected annual information for the years ended June 30, 2018, 2017 and 2016:

	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016
	(\$)	(\$)	(\$)
Net Income (Loss)	(1,878,008)	(751,923)	\$nil
Basic and Diluted Earnings (Loss) Per Share	\$(0.15)	\$(0.98)	\$nil

	As at June 30, 2018	As at June 30, 2017	As at June 30, 2016
	(\$)	(\$)	(\$)
Exploration and Evaluation Assets	78,357	16,243	\$11,533
Total Assets	3,394,448	1,033,225	\$11,533

RESULTS OF OPERATIONS

Year Ended June 30, 2018

During the year ended June 30, 2018, the Company incurred a net and comprehensive loss of \$1,878,008 (June 30, 2017: \$751,923). The net and comprehensive loss for the year consists of advertising and promotion of \$239,301 (June 30, 2017: \$nil), consulting fees of \$472,481 (June 30, 2017: \$107,600), exchange and filing fees of \$50,766 (June 30, 2017: \$17,305), professional fees (accounting and legal) of 185,770 (June 30, 2017: \$22,140), travel expenses of \$23,756 (June 30, 2017: \$nil), office and administrative of \$10,896 (June 30, 2017: \$20), share-based payments of \$922,246 (June 30, 2017: \$399,850), exploration expenses of \$5,140 (June 30, 2017: \$nil), costs related to the plan of arrangement of \$nil (June 30, 2017: \$206,525), and a foreign exchange gain of \$19,433 (June 30, 2017: \$1,517).

During the year ended June 30, 2018, the Company capitalized \$62,114 of claim maintenance and claim staking costs to exploration and evaluation assets.

The Company holds one exploration stage mineral property consisting of the Bullard Pass Property as described under the heading "Description of Business". The Company owns 100% of the Bullard Pass claims and has no contractual obligations to perform work on this property.

During the year ended June 30, 2018, the Company entered into a memorandum of understanding (the "MOU") with Natural Ventures PR LLC ("Natural Ventures"). The MOU states that the Company will pay US\$2,250,000 for 62.5% of all the issued and outstanding membership units of Natural Ventures, and will issue common shares equal to US\$1,682,085 for a further 17.5% bringing the total ownership to 80%. The MOU also states that Company will loan up to US\$750,000 to Natural Ventures. The loan accrues interest at 5% per year, calculated annually. As at June 30, 2018, the Company had loaned US\$550,000 (CDN\$724,240) in connection with the MOU.

The Company announced the addition of Mr. Mathew Lee as the Company's new CFO. Mr. Lee is a graduate of the University of British Columbia and holds a chartered professional accountant designation. He has held senior financial positions for both public and private companies in various industries but has recently focused his services on consultation to companies specialized in the cannabis industry.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Quarter Ended June 30, 2018 \$	Quarter Ended March 31, 2018 \$	Quarter Ended December 31, 2017 \$	Quarter Ended September 30, 2017 \$	Quarter Ended June 30, 2017 \$	Quarter Ended March 31, 2017 \$	Quarter Ended December 31, 2016 \$	Quarter Ended Sept 30, 2016 \$
Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net loss	(226,284)	(284,737)	(139,857)	(1,227,130)	(671,532)	(80,571)	Nil	Nil
Loss per share, basic and diluted	(0.02)	(0.02)	(0.01)	(0.10)	(0.88)	(1,611.42)	(0.00)	(0.00)

On a quarter-by-quarter basis the loss can fluctuate significantly due to a number of factors including exploration activities during the period, impairment of exploration assets, and the timing of stock option grants.

An analysis of the quarterly results over the last eight quarters shows a significant change in financial performance for the quarters ended September 30, 2017, June 30, 2017, and March 31, 2017. Plan of arrangement costs amounting to \$206,525 were incurred during the quarters ended June 30, 2017 and March 31, 2017. Professional fees (legal and accounting) were incurred as the Company completed the transaction and exchange and filing fees were also incurred as the Company listed its shares on the TSX Venture Exchange. During the quarters ended September 30, 2017 and June 30, 2017, the Company recorded expenses in relation to the grant of stock options. As such, stock-based compensation was \$922,246 during the quarter ended September 30, 2017 and \$322,850 during the quarter ended June 30, 2017. Net loss for the quarter ended March 31, 2018 increased from the quarter ended December 31, 2017 as the Company incurred significant legal fees in association with its new business activities. There were no results of operations during the quarters ended December 31, 2016 and September 30, 2016 as the company was inactive.

LIQUIDITY

The Company does not generate cash from operations. The Company finances exploration activities by raising capital from equity markets. The Company may encounter difficulty sourcing future financing in light of the recent economic downturn.

The Company had cash and cash equivalents of \$2,540,505 at June 30, 2018 and \$1,016,593 at June 30, 2017. The Company had working capital of \$3,263,638 at June 30, 2018 and \$662,615 at June 30, 2017.

During the year ended June 30, 2018:

- a. The Company issued 4,399,472 units at \$0.50 per unit for gross proceeds of \$2,199,736. Each unit was comprised of one common share and one common share purchase warrant exercisable at \$2.00 per common share for a period of two years from the date of closing;
- b. The Company issued 3,076,282 common shares for gross proceeds \$1,517,677 pursuant to the exercise of warrants; and
- c. The Company issued 100,000 common shares for gross proceeds of \$50,000 pursuant to the exercise of options.

If additional funds are required, the Company plans to raise additional capital primarily through the private placement of its equity securities. Under such circumstances, there is no assurance that the Company will be able to obtain further funds required for the Company's continued working capital requirements. Due to the overall poor market conditions for junior mineral exploration companies, the Company may find it increasingly difficult to raise the funds required to continue the Company's operations. Share prices have undergone significant decreases and any issuance of the Company's equity securities in the near future may result in substantial dilution to the Company's existing shareholders.

LIQUIDITY AND CAPITAL RESOURCES

The Company has no capital commitments in connection with its exploration property. The Company holds 100% interests in the Bullard Pass Property through its wholly-owned subsidiary and is not required to make any expenditure commitments on this property and has no contractual obligations on this property.

The Company will add and or drop claims based on geological merit and as financial resources allow.

Operating Activities

The Company used net cash of \$1,924,565 in operating activities during the year ended June 30, 2018 compared to \$106,403 during the year ended June 30, 2017.

Financing Activities

The Company received \$3,510,591 from financing activities during the year ended June 30, 2018 compared to \$nil during the year ended June 30, 2017.

Investing Activities

The Company used net cash of \$62,114 in investing activities during the year ended June 30, 2018 compared to \$nil during the year ended June 30, 2017.

OFF-BALANCE SHEET ARRANGEMENTS

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

TRANSACTIONS WITH RELATED PARTIES

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consists of members of the Company's current and former Board of Directors and its executive officers.

- a) During fiscal 2018 and 2017 the following compensation was incurred:

	2018		2017
Consulting fees	\$ 247,396	\$	45,525
Share-based payments	403,483		199,925
	<u>\$ 650,879</u>	<u>\$</u>	<u>245,450</u>

- b) During the year ended June 30, 2018, the Company repaid \$ 108,308 (2017 - \$nil) to Canadian Zeolite Corp., a corporation with directors in common.
- c) As at June 30, 2018, amounts totaling \$20,247 (2017 - \$43,807) owing to related parties are included in accounts payable and accrued liabilities.

PROPOSED TRANSACTIONS

As of the date of this MD&A, there were no proposed transactions.

SUBSEQUENT EVENTS

On July 17, 2018, the Company completed a reverse takeover transaction (“RTO”) with 1145411 B.C. Ltd. (“B.C. Ltd.”), pursuant to which the Company acquired all of the issued and outstanding shares of B.C. Ltd. in exchange for 46,807,559 common shares of the Company.

As the former shareholders of B.C. Ltd. owned a majority interest in the Company immediately after closing, the substance of the transaction, for accounting purpose, is a reverse merger. The transaction does not constitute a business combination as the Company does not meet the definition of a business as defined under IFRS. As a result, the transaction will be accounted for as a capital transaction in substance, with B.C. Ltd. being identified as the acquirer.

B.C. Ltd. is the owner of 100% of the issued and outstanding capital stock of Bonhomie Labs Inc., a California corporation (“Bonhomie”). Bonhomie is the owner of 51% of the issued and outstanding capital stock of SAP Global, a California corporation (“SAP”). SAP is the holder of various licenses and permits that allow it to legally operate cannabis businesses in the State of California.

- The shares issued to B.C. Ltd. were issued on a post-consolidation basis. Concurrent with the transaction, the Company changed its name to Chemosis International Inc. and started trading on the Canadian Securities Exchange (“CSE”) under the symbol “C.CSI”.
- On July 18, 2018, the Company increased its ownership in SAP from 51% to 80% by agreeing to incur CDN \$700,000 of capital expenditures.
- On July 18, 2018, the Company acquired the rights to intellectual property comprised of a trade name, domain name, and product technology by issuing a total of 664,637 common shares.

On July 27, 2018 the Company issued 4,800,000 stock options to directors, officers, and consultants of the Company. Each option is exercisable at \$1.00 for a period of 5 years.

On August 21, 2018, the Company acquired a license related to the manufacture, distribution, and sale of cannabis products by issuing a total of 717,750 common shares.

On August 24, 2018, the Company issued 300,000 common shares for consulting services.

ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 9: Financial Instruments was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing de-recognition requirements from IAS 39 Financial instruments: recognition and measurement. The revised financial liability provisions maintain the existing amortized cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company notes that there will be no significant impact on the Company's consolidated financial statements as a result of adopting IFRS 9.

IFRS 15: New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2018. The Company notes that there will be no significant impact on the Company's consolidated financial statements as a result of adopting IFRS 15.

IFRS 16: A new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lease accounting model. The Company is continuing to assess the impact of this new standard on its financial position and financial performance.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company's financial instruments are exposed to certain financial risks which are discussed in detail in note 10 of the Company's consolidated financial statements for the years ended June 30, 2018 and 2017.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

During the year ended June 30, 2018 and 2017, the Company incurred the following expenses:

	2018	2017
Exploration costs	\$ 5,140	\$ nil
General and administrative costs	\$ 1,905,216	\$ 546,915

An analysis of material components of the Company's general and administrative expenses is disclosed in the consolidated financial statements for the years ended June 30, 2018 and 2017 to which this MD&A relates. An analysis of the material components of the mineral property acquisition costs and mineral exploration costs are disclosed in the notes to the consolidated financial statements for the years ended June 30, 2018 and 2017 to which this MD&A relates.

The Company had one exploration property during the year ended June 30, 2018 pursuant to the plan of arrangement with CNZ, which completed on May 30, 2017. The Company has 100% interest in the Bullard Pass Property held through its wholly-owned subsidiary.

DISCLOSURE OF OUTSTANDING SHARE DATA

Common Shares

The Company's common shares are listed on the CSE under the symbol "CSE". The Company's authorized share capital consists of an unlimited number of common shares without par value. As at October 4, 2018 the Company had 64,530,022 common shares issued and outstanding.

Share Purchase Warrants

As at October 4, 2018, the following share purchase warrants were outstanding:

Expiry date	Warrants	Exercise Price
August 3, 2019	4,399,472	\$ 2.00

Stock Options

As at October 4, 2018, the following stock options were outstanding:

Outstanding			Exercisable		
Number of Options	Exercise price	Remaining contractual life (years)	Number of Options	Exercise price	Remaining contractual life (years)
350,000	\$ 0.50	3.69	350,000	\$ 0.50	3.69
300,000	1.10	3.88	300,000	1.10	3.88
4,800,000	1.00	4.82	4,800,000	1.00	4.82
<u>5,450,000</u>			<u>5,450,000</u>		

RISK FACTORS

Much of the information included in this report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by the Company and its management in connection with the Company's business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect the Company's current judgment regarding the direction of its business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. Except as required by law, the Company undertakes no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. The Company cautions readers of this report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating the Company, its business and any investment in its business, readers should carefully consider the following factors:

Risks Related to the Company's Business

Because of the unique difficulties and uncertainties inherent in mineral exploration ventures, the Company faces a high risk of business failure.

Potential investors should be aware of the difficulties normally encountered by mineral exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration program that the Company intends to undertake on its properties and any additional properties that the Company may acquire. These potential problems include unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates. The expenditures to be made by the Company in the exploration of its properties may not result in the discovery of mineral deposits. Any expenditures that the Company may make in the exploration of any other mineral property that it may acquire may not result in the discovery of any commercially exploitable mineral deposits. Problems such as unusual or unexpected geological formations and other conditions are involved in all mineral exploration and often result in unsuccessful exploration efforts. If the results of the Company's exploration do not reveal viable commercial mineralization, the Company may decide to abandon some or all of its property interests.

Loss of Interest in Properties

The Company's ability to maintain an interest in the properties optioned by the Company will be dependent on its ability to raise additional funds by equity financing. Failure to obtain additional financing may result in the Company being unable to make the periodic payments required to keep the property interests in good standing and could result in the delay or postponement of further exploration and or the partial or total loss of the Company's interest in the properties optioned by the Company, including the Qualifying Property.

Because of the speculative nature of the exploration of mineral properties, there is no assurance that the Company's exploration activities will result in the discovery of any quantities of mineral deposits on its current properties or any other additional properties the Company may acquire.

The Company intends to continue exploration on its current properties and the Company may or may not acquire additional interests in other mineral properties. The search for mineral deposits as a business is extremely risky. The Company can provide investors with no assurance that exploration on its current properties, or any other property that the Company may acquire, will establish that any commercially exploitable quantities of mineral deposits exist. Additional potential problems may prevent the Company from discovering any mineral deposits. These potential problems include unanticipated problems relating to exploration and additional costs and expenses that may exceed current estimates. If the Company is unable to establish the presence of mineral deposits on its properties, its ability to fund future exploration activities will be impeded, the Company will not be able to operate profitably and investors may lose all of their investment in the Company.

The potential profitability of mineral ventures depends in part upon factors beyond the control of the Company and even if the Company discovers and exploits mineral deposits, the Company may never become commercially viable and the Company may be forced to cease operations.

The commercial feasibility of an exploration program on a mineral property is dependent upon many factors beyond the Company's control, including the existence and size of mineral deposits in the properties the Company explores the proximity and capacity of processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production and environmental regulation. These factors cannot be accurately predicted and any one or a combination of these factors may result in the Company not receiving an adequate return on invested capital. These factors may have material and negative effects on the Company's financial performance and its ability to continue operations.

Exploration and exploitation activities are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on the Company.

Exploration and exploitation activities are subject to federal, provincial, state and local laws, regulations and policies, including laws regulating the removal of natural resources from the ground and the discharge of materials into the environment. Exploration and exploitation activities are also subject to federal, provincial, state and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment.

Environmental and other legal standards imposed by federal, provincial, state or local authorities may be changed and any such changes may prevent the Company from conducting planned activities or may increase its costs of doing so, which would have material adverse effects on its business. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on the Company. Additionally, the Company may be subject to liability for pollution or other environmental damages that the Company may not be able to or elect not to insure against due to prohibitive premium costs and other reasons. Any laws, regulations or policies of any government body or regulatory agency may be changed, applied or interpreted in a manner which will alter and negatively affect the Company's ability to carry on its business.

Title to mineral properties is a complex process and the Company may suffer a material adverse effect in the event one or more of its property interests are determined to have title deficiencies.

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 either staked property or entered into property option agreements or joint venture agreements on its existing Project interests, the Company cannot give an assurance that title to such property will not be challenged or impugned. Further, the Company cannot give an assurance that the existing description of mining titles will not be changed due to changes in policy, rulings, or law in the jurisdiction where the property is located. Mineral properties sometimes contain claims or transfer histories that examiners cannot verify. A successful claim that the Company does not have title to one or more of its properties could cause the Company to lose any rights to explore, develop and mine any minerals on that property, without compensation for its prior expenditures relating to such property.

The properties optioned by the Company may now or in the future be the subject of first nations land claims. The legal nature of aboriginal land claims is a matter of considerable complexity. The impact of any such claim on the Company's ownership interest in the properties optioned by the Company cannot be predicted with any degree of certainty and no assurance can be given that a broad recognition of aboriginal rights in the area in which the properties optioned by the Company are located, by way of a negotiated settlement or judicial pronouncement, would not have an adverse effect on the Company's activities. Even in the absence of such recognition, the Company may at some point be required to negotiate with first nations in order to facilitate exploration and development work on the properties optioned by the Company.

Because the Company's property interests may not contain mineral deposits and because it has never made a profit from its operations, the Company's securities are highly speculative and investors may lose all of their investment in the Company.

The Company's securities must be considered highly speculative, generally because of the nature of its business and its stage of operations. The Company currently has exploration stage property interests which may not contain mineral deposits. The Company may or may not acquire additional interests in other mineral properties but the Company does not have plans to acquire rights in any specific mineral properties as of the date of this report. Accordingly, the Company has not generated significant revenues nor has it realized a profit from its operations to date and there is little likelihood that the Company will generate any revenues or realize any profits in the short term. Any profitability in the future from the Company's business will be dependent upon locating and exploiting mineral deposits on the Company's current properties or mineral deposits on any additional properties that the Company may acquire. The likelihood that any mineral properties that the Company may acquire or have an interest in will contain commercially exploitable mineral deposits is extremely remote. The Company may never discover mineral deposits in respect to its current properties or any other area, or the Company may do so and still not be commercially successful if the Company is unable to exploit those mineral deposits profitably. The Company may not be able to operate profitably and may have to cease operations, the price of its securities may decline and investors may lose all of their investment in the Company.

As the Company faces intense competition in the mineral exploration and exploitation industry, the Company will have to compete with the Company's competitors for financing and for qualified managerial and technical employees.

The Company's competition includes large established mining companies with substantial capabilities and with greater financial and technical resources than the Company. As a result of this competition, the Company may have to compete for financing and be unable to acquire financing on terms it considers acceptable. The Company may also have to compete with the other mining companies for the recruitment and retention of qualified managerial and technical employees. If the Company is unable to successfully compete for financing or for qualified employees, the Company's exploration programs may be slowed down or suspended, which may cause the Company to cease operations as a company.

The Company's future is dependent upon its ability to obtain financing and if the Company does not obtain such financing, the Company may have to cease its exploration activities and investors could lose their entire investment.

There is no assurance that the Company will operate profitably or will generate positive cash flow in the future. The Company requires additional financing in order to proceed with the exploration and development of its properties. The Company will also require additional financing for the fees it must pay to maintain its status in relation to the rights to the Company's properties and to pay the fees and expenses necessary to operate as a public company. The Company will also need more funds if the costs of the exploration of its mineral claims are greater than the Company has anticipated. The Company will require additional financing to sustain its business operations if it is not successful in earning revenues. The Company will also need further financing if it decides to obtain additional mineral properties. The Company currently does not have any arrangements for further financing and it may not be able to obtain financing when required. The Company's future is dependent upon its ability to obtain financing. If the Company does not obtain such financing, its business could fail and investors could lose their entire investment.

The Company's directors and officers are engaged in other business activities and accordingly may not devote sufficient time to the Company's business affairs, which may affect its ability to conduct operations and generate revenues.

The Company's directors and officers are involved in other business activities. As a result of their other business endeavours, the directors and officers may not be able to devote sufficient time to the Company's business affairs, which may negatively affect its ability to conduct its ongoing operations and its ability to generate revenues. In addition, the management of the Company may be periodically interrupted or delayed as a result of its officers' other business interests.

Risks Relating to the Company's Common Stock

A decline in the price of the Company's common stock could affect its ability to raise further working capital and adversely impact its ability to continue operations.

A prolonged decline in the price of the Company's common stock could result in a reduction in the liquidity of its common stock and a reduction in its ability to raise capital. Because a significant portion of the Company's operations have been and will be financed through the sale of equity securities, a decline in the price of its common stock could be especially detrimental to the Company's liquidity and its operations. Such reductions may force the Company to reallocate funds from other planned uses and may have a significant negative effect on the Company's business plan and operations, including its ability to develop new products and continue its current operations. If the Company's stock price declines, it can offer no assurance that the Company will be able to raise additional capital or generate funds from operations sufficient to meet its obligations. If the Company is unable to raise sufficient capital in the future, the Company may not be able to have the resources to continue its normal operations.

ADDITIONAL INFORMATION

Additional information about the Company is available on SEDAR at <http://www.sedar.com>.

BOARD APPROVAL

The board of directors of the Company has approved this MD&A.