

**CR CAPITAL CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

## **Introduction**

The following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of CR Capital Corp. (the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended December 31, 2016. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual financial statements of the Company for the years ended December 31, 2016 and 2015, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. The Company's financial statements and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. Information contained herein is presented as of April 10, 2017, unless otherwise indicated.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors (the "Board"), considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company common shares; (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Additional information about the Company is available free of charge on the System for Electronic Document Analysis and Retrieval (SEDAR) website at [www.sedar.com](http://www.sedar.com).

## **Cautionary Note Regarding Forward-Looking Information**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

| Forward-looking information                                       | Assumptions   | Risk factors   |
|---|---|--|
| The Company will be able to continue its business activities.     | The Company has anticipated all material costs and the operating activities of the Company, and such costs and activities will be consistent with the Company's current expectations; the Company will be able to obtain shareholder loans or equity funding when required. | Unforeseen costs to the Company will arise; any particular operating cost increase or decrease from the date of the estimation; tax reassessments; and capital markets not being favourable for funding and/or related parties discontinue funding the Company resulting in the Company not being able to obtain financing when required or on acceptable terms. |
| The Company will be able to carry out anticipated business plans. | The operating activities of the Company for the twelve months ending December 31, 2017, will be consistent with the Company's current expectations.   | Sufficient funds not being available; increases in costs; the Company may be unable to retain key personnel.   |

Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control. Please also make reference to those risk factors referenced in the "Risk Factors" section below. Readers are cautioned that the above chart does not contain an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

### **Description of Business**

The Company was incorporated on December 13, 2002, and is a reporting issuer in British Columbia, Alberta and Ontario. The Company's fiscal year end is December 31. The Company is engaged in the acquisition, exploration and evaluation of properties for the mining of precious and base metals.

At a special meeting of shareholders on December 22, 2014, the shareholders of the Company approved: (i) that the Company consummate the transaction with Yorbeau Resources Inc. ("Yorbeau"), which has one common director with the Company, that resulted in the sale of substantially all of its exploration assets (the "Sale Transaction"); (ii) that the Company consolidate the number of issued and outstanding common shares on a one (1) for ten (10) basis (the "Share Consolidation"); and (iii) that the Company change its name from "Cogitore Resources Inc." to "CR Capital Corp."

On March 23, 2015, the Company completed the Share Consolidation. As part of the Share Consolidation stock options were also consolidated and the exercise price adjusted to reflect the consolidation. The Share Consolidation has been reflected in the financial statements and all applicable references to the number of shares and stock options and their strike price and per share information have been restated.

As a result of the closing of the Sale Transaction, in accordance with Policy 2.5 of the TSXV Venture Exchange ("TSXV"), the Company has not maintained the requirements for a TSXV Tier 2 company. Therefore, on February 3, 2015, the Company's listing was transferred to the NEX trading board of the TSXV, and the trading symbol for the Company changed from "WOO" to "CIT.H".

## **Overall Performance**

### **Corporate**

On January 28, 2016, the Company entered into a non-binding letter of intent with DNI Metals Inc. ("DNI") pursuant to which DNI has agreed to acquire all of the issued and outstanding common shares of the Company ("CR Shares") in exchange ratio of two (2) DNI shares for each one (1) CR Share for an aggregate of 16,654,674 common shares ("DNI Shares") of DNI (the "Transaction"). As at the date hereof there are 8,327,335 CR Shares issued and outstanding.

Under the terms of the Transaction, the holders of the Company will be entitled to receive, pro rata, an aggregate of 16,654,674 DNI Shares (subject to reduction for any CR Shares held by validly dissenting shareholders of the Company, if any) in exchange for all of the issued and outstanding CR Shares.

On June 20, 2016, the Company announced that it had mutually agreed to terminate the merger discussions with DNI in respect with the Transaction.

On May 2, 2016, 20,000 options with an exercise price of \$2.40 expired unexercised.

On May 9, 2016, pursuant to the agreement, the Company received the final payment of \$37,500 from BlackRock Metals Inc. ("BlackRock") for the Lemoine property.

On May 13, 2016, the Company repaid in full the income tax payable to Revenu Quebec.

On August 18, 2016, the Company announced the closing of the sale of remaining 86 claims in Estrades to Galway Metals Corp. in exchange for \$150,000 in cash. The Company also announced the cancellation of the transaction with Continental Mining and Smelting Limited for no consideration.

At December 31, 2016, the Company had a working capital of \$955,298, compared to working capital of \$631,713 at December 31, 2015. The Company had cash of \$220,821 at December 31, 2016, compared to \$133,813 at December 31, 2015. The increase in working capital is due to the proceeds from sale of Yorbeau shares which was offset by the Company's general and administrative expenses.

## **Overall Objective**

The Company continues to monitor its spending and will amend its plans based on business opportunities that may arise in the future. See "Risk Factors".

## **Mineral Property Interests**

At the date of this MD&A, there are no exploration plans for the Company.

## **Off-Balance-Sheet Interests**

The Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on its financial performance or financial condition, including, without limitation, such considerations as liquidity, capital expenditures and capital resources that would be considered material to investors.

## **Proposed Transactions**

There are no proposed transactions of a material nature being considered by the Company. The Company continues to evaluate transactions that it may complete in the future.

## **Capital Management**

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board on an ongoing basis. The Company's ability to continue to carry out its operating activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

The Company considers its capital to be equity, comprising share capital, reserves and accumulated deficit, which at December 31, 2016, totaled \$955,298 (December 31, 2015 - \$785,913) which is an increase of \$169,385.

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities.

The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2016. The Company is not subject to any capital requirements imposed by a lending institution or regulatory body.

## Selected Annual Financial Information

The following is selected financial data derived from the annual financial statements of the Company at December 31, 2016, 2015 and 2014 and for the years ended December 31, 2016, 2015 and 2014.

| Description                                  | Year ended<br>December 31,<br>2016<br>(\$) | Year ended<br>December 31,<br>2015<br>(\$) | Year ended<br>December 31,<br>2014<br>(\$) |
|--|--|--|--|
| Total revenues                               | nil  | nil  | nil  |
| Total income (loss)                          | 169,385                                    | 1,341,212                                  | (701,648)                                  |
| Net income (loss) per common share – basic   | 0.02                                       | 0.16                                       | (0.08)                                     |
| Net income (loss) per common share – diluted | 0.02                                       | 0.16                                       | (0.08)                                     |

| Description                             | As at<br>December 31,<br>2016<br>(\$) | As at<br>December 31,<br>2015<br>(\$) | As at<br>December 31,<br>2014<br>(\$) |
|---|---------------------------------------|---------------------------------------|---------------------------------------|
| Total assets                            | 991,208                               | 893,638                               | 544,031                               |
| Total non-current financial liabilities | nil                                   | nil                                   | nil                                   |
| Distribution or cash dividends          | nil                                   | nil                                   | nil                                   |

- The net income for the year ended December 31, 2016, consisted primarily of (i) net gain on sale of mineral properties of \$187,500; and (ii) gain on marketable securities of \$209,838. This was offset by: (i) general and administrative of \$209,201; (ii) finance expense of \$712; (iii) write-off of investment of \$1; and (iv) income tax expense of \$18,039.
- The net income for the year ended December 31, 2015, consisted primarily of (i) net gain on sale of mineral properties of \$1,280,017; (ii) gain on marketable securities of \$279,375; (iii) property option revenue of \$87,500; (iv) gain on settlement of promissory note of \$175,708 and (v) interest income of \$1,401. This was offset by: (i) general and administrative of \$246,801; (ii) exploration and evaluation expenditures of \$11,863; (iii) finance expense of \$49,073; and (iv) income tax expense of \$175,437.
- The net loss for the year ended December 31, 2014, consisted primarily of interest income of \$367 and property option revenue of \$20,000. This was offset by: (i) general and administrative of \$344,541; (ii) exploration and evaluation expenditures of \$334,635; and (iii) finance expense of \$112,320.
- As the Company has no revenue, its ability to fund its operations is dependent upon its securing financing through the sale of equity, debt or assets. See "Risk Factors".

### Selected Quarterly Information

| Three Months Ended | Total Assets<br>(\$) | Total Revenue<br>(\$) | Profit or (Loss)         |  |
|--------------------|----------------------|-----------------------|--------------------------|--|
|                    |                      |                       | Total<br>(\$)            | Basic and Diluted Income (Loss) Per Share <sup>(9)</sup><br>(\$) |
| December 31, 2016  | 991,208              | -                     | (58,281) <sup>(1)</sup>  | (0.01)   |
| September 30, 2016 | 1,032,255            | -                     | (13,208) <sup>(2)</sup>  | (0.00)   |
| June 30, 2016      | 1,047,609            | -                     | 127,749 <sup>(3)</sup>   | 0.02   |
| March 31, 2016     | 981,021              | -                     | 113,125 <sup>(4)</sup>   | 0.01   |
| December 31, 2015  | 893,638              | -                     | (273,906) <sup>(5)</sup> | (0.03)   |
| September 30, 2015 | 1,200,237            | -                     | (510,448) <sup>(6)</sup> | (0.06)   |
| June 30, 2015      | 1,679,131            | -                     | 791,661 <sup>(7)</sup>   | 0.10   |
| March 31, 2015     | 898,413              | -                     | 1,333,905 <sup>(8)</sup> | 0.16   |

Notes:

<sup>(1)</sup> Net loss of \$58,281 resulted from salaries and benefits of \$1,109, professional fees of \$26,466, management compensation of \$18,000, shareholder and investor relations expenses of \$794, write-off of investment of \$1 and income tax recovery of \$7,136.

<sup>(2)</sup> Net loss of \$13,208 resulted from salaries and benefits of \$(444), professional fees of \$36,527, management compensation of \$18,000 and shareholder and investor relations expenses of \$1,079, offset by gain on marketable securities of \$45,537.

<sup>(3)</sup> Net income of \$127,749 resulted from salaries and benefits of \$1,378, professional fees of \$10,970, management compensation of \$18,000, shareholder and investor relations expenses of \$9,063, offset by option revenue of \$150,000 and gain on marketable securities of \$33,237.

<sup>(4)</sup> Net income of \$113,125 resulted from salaries and benefits of \$1,753, professional fees of \$24,202, management compensation of \$18,000, shareholder and investor relations expenses of \$1,359 and finance expense of \$706, offset by option revenue of \$37,500 and gain on marketable securities of \$131,064.

<sup>(5)</sup> Net loss of \$273,906 resulted from professional fees of \$19,572, management compensation of \$18,000, shareholder and investor relations expenses of \$2,214, loss on marketable securities of \$260,664, finance expense of \$37,185 and income tax expense of \$52,758, offset by interest income of \$1,401.

<sup>(6)</sup> Net loss of \$510,448 resulted from exploration and evaluation expenditures of \$435, salaries and benefits of \$1,171, professional fees of \$20,942, management compensation of \$15,000, shareholder and investor relations expenses of \$963, loss on marketable securities of \$381,769 and provision for taxes payable of \$122,679, offset by option revenue of \$37,500.

<sup>(7)</sup> Net income of \$791,661 resulted from exploration and evaluation expenditures recovery of \$98, salaries and benefits of \$1,671, professional fees of \$19,293, management compensation of \$18,000 and shareholder and investor relations expenses of \$8,534, offset by gain on marketable securities of \$796,808, property and option revenue of \$50,000 and income tax recovery resulting from income tax credits from Quebec of \$82.

<sup>(8)</sup> Net income of \$1,333,905 resulted from exploration and evaluation expenditures of \$11,511, salaries and benefits of \$38,085, professional fees of \$31,955, management compensation of \$18,000, shareholder and investor relations expenses of \$3,168 and finance expense of \$11,888, offset by the net gain on sale of mineral properties of \$1,280,017, gain on marketable securities of \$125,000, gain on settlement of promissory note of \$50,708 and income tax recovery resulting from income tax credits from Quebec of \$303.

<sup>(9)</sup> Per share amounts are rounded to the nearest cent, therefore aggregating quarterly amounts may not reconcile to year-to-date per share amounts.

## **Trends**

Management regularly monitors economic conditions and estimates their impact on the Company's operations and incorporates these estimates in both short-term operating and longer-term strategic decisions. During the year ended December 31, 2016, equity markets in Canada showed signs of improvement, with equities increasing significantly. Strong equity markets are favourable conditions for completing a public merger, financing or acquisition transaction. Apart from these and the risk factors noted under the heading "Risk Factors", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations. See "Risk Factors" below.

## **Related Party Transactions and Major Shareholder**

### **(a) Related party transactions**

Related parties include the Board and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

Remuneration of directors and key management personnel (including Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO") and directors), other than consulting fees, of the Company was as follows:

| Salaries and benefits   | Year ended<br>December 31,<br>2016<br>\$ | Year ended<br>December 31,<br>2015<br>\$ |
|---|--|--|
| Brian Michael Howlett & Associates Inc. ("BMH"), CEO fees <sup>(1)(2)</sup>     | 72,000                                   | 69,000                                   |
| Sylvain Lépine, VP of Exploration <sup>(1)(3)</sup>                             | nil                                      | 32,736                                   |
| Marrelli Support Services Inc. ("Marrelli Support"), CFO fees <sup>(1)(4)</sup> | 18,479                                   | 18,411                                   |
| <b>Total</b>  | <b>90,479</b>                            | <b>120,147</b>                           |

<sup>(1)</sup> The amounts charged are conducted on normal market terms and are recorded at their exchange value.

<sup>(2)</sup> Management services fees are paid to BMH, a company controlled by Brian Howlett, the CEO of the Company.

<sup>(3)</sup> Sylvain Lépine has been considered key management beginning in 2013 as Gérald Riverin (former President and CEO) retired June 1, 2013. Since that time, Sylvain Lépine has been responsible for management of operations at the properties. Mr. Lépine was terminated as part of the Sale Transaction with Yorbeau.

<sup>(4)</sup> Professional fees are paid to Marrelli Support, an organization of which Carmelo Marrelli, the CFO of the Company, is president.

Salaries and benefits include director fees. The Board and officers do not have employment or service contracts with the Company. Directors are entitled to director fees and stock options for their services and officers are entitled to fees and stock options for their services.

The payment of director fees has been suspended until further notice.

The Company entered into the following transactions with related parties:

| Names  | Year ended<br>December 31,<br>2016<br>\$ | Year ended<br>December 31,<br>2015<br>\$ |
|--|--|--|
| Marrelli Support <sup>(1)</sup>                    | 27,833                                   | 30,777                                   |
| DSA Corporate Services Inc. ("DSA") <sup>(2)</sup> | 15,015                                   | 15,669                                   |
| <b>Total</b>                                       | <b>42,848</b>                            | <b>46,446</b>                            |

**CR Capital Corp.**  
**Management's Discussion & Analysis**  
**Year Ended December 31, 2016**  
**Discussion dated: April 10, 2017**

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(1) During the year ended December 31, 2016, the Company paid professional fees of \$27,833 (year ended December 31, 2015 - \$30,777) to Marrelli Support, an organization of which Carmelo Marrelli is president. Carmelo Marrelli is the CFO of the Company. These services were incurred in the normal course of operations for general accounting and financial reporting matters. Marrelli Support also provides bookkeeping services to the Company. As at December 31, 2016, Marrelli Support was owed \$11,258 (December 31, 2015 - \$2,500) and this amount was included in amounts payable and other liabilities.

(2) During the year ended December 31, 2016, the Company paid professional fees of \$15,015 (year ended December 31, 2015 - \$15,669) to DSA, an organization of which Carmelo Marrelli controls. Carmelo Marrelli is also the corporate secretary and sole director of DSA. These services were incurred in the normal course of operations for corporate secretarial matters. As at December 31, 2016, DSA was owed \$3,810 (December 31, 2015 - \$2,599) and this amount was included in amounts payable and other liabilities.

(b) Major shareholder

To the knowledge of the directors and senior officers of the Company as at December 31, 2016, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all common shares of the Company other than as set out below:

| Major shareholder              | Number of common shares | Percentage of outstanding common shares |
|--------------------------------|-------------------------|---|
| Dundee Corporation ("Dundee"), | 866,250                 | 10.40%                                  |

None of the Company's major shareholders have different voting rights than other holders of the Company's common shares.

The Company is not aware of any arrangements that may at a subsequent date result in a change in control of the Company. To the knowledge of the Company, it is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

(c) Other related party transactions

On April 30, 2013, the Company borrowed \$800,000 from Dundee, which is a shareholder in the Company. On May 22, 2014, the maturity date of the promissory note was extended to April 30, 2015 with a new principal amount of \$904,000. On February 9, 2015, the Company repaid the promissory note and unpaid interest to Dundee by delivering to Dundee 12,500,000 common shares of Yorbeau. The Company has one common director with Yorbeau.

## **Discussion of Operations**

Year ended December 31, 2016, compared with year ended December 31, 2015

The Company's net income totaled \$169,385 for the year ended December 31, 2016, with basic and diluted loss per share of \$0.02. This compares with a net income of \$1,341,212 with basic and diluted loss per share of \$0.16 for the year ended December 31, 2015. The decrease of \$1,171,827 in net income was principally because:

- Exploration and evaluation expenditures decreased by \$11,863 in the year ended December 31, 2016, compared to the year ended December 31, 2015. The Company closed the Sale Transaction with Yorbeau on January 30, 2015 and discontinued all exploration activities;
- The Company incurred an expense of \$3,796 for salaries and benefits during the year ended December 31, 2016, compared to an expense of \$41,461 during the year ended December 31, 2015;
- Professional fees increased by \$6,403 to \$98,165 in the year ended December 31, 2016, from \$91,762 in the year ended December 31, 2015 due to higher consulting fees incurred during the current period;
- The Company recorded a net gain on sale of mineral properties of \$1,280,017 during the year ended December 31, 2015, compared to \$187,500 during the year ended December 31, 2016. The decrease of \$1,092,517 is due to the Sale Transaction with Yorbeau in 2015 compared to \$150,000 received in 2016 for the sale of claims in Estrades and \$37,500 received from BlackRock;
- The Company recorded a gain on marketable securities of \$209,838 during the year ended December 31, 2016, compared to a gain of \$279,375 during the year ended December 31, 2015. The decrease in gain of \$69,537 is due to the change in fair value of Yorbeau shares received during the first quarter of 2015 from the Sale Transaction with Yorbeau. The decrease in gain is also due to the sale of 2,303,000 shares of Yorbeau for gross proceeds of \$188,609 for the year ended December 31, 2016 compared to the sale of 2,899,500 shares of Yorbeau for the gross proceeds of \$294,840 during the year ended December 31, 2015;
- The Company recorded property option revenue of \$87,500 during the year ended December 31, 2015 compared to \$nil during the year ended December 31, 2016. The decrease of \$87,500 is due to the sale of 52 claims to BlackRock in 2015;
- The Company recorded a gain on settlement of promissory note of \$175,708 during the year ended December 31, 2015, compared to \$nil during the year ended December 31, 2016. The decrease of \$175,708 is due to the full repayment of the promissory note and unpaid interest to Dundee by delivering to Dundee 12,500,000 common shares of Yorbeau in 2015;
- The Company recorded an income tax expense of \$175,437 during the year ended December 31, 2015 compared to \$nil during the year ended December 31, 2016. The decrease of \$175,437 is due to certain tax credits related to provincial tax returns for the fiscal years ended December 31, 2010, December 31, 2011, December 31, 2012 and December 31, 2013, that were denied by Revenu Quebec in 2015; and
- All other expenses related to general working capital expenditures.

Three months ended December 31, 2016, compared with three months ended December 31, 2015

The Company's net loss totaled \$58,281 for the three months ended December 31, 2016, with basic and diluted loss per share of \$0.01. This compares with a net loss of \$273,906 with basic and diluted loss per share of \$0.03 for the three months ended December 31, 2015. The decrease of \$215,625 in net loss was principally because:

- The Company incurred expense of \$1,109 for salaries and benefits during the three months ended December 31, 2016, compared to expense of \$534 during the three months ended December 31, 2015;
- Professional fees increased by \$6,894 to \$26,466 in the three months ended December 31, 2016, from \$19,572 in the three months ended December 31, 2015 due to higher consulting fees during the current period;
- The Company recorded an income tax expense of \$nil during the three months ended December 31, 2016 compared to \$52,758 during the three months ended December 31, 2015. The decrease of \$52,758 is due to certain tax credits related to provincial tax returns for the fiscal years ended December 31, 2010, December 31, 2011, December 31, 2012 and December 31, 2013, that were denied by Revenu Quebec in the comparative period;
- The Company recorded a loss on marketable securities of \$nil during the three months ended December 31, 2016, compared to a loss of \$260,664 during the three months ended December 31, 2015. The decrease in loss of \$260,664 is due to the change in fair value of Yorbeau shares received during the first quarter of 2015 from the Sale Transaction with Yorbeau. The decrease in loss is also due to the sale of 1,387,000 shares of Yorbeau for gross proceeds of \$126,240 for the three months ended December 31, 2015;
- Finance expense decreased by \$37,185 to \$nil in the three months ended December 31, 2016, from \$37,185 in the three months ended December 31, 2015. On April 30, 2013, the Company announced that it borrowed \$800,000 from Dundee pursuant to a promissory note which originally matured on May 1, 2014. On May 22, 2014, Dundee agreed to extend the maturity date of the promissory note to April 30, 2015. The promissory note bears interest at the rate of 12% per annum, calculated monthly not in advance and payable on the maturity date. On February 9, 2015, the Company repaid the promissory note and unpaid interest to Dundee by delivering to Dundee 12,500,000 common shares of Yorbeau. Finance expense in 2015 also include interest expense of \$37,185 on income tax payable with respect to certain tax credits related to provincial tax returns for the fiscal years ended December 31, 2010, December 31, 2011, December 31, 2012 and December 31, 2013, that were denied by Revenu Quebec; and
- All other expenses related to general working capital expenditures.

The Company's total assets at December 31, 2016 were \$991,208 (December 31, 2015 - \$893,638) against total liabilities of \$35,910 (December 31, 2015 - \$107,725). The increase in total assets of \$97,570 resulted from cash received from the sale of Yorbeau shares and increase in fair value of Yorbeau shares at December 31, 2016 which was offset by cash spent on operating costs. The Company has sufficient current assets to pay its existing liabilities of \$35,910 at December 31, 2016.

### **Liquidity and Financial Position**

At December 31, 2016, the past activities of the Company were primarily financed through equity and debt offerings and the exercise of stock options and warrants. No options or warrants were exercised during the year ended December 31, 2016.

At December 31, 2016, the Company had \$220,821 in cash (December 31, 2015 – \$133,813). Cash increased due to proceeds from the sale of Yorbeau shares which was offset by cash spent on operating expenses.

Amounts payable and other liabilities increased to \$35,910 at December 31, 2016, compared to \$23,835 at December 31, 2015. The variation is primarily the result of fluctuations in amounts payable and other liabilities, which are usually paid as and when they become due. In addition, the Company also recorded an income tax payable of \$nil as at December 31, 2016 (December 31, 2015 - \$83,890) with respect to certain tax credits related to provincial tax returns for the fiscal years ended December 31, 2010, December 31, 2011, December 31, 2012 and December 31, 2013, that were denied by Revenu Quebec.

The Company has no operating revenues and therefore must utilize its current cash reserves and other anticipated transactions to meet ongoing operating activities.

As of December 31, 2016, and the date of this MD&A, the cash resources of the Company were held with one Canadian chartered bank.

The Company had no debt at December 31, 2016 and its credit and interest rate risk is minimal. Amounts payable and other liabilities are short term and non-interest bearing.

The Company's use of cash and proceeds from the sale of Yorbeau shares is expected to support corporate overhead. Currently, the Company's corporate reduced overhead is averaging approximately \$17,000 per month for general and administrative costs, professional fees and other working capital items. Based on the rate of expenditure, the Company will likely have to raise capital in fiscal 2017, if an opportunity arises or Yorbeau shares decrease significantly, in amounts sufficient to fund working capital requirements. The Company will defer payments or sell assets where possible until the capital is sourced.

Additional measures have been undertaken or are under consideration to further reduce corporate overhead.

### **New Accounting Standards Adopted During the Period**

IAS 1 – Presentation of Financial Statements ("IAS 1") IAS 1 was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. As at January 1, 2016, the Company adopted this pronouncement and there was no material impact on the Company's financial statements.

### **New Accounting Standards Issued But Not Yet Effective**

IFRS 9 - Financial Instruments ("IFRS 9") IFRS 9 was issued in final form in July 2014 by the IASB and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these

improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

## **Financial Instruments**

### **Financial risk**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and price risk).

#### **(i) Credit risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash. Cash is held with a major Canadian chartered bank, from which management believes the risk of loss to be minimal.

#### **(ii) Liquidity risk**

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities or sale of assets. As at December 31, 2016, the Company had cash of \$220,821 (December 31, 2015 - \$133,813) to settle current liabilities of \$35,910 (December 31, 2015 - \$107,725). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

The Company's ability to continually meet its obligations is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

#### **(iii) Market risk**

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and equity price.

##### **(a) Interest rate risk**

The Company has cash balances and no interest-bearing debt at December 31, 2016. The Company's current policy is to invest surplus cash in high yield savings accounts and guaranteed investment certificates issued by a Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank.

##### **(b) Foreign currency risk**

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is nil.

(c) Price risk

The Company is exposed to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's loss due to movements in individual equity prices or general movements in the level of stock market.

The Company has \$693,264 invested in marketable securities as at December 31, 2016. These investments are classified as FVTPL and are subject to equity price risk. The fluctuation in the price of these marketable securities could have a significant impact on the Company's profit or loss for the year ended December 31, 2016. The Company's period end equity would also increase or decrease by the additional profit or loss amount.

### **Sensitivity analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a twelve month period:

(i) Cash is subject to floating interest rates. The Company receives low interest rates on its cash balances. As such, the Company does not have significant interest rate risk.

(ii) The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

(iii) The Company's marketable securities are denominated in Canadian dollars and are subject to fair value fluctuations. As at December 31, 2016, if the fair value of the Company's marketable securities had increased/decreased by 20% with all other variables held constant, income for the year ended December 31, 2016, would have been approximately \$139,000 higher/lower. Similarly, as at December 31, 2016, the Company's reported shareholders' equity would have been approximately \$139,000 higher/lower as a result of a 20% increase/decrease in marketable securities.

### **Share Capital**

As at the date hereof, the Company has 8,327,335 common shares and 385,000 stock options issued and outstanding. The Company, therefore, has 8,712,335 common shares on a fully diluted basis

### **Outlook**

The Company is engaged in the acquisition, exploration and evaluation of properties for the mining of precious and base metals.

The Company will need to secure additional financing to meet its ongoing obligations; however, there is no assurance that the Company will be able to do so. See "Risk Factors".

### **Risk Factors**

At the present time, the Company does not hold any interest in an operating asset or business. The Company's viability and potential success lie in its ability to identify and successfully complete the merger with or acquisition of a suitable asset or business and, if completed, to develop, exploit and generate revenue out of such future asset or business. Management believes that the Company's ability to identify and complete a transaction will be greatly influenced by the strength of the capital markets. Markets that

are robust and receptive to equity financings and initial public offerings are expected by management to be most favourable for the completion of a transaction.

Revenues, profitability and cash flow from any future asset or business acquisition involving the Company is difficult to predict and will be influenced by factors unknown to management at the present time. The Company has limited financial resources and there is no assurance that additional funding will be available to it if and when required. Failure to obtain such additional financing could result in the Company not being able to meet its general and administrative expenses or maintain its public company status, and could delay or indefinitely postpone the identification of suitable assets or business or the completion of a transaction once a suitable asset or business has been identified.

### **Disclosure of Internal Controls**

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence in that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements, and (ii) the financial statements fairly present in all material respects the financial condition, financial performance and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate do not make any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## Additional Disclosure for Venture Issuers Without Significant Revenue

### General and Administrative Expenses

| Detail                              | Year ended<br>December 31,<br>2016<br>\$ | Year ended<br>December 31,<br>2015<br>\$ |
|-------------------------------------|--|--|
| Professional fees                   | 98,165                                   | 91,762                                   |
| Management compensation             | 72,000                                   | 69,000                                   |
| Salaries and benefits               | 3,796                                    | 41,461                                   |
| Shareholder and investors relations | 12,295                                   | 14,879                                   |
| Reporting issuer costs              | 8,693                                    | 11,765                                   |
| Office and general                  | 13,286                                   | 15,677                                   |
| Bank charges                        | 966                                      | 1,451                                    |
| Depreciation                        | nil                                      | 806                                      |
| <b>Total</b>                        | <b>209,201</b>                           | <b>246,801</b>                           |

### Exploration and Evaluation Expenditures

| Scott Lake Property             | Year ended<br>December 31,<br>2016<br>\$ | Year ended<br>December 31,<br>2015<br>\$ |
|---------------------------------|--|--|
| Property acquisition costs      | nil                                      | 10,000                                   |
| Property maintenance            | nil                                      | (3,221)                                  |
| General and geology             | nil                                      | 7,310                                    |
| Regional office expenses        | nil                                      | 6,454                                    |
| <b>Activity during the year</b> | <b>nil</b>                               | <b>20,543</b>                            |

| <b>Lemoine Property</b>         | <b>Year ended<br/>December 31,<br/>2016<br/>\$</b> | <b>Year ended<br/>December 31,<br/>2015<br/>\$</b> |
|---------------------------------|--|--|
| Property maintenance            | nil  | (2,787)  |
| Line cutting                    | nil  | (1,800)  |
| General and geology             | nil  | 728  |
| Administration                  | nil  | 435  |
| Regional office expenses        | nil  | (1,770)  |
| <b>Activity during the year</b> | <b>nil</b>   | <b>(5,194)</b>                                     |

| <b>Back-In Properties</b>       | <b>Year ended<br/>December 31,<br/>2016<br/>\$</b> | <b>Year ended<br/>December 31,<br/>2015<br/>\$</b> |
|---------------------------------|--|--|
| Property maintenance            | nil  | (1,464)  |
| General and geology             | nil  | 1,862  |
| Regional office expenses        | nil  | 183  |
| <b>Activity during the year</b> | <b>nil</b>   | <b>581</b>   |

| <b>Inmet Properties</b>         | <b>Year ended<br/>December 31,<br/>2016<br/>\$</b> | <b>Year ended<br/>December 31,<br/>2015<br/>\$</b> |
|---------------------------------|--|--|
| Property acquisition costs      | nil  | (5,000)  |
| Property maintenance            | nil  | (1,920)  |
| Regional office expenses        | nil  | (3,170)  |
| <b>Activity during the year</b> | <b>nil</b>   | <b>(10,090)</b>                                    |

| <b>Caribou Project</b>          | <b>Year ended<br/>December 31,<br/>2016<br/>\$</b> | <b>Year ended<br/>December 31,<br/>2015<br/>\$</b> |
|---------------------------------|--|--|
| Property maintenance            | nil  | (4,832)  |
| General and geology             | nil  | 2,277  |
| Regional office expenses        | nil  | (1,170)  |
| <b>Activity during the year</b> | <b>nil</b>   | <b>(3,725)</b>                                     |

| <b>Selbaie West Project</b>     | <b>Year ended<br/>December 31,<br/>2016<br/>\$</b> | <b>Year ended<br/>December 31,<br/>2015<br/>\$</b> |
|---------------------------------|--|--|
| General and geology             | nil  | 8,486  |
| Drilling                        | nil  | (1,800)  |
| Regional office expenses        | nil  | 3,062  |
| <b>Activity during the year</b> | <b>nil</b>   | <b>9,748</b>                                       |