
# Management's Discussion and Analysis

For the three and six month periods ended
September 30, 2017

Dated: November 23, 2017

## Introduction

This Management Discussion and Analysis ("MD&A") is dated November 23, 2017 and is in respect of the three and six month periods ended September 30, 2017. The following discussion of the financial condition and results of operations of Zenyatta Ventures Ltd. ("Zenyatta" or the "Corporation") constitutes management's review of the factors that affected the Corporation's financial and operating performance for the three and six month periods ended September 30, 2017.

This discussion should be read in conjunction with the Corporation's condensed interim consolidated financial statements and corresponding notes to the financial statements for the six months ended September 30, 2017 and the audited annual financial statements for the year ended March 31, 2017, the most recently completed fiscal period. The Corporation's condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars which is the Corporation's functional and reporting currency.

Additional information relating to the Corporation can be found under the Corporation's profile on SEDAR at www.sedar.com.

## Forward Looking Statements

This MD&A of the Corporation 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 Corporation'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 state 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, which may cause actual results to differ materially from those anticipated, expressed or implied in such forward-looking statements.

Factors that could affect these statements include, without limitation, availability of financing and personnel, fluctuations in metal prices, future exploration and development programs, general business and economic conditions, social and political stability, security of title, timing and receipt of permits and licenses, the impact of changes in future legislation and regulations, changes in mining or environmental regulations, competition and currency fluctuations. 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.

Shareholders are cautioned not to place undue reliance on forward-looking information. The Corporation undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

These factors and other risks and uncertainties are detailed in the Corporation's reports and disclosure documents filed by the Corporation from time-to-time with Canadian securities regulatory authorities.

## Overview

The Corporation is a junior mineral exploration company focused primarily on the Albany Graphite Deposit in Northern Ontario, Canada. The graphite deposit is a unique volcanic type with a hydrothermal origin contained in two large breccia pipes. The Company has completed a Preliminary Economic Assessment (PEA) which indicates an open pit mine life of 22 years (excludes underground + open at depth) producing 30,000 tonnes purified graphite per annum. The Company is seeking end users for their high purity graphite

and the graphene produced from this material. The Company is working with several collaborative partners globally including Ballard Power Systems on fuel cells. Potential markets for graphite include Li-ion batteries, fuel cells and powder metallurgy while graphene applications are numerous. The application for graphitic material is constantly evolving due to its unique chemical, electrical and thermal properties. It maintains its stability and strength under temperatures in excess of 3,000°C and is very resistant to chemical corrosion. It is also one of the lightest of all reinforcing elements and has high natural lubricating abilities. The Company has signed a Collaborative Agreement with Larisplast Ltd. and Ben-Gurion University (BGU) to develop graphene infused concrete. Preliminary tests indicate the addition of graphene has the potential to create a much stronger concrete with a faster curing time at a cost advantage. Also, the addition of graphene in concrete has the potential to reduce the amount of cement needed which in turn reduces CO2 emissions.

The Corporation holds an interest in exploration licenses on properties in the "Arc of Fire" area in Northern Ontario, Canada. The properties, located north of Lake Superior and west of James Bay in north- western Ontario, Canada, are unpatented, non- contiguous, and consist of 6 blocks of claims (originally consisted of 28 block claims), 157 claims and 2,356 claim units, totaling 376.96 $km^2$ and 37,696 hectares (the "Claims"). The Corporation's current objective is to focus on the exploration of the Claims and development of the Albany Graphite Deposit on claim block 4F.

The Corporation was registered and incorporated in Ontario, Canada as 1774119 Ontario Limited on July 29, 2008. Pursuant to Articles of Amendment dated November 24, 2009, the Corporation changed its name to Zenyatta Ventures Ltd. On December 23, 2010, the Corporation became a reporting issuer in Ontario, Alberta and British Columbia. The common shares of the Corporation commenced trading on the TSX Venture Exchange under the symbol ZEN.

**Overall Performance**

During the six month period ended September 30, 2017, the Corporation continued exploration activities on the Claims. Overall, during the six month period ended September 30, 2017, the Corporation had cash expenditures of $926,966 consisting of deferred exploration costs and operating expenses.

As at September 30, 2017, the Corporation had $21,899,728 in deferred exploration costs as a result of its airborne survey, additional staking and exploration costs, drilling program, which includes $1,292,500 worth of cash, shares and warrants given to Cliffs Natural Resources Exploration Canada Inc. ("Cliffs Canada") in connection with the Amended Albany Agreement.

**Results of Operations**

Net loss

The Corporation recorded a loss of $290,705 with basic and diluted loss per share of $0.01 for the three month period ended September 30, 2017 (2016 – loss of $1,023,449 and $0.02). The loss for the six month period ended September 30, 2017 was $831,808 with basic and diluted loss per share of $0.01 (2016 – loss of $1,418,675 and $0.02).

Revenue

The Corporation is in the exploration stage and therefore did not have revenues from operations. Interest and other income for the three month period ended September 30, 2017 was $11,745 (2016 - $1,198). Interest and other income for the six month period ended September 30, 2017 was $13,953 (2016 - $2,178). Grant income netted against the exploration and evaluation assets for the three month period ended September 30, 2017 was $44,159 (2016 - $nil). Grant income netted against the exploration and evaluation assets for the six month period ended September 30, 2017 was $44,159 (2016 - $nil).

Expenses

Stock-based compensation costs were $32,724 for the three month period ended September 30, 2017 (2016 - $607,855) and $159,413 for the six month period ended September 30, 2017 (2016 - $716,277). Stock-based compensation was based on the fair value of the options described in Note 7(c) of the audited financial statements as calculated using the Black-Scholes option pricing model. Stock-based compensation is recognized over the vesting period of the underlying options.

General and administrative expenses were $203,386 for the three month period ended September 30, 2017 (2016 - $248,412) and $487,865 for the six month period ended September 30, 2017 (2016 - $425,909). The most significant components of general and administrative expenses are wages and benefits. The following table details the material components of the Corporation's general and administrative expenses for the six month periods ended September 30, 2017 and 2016.

| | **Six Months Ended September 30, 2017** | **Six Months Ended September 30, 2016** |
|---|---|---|
| Salaries and Benefits | $ 301,852 | $ 251,686 |
| Meals and Entertainment | 9,859 | 10,454 |
| Accommodations | 15,676 | 10,899 |
| Investor Communications | 35,138 | 42,072 |
| Travel | 29,737 | 20,795 |
| Occupancy and office expenses | 95,603 | 90,003 |
| **Total** | **$ 487,865** | **$ 425,909** |

Professional fees were $27,871 for the three month period ended September 30, 2017 (2016 - $52,505) and $58,470 for the six month period ended September 30, 2017 (2016 - $59,026). These fees consist primarily of the amounts charged for services provided by the Corporation's lawyers, auditors, and accountants.

Investor relations and promotion expenses were $16,147 for the three month period ended September 30, 2017 (2016 - $8,101) and $21,191 for the six month period ended September 30, 2017 (2016 - $10,780). These expenses consist primarily of the costs of marketing trips and other costs such as attending industry conferences.

Consulting fees were $20,646 for the three month period ended September 30, 2017 (2016 - $105,344) and $115,471 for the six month period ended September 30, 2017 (2016 - $204,004. The most significant component of consulting fees related to costs associated with fees paid for advisory services related to institutional investors and investor relations as well as mineral exploration activities.

Amortization expense was $1,676 for the three month period ended September 30, 2017 (2016 - $2,430) and $3,351 for the six month period ended September 30, 2017 (2016 - $4,857). Amortization is taken on the capitalized cost of the Corporation's computers and equipment.

Cash Flows

During the six month period ended September 30, 2017, cash decreased overall by $173,344 (2016 – increased by $678,448). Operating activities resulted in a decrease in cash of $606,048 (2016 – decrease of $682,309) due to continued spending on consulting and professional fees and general and administrative expenses. Investing activities resulted in an increase in cash of $432,704 (2016 – decrease of $1,519,268) due to redemptions of temporary investments partially offset by continued spending on mineral exploration and evaluation activities. Financing activities resulted in a change in cash of $nil (2016 – increase of $2,880,025) as there were no warrants or stock options exercised during the period. The increase in cash for 2016 was due to net proceeds received from common shares issued in conjunction with a rights offering.

**Mineral Exploration Activities**

Interest in mineral properties and exploration costs capitalized were $73,401 for the three month period ended September 30, 2017 (2016 – $343,980) and $248,930 for the six month period ended September 30, 2017 (2016 - $401,923). All of these costs relate to the Albany Project. Costs capitalized relate to contracted geological services, general exploration costs, drilling costs, geophysical survey costs and stock-based compensation. The following table details the material components of the Corporation's exploration and evaluation assets for the six month periods ended September 30, 2017 and 2016.

| ALBANY PROPERTY | Six Months Ended September 30, 2017 | Six Months Ended September 30, 2016 |
|---|---|---|
| Opening Balance | $ 21,650,798 | $ 20,983,520 |
| Contractor Services | 86,787 | 82,725 |
| Field Camp Expenses | - | 657 |
| Equipment Rental | 4,248 | 8,325 |
| Supplies | - | 934 |
| Processing and Testing | 51,649 | 14,904 |
| Metallurgical Testing | 138,244 | 238,993 |
| Site Costs | 7,200 | 7,200 |
| Stock-based compensation | 4,961 | 48,185 |
| **Closing Balance** | **$ 21,899,728** | **$ 21,385,443** |

Albany Project

During the year ended March 31, 2010, the Corporation signed an option agreement which was subsequently superseded and replaced effective November 2, 2010 (the "Albany Agreement"), to earn an interest in the Albany Property located in Northern Ontario. Under the terms of the Albany Agreement, the Corporation can acquire, upon exercise of the first option, a 25% interest in the Albany Property, and upon exercise of the second option, an additional 55% interest in the Albany Property. The first option was exercised after completion of a helicopter-borne geophysical survey on the property during the quarter ended June 30, 2010 and issuance of 1,000,000 Units to the optionor during the quarter ended September 30, 2010, each unit being comprised of one common share and one warrant to purchase one additional common share at a price of $1.50 any time before December 23, 2015.

The second option was exercised after making certain payments totaling $140,000 and incurring aggregate expenses on the property in excess of $10,000,000.

On November 21, 2012, the Company reached an agreement with the optionor to amend the Albany agreement and acquired the remaining 20% interest in the Albany Property (claim block 4F) bringing the Company's total interest in the property to 100%. Pursuant to the terms of the transaction, the Company and the optionor agree to the following with respect to this agreement:

a) The Company will issue to the optionor a total of 1,250,000 shares as follows: (i) 500,000 shares upon signing the agreement (issued); (ii) 250,000 shares to be issued upon completion of a pre-feasibility study; (iii) 500,000 shares to be issued upon completion of a feasibility study;
b) The Company granted the optionor a net smelter return royalty of 0.75% on the 4F claim block, of which 0.5% can be purchased at any time for $500,000; and
c) Assumption of all liabilities of the property.

The following disclosure relating to the Albany Project has been derived from the report prepared for the Corporation by Jean M. Legault, M.Sc., P.Geo., of Geotech **dated November 1, 2010**, as amended on **November 26, 2010**, and entitled "*43-101 Technical Report on the Albany Project – Porcupine Mining District, Ontario NTS: 42K / 01, 02, 03, 07, 08, 09, 10, 14, 15, 16 - 42F / 15, 16 - 42N / 01, 02, 03, 04, 06 for Zenyatta Ventures Ltd.*" (the "Technical Report"). Mr. Legault, the author of the Technical Report, is a

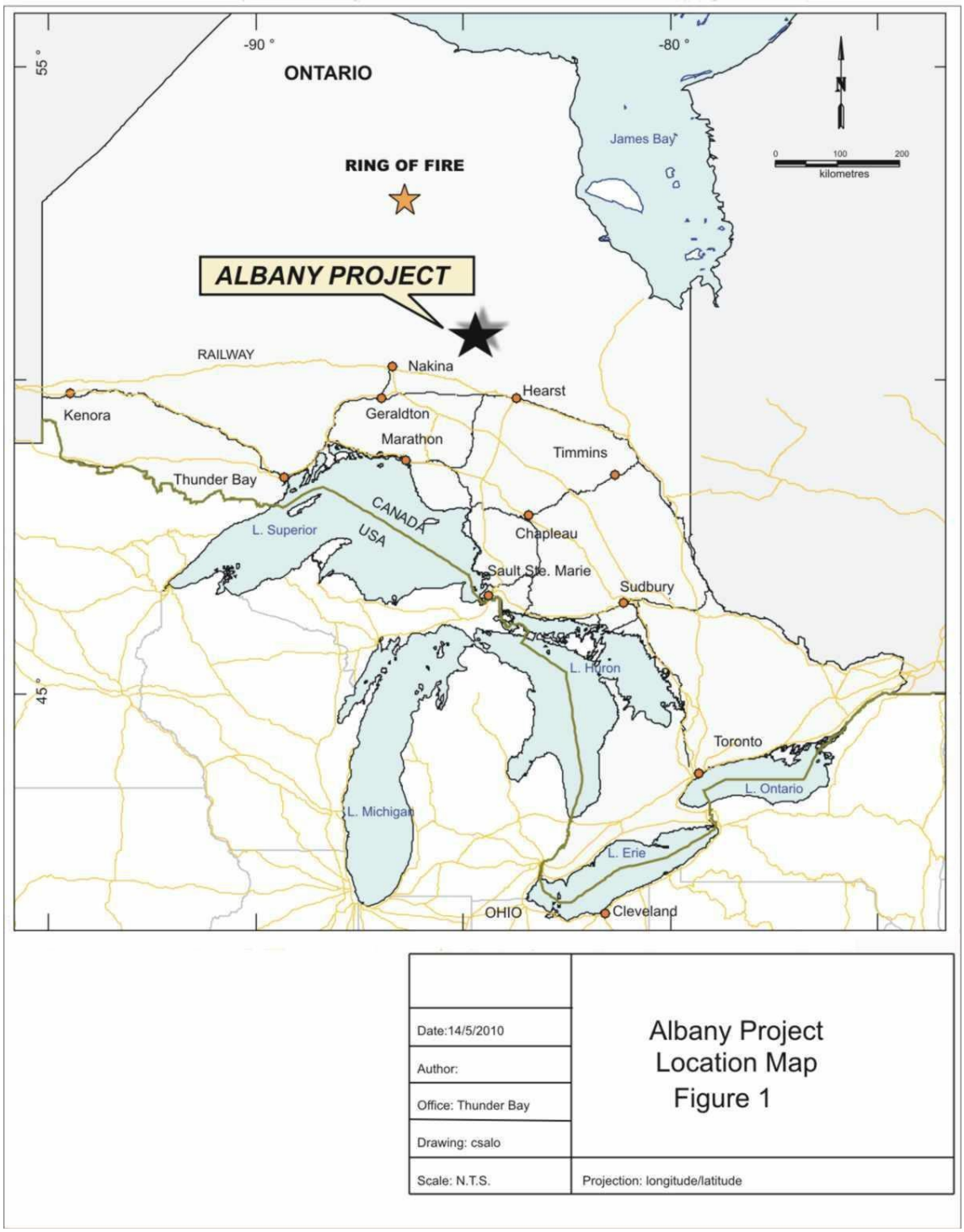
"qualified person" within the meaning of NI 43-101 and is independent of the Corporation. The Technical Report may also be reviewed under the Corporation's profile on the SEDAR website at www.sedar.com.

***Project Description and Location***

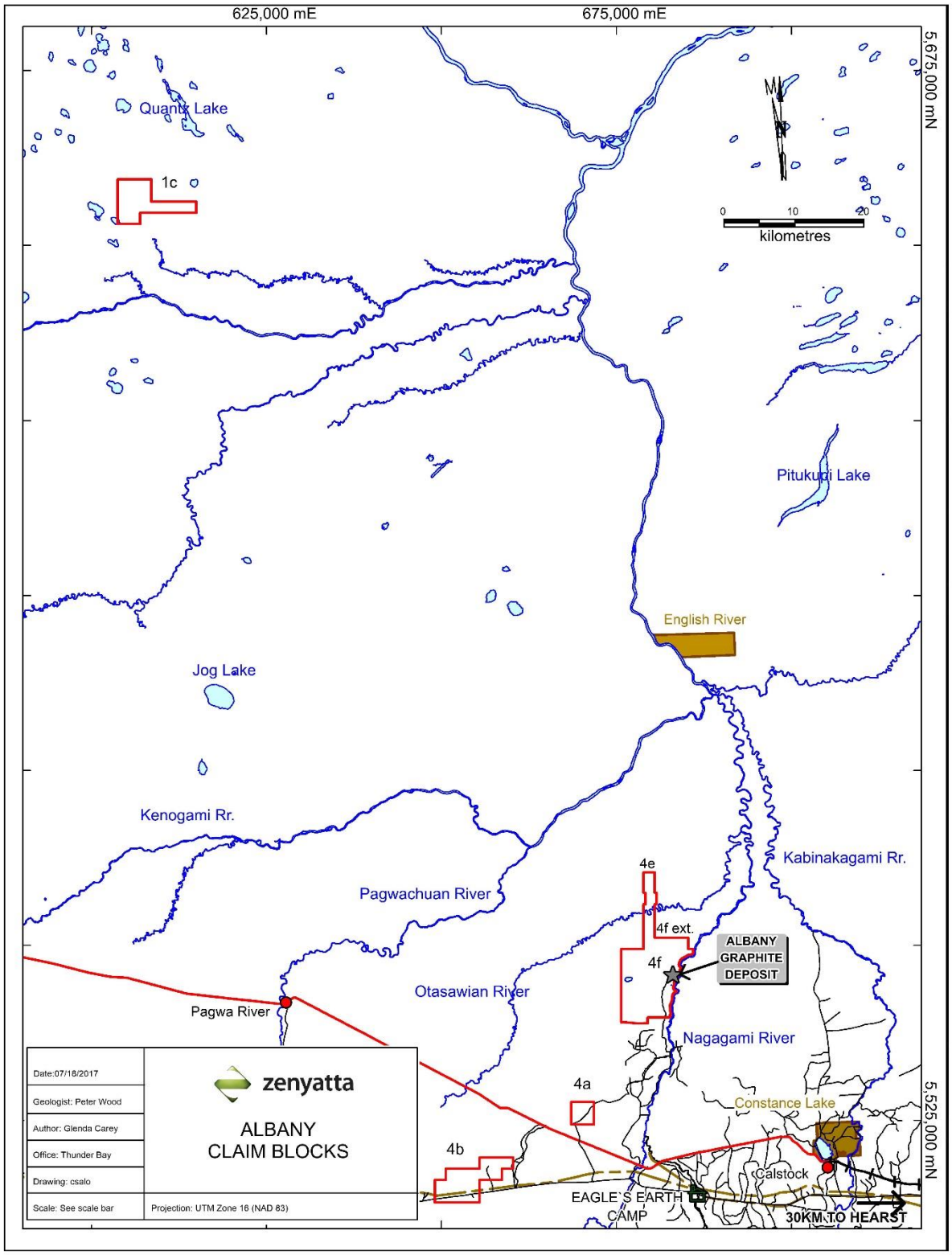
The Claims are located north of Lake Superior and west of James Bay in north-western Ontario, Canada. The southernmost claim block (4b) is approximately 86.5 km west of the town of Hearst, just north (0.46 km) of the Trans Canada Highway #11 (see Figures 1 and 2 below).

The majority of the Claims were staked during the late summer and fall of 2009, followed by additional staking in the winter and spring of 2010. The "4f Extension" claims were staked in the spring of 2013. The Claim Blocks 1c, 2c, 4a, 4b and 4e are currently owned 80% by the Corporation and 20% by 50 King Capital Canada Incorporated, previously owned by Cliffs Canada. Claim Blocks 4f and 4f Extension are owned 100% by the Corporation.

A total of approximately $1,550,000 was spent on the Technical Report on a Geotech airborne EM geophysical survey that began in the field on March 20, 2010 and ended on May 19, 2010. Data processing and interpretation was complete on June 30, 2010. This amount will be filed with the Ministry of Northern Development and Mines (the "MNDM"). The Claims have not been the subject of a cadastral survey. Currently, there are no pending challenges to the title of the claims, and surface rights are owned by the Crown.




The Claims cover sections of ground that is reported to have been explored by eight exploration companies: Nagagami River Prospecting, Algoma Ore Properties, Satellite Metal Mines Limited, Keevil Mining, Cedam Limited, Shell Canada Explorations Limited, and East-West Resource Corporation. Presently, "GTA Resources and Mining Incorporated" holds a group of claims adjacent to and south of the Claim Block 4f.


625,000 mE
675,000 mE
5,675,000 mN
5,525,000 mN
Quants Lake
1c
0
10
20
kilometres
Pitukupi Lake
English River
Jog Lake
Kenogami Rr.
Kabinakagami Rr.
4e
Pagwachuan River
4f ext.
ALBANY
GRAPHITE
DEPOSIT
4f
Otasawian River
Pagwa River
Nagagami River
4a
Constance Lake
4b
Calstock
EAGLE'S EARTH
CAMP
30KM TO HEARST
Date:07/18/2017
Geologist: Peter Wood
Author: Glenda Carey
Office: Thunder Bay
Drawing: csalo
Scale: See scale bar
zenyatta
ALBANY
CLAIM BLOCKS
Projection: UTM Zone 16 (NAD 83)

There are no environmental liability issues related to previous exploration work on the Claims. The Corporation has not received from any government authority, any communication or notice concerning any actual or alleged breach of any environmental laws, regulations, policies or permits.

***Accessibility, Climate, Local Resources, Infrastructure and Physiography***

The Claims (5 non-contiguous groups) are located over a large area of ten townships, with all claims located within the Porcupine Mining District of Northern Ontario. The Claims are all located north of Highway 11, and the town of Hearst is situated approximately 86 km to the east of the southernmost Claim block, 4B (see Figure 2)

The Claims are situated within the Hudson Bay-James Bay Lowlands area where the topography is essentially flat, low-lying and swampy. Overburden is very thick in places with little or no outcrop exposure. The Kenogami River flows north in the eastern section of the map area with several meandering tributaries flowing in from the west. There are many creeks flowing between peat bogs throughout the area. Vegetation is dominated by wetlands, with some areas of spruce and alder trees, and cedar swamps. Spruce and alder trees are also abundant along the banks of the Nagagami River and other smaller rivers.

The Claims are located in a remote area of Northern Ontario. Access to most of the Claims can only be gained using float plane, helicopter and All-Terrain-Vehicle. Claim blocks 4a and 4b, located in the southern area can be accessed from Highway 11. Some of the Claims located near the Kenogami River, or other rivers are accessible by boat or canoe. The town of Hearst, with a population of 5825, located 86 km east from claim block 4b, has many facilities to keep an exploration camp well supplied. Facilities include hotels, housing, hardware stores, gas stations, a hospital and a local airport. Float plane and helicopter companies can also be found in Hearst.

The Claims are situated in Northern Ontario where there are different climates and weather extremes. Most of the region has a continental climate with warm to hot summers (June, July and August; 25ºC to 35ºC) and cold winters (December to March, 10 ºC to -20 ºC). Spring and autumn tend to be short seasons and have some of the weather of winter and summer. As a generalization, precipitation ranges from 600 mm to around 900 mm.

Surface exploration work can be carried out during the months of May to November, possibly later if there is no accumulation of snow. Additional exploration work (geophysical surveys and diamond drilling) can be conducted year-round.

***History***

The Claims were originally acquired to explore for nickel, copper, platinum group metals, and graphite mineralization. The ground was underexplored and considered new frontier. The land staked by Cliffs in 2009 and 2010 was selected based on geophysical information from Ontario Geological Survey airborne magnetic maps, the geological interpretation of those maps, and additional geological and geophysical data from historical exploration assessment reports.

In 2010, the Company was exploring for mafic-ultramafic intrusion hosted Cu-Ni-PGM deposits ranging in age from Archean to which are stratabound, and host copper, nickel and/or platinum-group sulphides. The Corporation conducted exploration programs targeting nickel, copper, platinum (PGMs) and graphite on the Claims. The Corporation identified in the Claims a highly prospective 'new frontier' containing a vast underexplored area referred to as the Albany Project or "Arc of Fire" in the James Bay Lowlands. The area was largely ignored in the past as a result of swamp and the younger Phanerozoic (460-360 Ma) cover rocks, up to 200m thick, overlying the prospective Archean rocks. Recent advances in airborne EM technology allowed deeper penetration/resolution through the Fe-deficient shallow marine carbonate/clastic sediments to target favourable geological and structural settings within the underlying Archean.

The "Arc of Fire" consists of several large multi-phased mafic-ultramafic-alkalic complexes forming an arc line approximately 150km long. One of these complexes, called the Nagayama River Alkaline Ring Complex, shows similarities to the Mid-Continent Rift related Coldwell Complex on the north shore of Lake Superior. The "Arc of Fire" is believed to also represent a deep seated Proterozoic structure that may be related to the 1.1 billion year old Mid-Continent Rifting. The Mid-Continent Rift is a known deep seated structural environment that hosts a number of significant mineral deposits around Lake Superior, including Rio Tinto's Eagle and Tamarack Cu-Ni deposits and Magma's TBN PGM deposit. Rifting environments around the world are host to many large mineral deposits due to a tapping of the copper- nickel rich mantle by way of the structural conduits and traps for metal transport and deposit.

In 2010, preliminary exploration work utilized a helicopter borne time domain EM geophysical VTEM35 survey flown by Geotech. Geotech's time–domain EM system utilizes modern advances in digital electronics and signal processing. The VTEM35 system has the highest signal to noise ratio of any airborne EM system resulting in the deepest possible depth of investigation.

The field portion of the survey commenced on March 20, 2010 and ended May 19, 2010, with lines flown in a north-south direction using 150 metre line spacing. The survey totaled approximately 9450 line km over 28 Claim blocks. Results of this survey were used to identify several high priority geophysical electromagnetic (EM) targets for follow-up drilling under the recommended Phase I and II Drill Budgets.

The Claims had limited historical exploration work such as reconnaissance geophysical surveys (airborne and ground magnetic, and electromagnetic projects), with a minor amount of follow-up diamond drilling. Past geophysical magnetic surveys have outlined several anomalies within the Precambrian rocks that underlie the Paleozoic limestone. A helicopter borne VTEM geophysical survey was successfully completed over the Claims. Results have been presented as stacked profiles, and contour color images at a scale of 1:10,000 & 1:20,000. The survey results are supported by the EM anomaly picking, EM time-constant (Tau) and magnetic derivative analyses that were performed. The results of the Corporation's recently flown helicopter borne magnetic and EM survey outlined several high priority targets for diamond drill testing of possible Cu-Ni-PGM mineralization.

In 2010, the Corporation finished preliminary exploration for Cu-Ni-PGE targets on the Claims and conducted a follow-up two-phase exploration program described below.

Preliminary exploration on the Claims, carried out in the winter and spring of 2010, consisted of a Geotech helicopter borne VTEM 35 survey. Results of this survey have been used to identify high priority airborne EM targets for diamond drilling. A total of 22 high priority geophysical anomalies (EM and magnetic) were identified for follow-up modeling and drill testing with a minimum of 1000 metres per target in 2011. Based on the geophysical results obtained, a number of other EM anomalies were identified on various Claim blocks and warranted drill testing. The magnetic results also contained worthwhile information in support of exploration targets of interest. It was therefore recommended in the Technical Report that a detailed interpretation of the available geophysical data be conducted, in conjunction with the geology. It was recommended that this should include 2D - 3D inversion modeling analyses and magnetic derivative analysis prior to ground follow up and drill testing.

A two phase exploration program was conducted that included geophysical modeling and a minimum of 22,000 metres of diamond drilling to test airborne magnetic and EM anomalies. The two-phase exploration program on the Claims in 2011 & 2012 cost an estimated total of >$10 million and included the discovery of a rare form of graphite mineralization, now termed the Albany Graphite Deposit.

***Albany GRAPHITE Deposit***

The Company owns the Albany Graphite Deposit, a very rare, hydrothermal, breccia-hosted, graphite deposit. First discovered in 2011, it is currently the largest and only known hydrothermal graphite deposit advancing toward development in the world.

Preliminary bench-scale metallurgical studies demonstrate that a high-purity graphite concentrate can be produced from the mineralization utilizing a relatively low-cost processing technique of caustic bake (NaOH) compared to the traditional method of aggressive acids and thermal treatment. The Company is actively working to target the high purity (high quality), synthetic graphite market. A 2012-2013 drill campaign has been completed and was used to develop a NI 43‑101 resource estimate. A PEA was completed in June 2015.

**Location**: Zenyatta's Albany graphite deposit is located 30 km north of the Trans-Canada Highway, and close to excellent infrastructure including a power line and a natural gas pipeline near the communities of Constance Lake First Nation and Hearst. A rail line is located 70 km away and an all-weather road extends to approximately 4-5 km from the graphite deposit.

**History**: A two-phase exploration program on the Albany Project in 2011 and 2012 led to the discovery of a unique graphite deposit. Testing a large airborne EM conductor measuring 1400 m by 800 m, the first drill hole on the Albany project intersected an extensive graphite-rich breccia zone hosted within an alkalic intrusion. The deposit is near surface, underneath glacial till overburden and a thin veneer of limestone. In early 2012, a mineralogical report prepared by Dr. Andrew Conly of Lakehead University Mineralogy and Experimental Laboratory characterized the deposit as a magmatic, hydrothermal style of graphite mineralization. Hydrothermal breccia graphite is very rare, and the purest form of graphite found in nature.

In March 2012, Zenyatta commenced an initial 4,000 m exploration drill campaign at the Albany Graphite Deposit with a goal of further testing the extent of the EM conductor. The nine-hole drill program succeeded in establishing widespread graphite mineralization over the targeted airborne geophysical conductor in a lateral and vertical extent, where it remained open.

In March 2013, Zenyatta began a fully-funded $6 million drill program to define the size and grade of the Albany Graphite Deposit. The 50-60 hole drill campaign will be used to complete a NI 43-101 resource estimate.

In April 2013, Zenyatta announced that all trials using a simple caustic baking leach process (sodium hydroxide) conclusively demonstrated that an ultra-high purity graphite product with >99.99% Carbon can be produced from the Albany graphite deposit mineralization. Mineralogical work showed the graphite material to be of high-quality, containing insignificant amounts of impurities.

In May 2013, Zenyatta reported results of a ground survey using EM geophysics to better define the geometry of the Albany graphite deposit. The survey revealed two discrete, strongly conductive zones which are coincident with the graphite mineralization associated with the East and West breccia pipes.

Zenyatta has also drilled three HQ size holes on the East Pipe in order to obtain 5 tonnes of graphite mineralization to proceed with a second phase processing of a mini-bulk sample at SGS Canada Inc. ('SGS') in Lakefield. This processing will allow additional optimization of the flow sheet for the PEA and provide material for further testing by Zenyatta and also other interested parties who have requested material. A similar 5 tonne mini-bilk sample is also planned for the West Pipe.

***2014 Albany Project 43-101 Technical Report***

The Corporation has filed a complete technical report (the "Technical Report") on SEDAR at www.sedar.com further to the news releases dated December 2, 2013 and January 16, 2014 with respect to the Company's 100%-owned Albany graphite deposit in northeastern Ontario, Canada.

The January 16, 2014 Technical Report is titled "Technical Report on the Albany Graphite Deposit, Northern Ontario, Canada", and was authored by David Ross, P. Geo., and Katherine Masun, P. Geo., of Roscoe Postle Associates Inc. ("RPA"), who are independent "qualified persons" as defined by National Instrument 43-101 ("NI 43-101"). Significantly, the Technical Report highlights a large and discrete graphite deposit with an estimated Mineral Resource which is relatively insensitive to cut-off grades from 0.4% Cg up to at least 2.0% Cg.

RPA estimates Indicated Mineral Resources delineated to date total 25.1 million tonnes ("Mt") at an average grade of 3.89% graphitic carbon ("Cg"), containing 977,000 tonnes of Cg. In addition, Inferred Mineral Resources delineated to date are estimated to total 20.1 million tonnes at an average grade of 2.20% Cg, containing 441,000 tonnes of Cg. These results are based on a cut-off grade of 0.6% Cg with an assumed market price of $8,500 per tonne Cg. The results below, as given in the Technical Report, show that even if the assumed market price of Cg varies, any appropriate increase in the cut-off grade results in a relatively minor reduction of the resource estimate.

| | **Tonnage** | **Grade** | **Tonnes Graphitic Carbon** |
|---|---|---|---|
| **Classification, Cut-off Grade** | **(Mt)** | **(%Cg)** | **(t Cg)** |
| Indicated | | | |
| 2.0 | 20.7 | 4.41 | 914,000 |
| 1.0 | 24.3 | 3.99 | 971,000 |
| 0.6 | 25.1 | 3.89 | 977,000 |
| 0.4 | 25.4 | 3.85 | 978,000 |
| Inferred | | | |
| 2.0 | 9.4 | 3.34 | 315,000 |
| 1.0 | 15.9 | 2.57 | 408,000 |
| 0.6 | 20.1 | 2.20 | 441,000 |
| 0.4 | 23.0 | 1.98 | 455,000 |

It is emphasized that the Technical Report defines a preliminary pit shell to fulfill the NI 43-101 requirement of "reasonable prospects for economic extraction". The economic potential and mining plans of these Mineral Resources has been outlined in greater detail in the Preliminary Economic Assessment (PEA), filed July 13, 2015, including more detailed definition of mining methods, pit slopes, costs and price assumptions.

Mr. Peter Wood, P.Geo., Zenyatta Ventures Ltd., Vice President Exploration, is the "Qualified Person" under National Instrument 43-101 and has reviewed and approved this technical information.

Zenyatta provided an update in December 2014 on the metallurgical process development on the Albany hydrothermal graphite deposit being carried out at the SGS facility in Lakefield, Ontario. Designing a new process flow sheet for a specialty industrial mineral product from a unique deposit like Albany involves innovation with timelines for completion that are difficult to predict. The SGS team made significant progress improving upon the bench scale caustic bake process and an innovative, viable flow sheet has been developed for the Albany graphite deposit.

**Highlights:**

- A higher grade flotation concentrate of up to 92.5% graphitic carbon ('Cg') was produced compared to the previous 78.3% Cg concentrate; this concentrate will be fed to the purification process to target greater than 99% Cg.
- For the first time, a fully engineered purification process has been completed providing data for energy requirements, water treatment, reagent consumption & equipment sizing;
- Optimization of NaOH consumption was achieved such that re-cycling was eliminated thereby reducing costs related to introduction of re-cycling engineering & equipment;
- Significant (~86%) reduction in the NaOH reagent dosage;
- A technically feasible & distinctive process flow sheet was developed and work continues to fully optimize it to meet customer expectations on purity.

The metallurgical test work was performed under the supervision of Alex Mezei, M.Sc., P.Eng., Director, Engineering Technical Services at SGS, independent consultants to Zenyatta, and Peter Wood, P.Eng., P.Geo., VP Exploration of Zenyatta. Peter Wood and Alex Mezei are the Qualified Person's under NI 43-101 who supervised the preparation of this scientific and technical information.

**2015 Preliminary Economic Assessment**

On June 1, 2015, the company issued a news release announcing the results of a positive preliminary economic assessment ('PEA') on its Albany *hydrothermal* Graphite Project located in northern Ontario, Canada. The PEA was prepared by RPA in Toronto with mill design input from SGS. The RPA report concluded that the PEA is positive and the project should be advanced to the pre-feasibility stage. An animated video of the proposed mining project can be found on the Zenyatta website.

**PEA Highlights:** *(Note: All dollar amounts in US currency unless otherwise specified)*

- Open-Pit, Life of Mine ('LOM') of 22 years based on less than 50% of the Indicated & Inferred Mineral Resources. Underground mining of Inferred Resources below the sill are not included in this study. The deposit is open at depth;

- 3,000 tonne per day open-pit mine and process plant to produce 30,000 tonnes of high purity (>99.9% Cg) graphite annually;

- Price of purified graphite @ $7,500 per tonne and operating costs of $2,046 per tonne showing a margin of $5,454 per tonne;

- Total LOM gross revenue of ~$4.8 Billion and an after-tax cash average annual cash flow of $110 Million;

- A base case after-tax Net Present Value at a 10% discount rate of $438 Million yielding an after-tax Internal Rate of Return of 24%.

RPA proposes a 22-year, open-pit mine with a processing plant located on site which generates a strong annual cash-flow and high rate of return. The PEA indicates that the Albany graphite project has excellent potential to be a low-cost source of high purity graphite without the use of dangerous and environmentally harmful hydrofluoric acid (as in China) or costly thermal upgrading (as in synthetic graphite derived from petroleum coke). Work performed by SGS, on behalf of Zenyatta, successfully completed and tested

an innovative and relatively benign purification process for the production of consistent and highly crystalline graphite exceeding 99.9% purity from the Albany deposit. Feedback from the clean-tech sector suggests that environmental considerations are critical when sourcing raw materials for today's high tech applications like energy storage. Supply chain transparency is easier to track and is expected in an ever demanding 'green' world.

The PEA is based on mineral resources that are not mineral reserves and have not demonstrated economic viability. Thus, there is no certainty that the results of this PEA will be realized.

**OPERATING** (US$)

| | |
|---|---|
| Purified Graphite (>99.9% Cg) Price per tonne | $7,500 |
| Purified Graphite Operating Cost per tonne | $2,046 |
| Total Operating Cost per tonne processed ore | $62 |
| Tonnes Ore Mined per day (grade @ 4.05%Cg) | 2,736 |
| Tonnes Purified Graphite Product per year (350 days) | 30,000 |
| Tonnes Ore Processed (Mill Feed – LOM) | 20,927,000 |
| Tonnes Purified Graphite Product (LOM) | 633,636 |
| Tonnes Contained Graphite in Mineral Resource (Indicated + Inferred) | 977,000 + 441,000 |

It is common practice in the mining industry to assess the economic viability of a mineral project at various development stages. Generally, a mining company will first conduct a PEA, then a pre-feasibility study followed by a feasibility study. Each stage will analyze, in further detail and to a greater level of certainty, the economic, technical and geological factors that will determine whether the mining project is commercially viable. The goal of a PEA is to determine, at an early stage, whether a mining project is potentially viable, in order to advance to a pre-feasibility phase.

**CASH FLOW** (LOM- US$)

| | |
|---|---|
| Total Gross Revenue | $4,752,271,000 |
| Net Revenue | $4,700,312,000 |
| EBITDA | $3,344,895,000 |
| Pre-Tax Cash Flow | $2,641,987,000 |
| After-Tax Cash Flow | $1,999,891,000 |

**CAPITAL COST** (US$)

| | | |
|---|---|---|
| Total Direct Capital Cost | Mining, Processing & Infrastructure | $262,908,000 |
| EPCM/Owners/Indirect | Engineering, Procurement, & Construction Management | $68,732,000 |
| Contingency (24%) | | $79,826,000 |
| Total Initial Capital Cost | | $411,465,000 |

Zenyatta's 100% owned Albany graphite deposit is located in northern Ontario, Canada near good infrastructure. The deposit is located 30 km north of the Trans-Canada Highway ('TCH'), with access to the power line and natural gas pipeline near the communities of Constance Lake First Nation and Hearst. A rail line is located 70 km away, with an all-weather (all season) logging road approximately 20 km from the graphite deposit.

The PEA proposes building an access road, power line and gas line to the property from near the TCH. Planned infrastructure and facilities at the project site include the open-pit mine, processing plant, tailings management facility, handling facilities, crushers and secondary buildings, including offices and workshops.

**PROJECT ECONOMICS** (US$)

| | | |
|---|---|---|
| Pre-Tax Payback Period | | 3.7 yrs |
| Pre-Tax Internal Rate of Return | | 27% |
| Pre-Tax Net Present Value | 0% Discount | $2,641,987,000 |
| Pre-Tax Net Present Value | 8% Discount | $814,717,000 |
| Pre-Tax Net Present Value | 10% Discount | $614,676,000 |
| Pre-Tax Net Present Value | 12% Discount | $462,942,000 |

| | | |
|---|---|---|
| After-Tax Payback Period | | 4.0 yrs |
| After-Tax Internal Rate of Return | | 24% |
| After-Tax Net Present Value | 0% Discount | $1,999,891,000 |
| After-Tax Net Present Value | 8% Discount | $593,115,000 |
| After-Tax Net Present Value | 10% Discount | $438,434,000 |
| After-Tax Net Present Value | 12% Discount | $320,967,000 |

The pricing model for the PEA was derived from an extensive detailed study of targeted market segments and industry trends that are relevant for the high-quality and high-purity graphite sector. A summary of approximate price ranges for these market segments of the graphite industry are shown here for reference. Estimated annual production of 30,000 tonnes of high-quality graphite product from the Albany deposit represents ~7% of the 2017 market demand estimate.

**HIGH PURITY GRAPHITE MARKET**
**Zenyatta Ventures Ltd. – Albany Project**

| Market Segment | 2017 Market Demand Estimate (kt) | Price Range (US$/tonne) | Average Price (US$/tonne) |
|---|---|---|---|
| Batteries[1] | 160 | 4,000 -> 20,000 | 12,000 |
| Powder Metallurgy[2] | 20 | 3,000 -> 12,000 | 7,000 |
| Fuel Cells[3] | 15 | 5,000 -> 10,000 | 8,000 |
| Conductive Polymers[3] | 6 | 3,000 -> 5,000 | 4,000 |
| Carbon Brushes[3] | 90 | 3,000 -> 5,000 | 4,000 |
| Nuclear[3] | 30 | 10,000 -> 35,000 | 23,000 |
| Lubricants[4] | 80 | 3,000 -> 5,000 | 4,000 |
| Super-Capacitors[3] | 2 | 5,000 -> 10,000 | 8,000 |
| Graphite Artifacts[3] | 15 | 3,000 -> 10,000 | 7,000 |
| Electronics[2] | 8 | 30,000 -> 40,000 | 35,000 |
| **Total** | **426** | | |

*Sources and Notes:*

1. *Includes lithium-ion and additives for primary and secondary batteries. Source: Roskill and BCC Research*
2. *Source: Roskill and end-user data provided to Zenyatta market development personnel under a confidentiality agreement*
3. *Source: Roskill, BCC Research*
4. *Volume includes only high purity (>99.9%Cg) graphite. Source: Roskill*

Zenyatta has previously reported that preliminary testing has indicated that the performance of Albany graphite is within the range of anode materials that are presently used for Lithium-ion Batteries ('LIBs'). Independent

testing has also indicated that it is suitable for use in hydrogen fuel cells and in powder metallurgy ('PM') applications. At this time, Zenyatta anticipates having a targeted market application segmentation which includes 25-30% in LIBs, 20-25% for Fuel Cell products, 25-30% for high purity graphite in PM and 15-30% from other applications in the list above. The Corporation is in discussion with end-users on other types of high purity applications that could possibly change the market segmentation and will disclose these potential markets at the appropriate time.

The outlook for the global graphite market is very promising with demand growing rapidly from new applications. Graphite is now considered one of the more strategic elements by many leading industrial nations, particularly for its growing importance in high technology manufacturing and in the emerging "green" industries such as components of energy storage devices for electric vehicles, computers, smartphones etc. The applications for graphitic material are constantly evolving due to its unique chemical, electrical and thermal properties. It maintains its stability and strength under temperatures in excess of 3,000°C and is very resistant to chemical corrosion. It is also one of the lightest of all reinforcing elements and has high natural lubricating abilities. Some of these key physical and chemical properties make it critical to modern industry.

The June 1, 2015 news release describes a PEA cash flow model based upon geological, engineering, technical and cost inputs developed by RPA. A NI 43-101 PEA technical report will be filed on SEDAR and made available on the Company's website within 45 days. Jason Cox, P.Eng. Executive VP – Mine Engineering - Principal Mining Engineer of RPA, Alex Mezei, M.Sc., P.Eng., Director, Engineering Technical Services at SGS Lakefield, independent consultants to Zenyatta, Peter Wood, P.Eng., P.Geo., VP Exploration and Dr. Bharat Chahar, P.E., VP Market Development for Zenyatta are the Qualified Persons under National Instrument 43-101. Jason Cox, Alex Mezei, Peter Wood and Bharat Chahar have supervised and approved this scientific and technical information.

**Recent Activity**

Since 2016, the Company has made the following announcements:

- On January 27, 2016, the Company announced significant progress related to the laboratory scale production of graphene from high-purity Albany graphite concentrate by a team of scientists at Lakehead University in Thunder Bay, Ontario, Canada. Graphene was discovered in 2004 at the University of Manchester, UK. Graphene is a single sheet of pure graphite that is one atom thick, flexible, transparent, stronger than diamonds or steel and is highly conductive. Experts believe that graphene will enable many innovative clean-tech applications, including low-cost solar cells, super computers and rapid charge batteries. So far, one obstacle to its widespread use is the high manufacturing cost for high-quality graphene. A lower-cost approach is to use high-purity natural graphite, like Albany graphite, as the starting point.

  In 2015, Dr. Aicheng Chen, Professor of Chemistry and Canada Research Chair in Materials and Environmental Chemistry at Lakehead University ('Lakehead'), was awarded a Natural Science and Engineering Research Council of Canada ('NSERC') Collaborative Research and Development ('CRD') grant. The goals of the NSERC CRD project are: (i) to characterize the physical and chemical properties of Zenyatta's Albany graphite; (ii) to understand its electrochemical behaviors; (iii) to modify the Albany graphite for practical applications; and, (iv)to develop advanced carbon nanomaterials like graphene from the Albany graphite. Since the award of the grant, Dr. Chen and his research group have made significant advances in the characterization of Albany graphite and the development of new materials from it for practical applications. Dr. Chen and his team have tested various graphene exfoliation techniques on samples of Albany graphite. The research team at Lakehead has been intensively exploring new routes for the generation of high-quality graphene for comparative purposes and to facilitate mass production. Initial results indicate that high quality graphene oxides can be produced from Albany graphite at a laboratory scale. The graphene oxide produced can be converted to

graphene via a simple reduction process. Preliminary graphene yields of approximately 98% from Albany graphite are very encouraging from these tests.

- On March 29, 2016**,** the Company announced successful performance testing of high-purity Albany graphite in components of a Ballard fuel cell stack. This Phase 4 testing program was designed to show viability of Zenyatta's Albany graphite compared to synthetic graphite in realistic fuel cell operating conditions. Zenyatta natural graphite material was prototyped, tested and compared for key mechanical and electrical properties against Ballard's baseline synthetic graphite in a commercial product platform. Importantly, the properties of Zenyatta's Albany graphite material were all within the specifications needed for high performance of Ballard products in a number of commercial fuel cell applications. The components made from Albany graphite were equivalent to the existing synthetic graphite made components. This is another significant step in the process of qualifying Zenyatta's Albany graphite for existing fuel cell markets in transportation and stationary energy storage.

  From an environmental and cost advantage, the Ballard report also concluded: 1 - Zenyatta graphite provides a clean carbon option for fuel cell components (i.e. plates and membrane electrode assembly). 2 - If Zenyatta's hydrothermal graphite can also be low cost compared to existing synthetic graphite, it will facilitate fuel cell cost reduction and market penetration.

  Zenyatta started Phase 1 testing of Albany graphite for fuel cell components in early 2015 with an initial screening by the National Research Council of Canada and Ballard Power Systems. Test results released in March of 2015 showed the Albany graphite to be suitable for hydrogen fuel cell components. A Phase 2 testing program by Ballard was initiated immediately afterward and announced in August of 2015. This revealed that Albany graphite exhibits high thermal and corrosion resistance properties. High thermal stability and corrosion resistance is critical in the performance of certain fuel cell components. The results of a Phase 3 program were released by Zenyatta in December 2015. All functional tests completed at that time showed the properties of Zenyatta's Albany graphite to be as good as the benchmark synthetic graphite presently used by Ballard in fuel cell technology. These positive results led Ballard to incorporate Zenyatta material into a fuel cell stack in order to test it under realistic operating environments.

- In July 2016, the Company hired James Jordan, P.Eng., to oversee all metallurgical functions related to the development of a pilot plant. The purposes of the pilot plant are:

  1. To create additional high purity graphite for the customers requesting additional material for testing, and 2. To further define the most efficient process flow sheet for the recovery of high purity product during the pre-feasibility stage. The end user testing is designed to further qualify the high purity graphite material for applications such as lithium ion batteries, fuel cells, powder metallurgy and graphene production for composite materials like concrete.

- On September 8, 2016, the Company announced it had signed a Collaboration Agreement ('Agreement') with Larisplast Ltd. ("Larisplast"), an Israeli business that specializes in the field of concrete admixtures. Zenyatta and Larisplast have both received grant funding from the Canada-Israel Industrial R&D Foundation under the Ontario-Israel Collaboration Program to further test the effect of adding graphene generated from Zenyatta's Albany graphite to concrete on a pilot scale. Upon successful completion of pilot plant testing, the Agreement contemplates the formation of a new corporation ('Newco') jointly owned (50/50) by Zenyatta and Larisplast for the purposes of marketing this new specialized admixture product globally. Zenyatta would be the exclusive provider of purified graphite to Newco and any other party working with Larisplast on this technology.

  The main objective of the collaboration is to develop a new concrete admixture with improved mechanical properties by adding Albany derived graphene. Albany graphite was found to exfoliate under sonication (sound energy process) much easier and with higher yields of graphene nano-particles than any other natural graphite types that were tested at Ben-Gurion University of the Negev ('BGU') in Israel. Initial

application

testing at BGU shows that the addition of the Company's graphene to concrete achieves a faster curing time and superior mechanical performance that inhibits premature failure and tolerates large forces produced during earthquakes or explosions. Also, this new admixture has the potential to reduce the amount of cement that will be used in construction, thereby considerably cutting carbon dioxide emissions related to its production.

- On September 26, 2016, the Company announced it had commenced a two-part metallurgical program designed to provide data for the start of a pre-feasibility phase on its Albany graphite project located in northern Ontario, Canada. The program will be carried out at SGS Canada Inc. ("SGS") in Lakefield, Ontario under the supervision of Zenyatta's project manager James Jordan, P.Eng. as follows:

  Part 1 - Production of Larger Market Samples: The first part of the metallurgical test work is designed to produce larger market samples of high-purity graphite which will permit continued graphite and graphene application validation by potential end-user partners, academic institutions and third party testing facilities under the general market and business development program. The market sample is being prepared from concentrate produced during flotation pilot plant testing completed in 2014. It is anticipated that approximately 50 kilograms of high-purity graphite material will be produced using the caustic bake / leach method, previously employed to produce high-purity market samples. Approximately 10 tonnes of drill core was processed and was representative of the mineralized zones defined in the July 9, 2015 Preliminary Economic Assessment ("PEA"). Test work on small market samples completed to date has successfully confirmed the Albany graphite to have a very good crystal structure (hexagonal) with a very desirable purity and particle size for various applications such as lithium ion batteries, fuel cells, powder metallurgy and graphene production.

  Part 2 - Optimization and Pilot Scale Test Work: The second part of the metallurgical test work will focus on optimization of flow sheet parameters followed by a pilot scale simulation of a commercial process designed for the pre-feasibility study. This program will be a continuation of metallurgical testing completed for the PEA. Zenyatta has shipped approximately 6 tonnes of composite coarse reject material (from drill core) to SGS for this pilot plant testing. The composite material was taken from 19 drill holes from the East Pipe and 23 drill holes from the West Pipe of the Albany graphite deposit. This optimization and pilot program will be on-going for the next several months and completed in early 2017.

- On November 21, 2016, the Company announced it had produced a larger market sample designed to provide samples to various global corporations and academic institutions for application testing under a non-disclosure agreement. A total of 57 kilograms of high-purity graphite material at a carbon purity of 99.9% was produced using the caustic bake/leach method, which was previously employed to produce high-purity market samples. This market sample will permit continued graphite and graphene validation testing by potential end-user partners, academic institutions and third party testing facilities under Zenyatta's general market and business development program.

- On November 23, 2016, the Company announced the delivery of 10 kilograms of high-purity Albany graphite to Ben-Gurion University of the Negev and Larisplast Ltd. in Israel for the start of the next phase of testing of a pilot plant scale program. The main objective of the pilot plant in Israel is to further test a new concrete admixture containing Albany derived graphene but with a much larger volume of concrete. The scientific and engineering data obtained will yield valuable information for potentially designing a larger scale demonstration plant. Recently, Ben-Gurion University demonstrated that the addition of the Company's graphene into concrete can achieve a faster curing time and a superior mechanical performance that inhibits premature failure and tolerates large forces like those produced during earthquakes or explosions. Also, this new admixture has the potential to reduce the amount of cement that will be used in construction, thereby considerably cutting carbon dioxide emissions related to its production.

- On November 30, 2016, the Company announced that Dr. Yoshihiko Arao and Professor Masatoshi Kubouchi at the Tokyo Institute of Technology in Japan demonstrated the ease and high-yield conversion of Albany graphite to graphene.

- On January 30, 2017, the Company announced the addition of Mr. Sean Whiteford to the Board of Directors. Mr. Whiteford is a well-respected mining industry leader with over 25 years of mineral exploration and operational experience. He is currently COO of Osgood Mountains Gold, a private gold exploration company in Nevada. Prior to that Sean held various executive positions with Cliffs Natural Resources, including VP Exploration and VP Eastern Canada Iron Ore Operations, while based in Cleveland, Ohio. He started his career with BHP Utah Mines and spent 13 years with Rio Tinto Group in various corporate, operational and geological technical roles in Australia, Canada and the USA. Mr. Whiteford has B.Sc. in Geology from the University of Windsor and has also completed the Advanced Management Program at Columbia Business School.

  The Company also announced that metallurgical work is progressing well at SGS under the guidance of James Jordan, Project Manager for Zenyatta. This is the second part of the metallurgical testing program designed to optimize the flow sheet parameters. Flotation pilot testing continues on the composite material which was taken from the East Pipe and West Pipe of the Albany graphite deposit. Importantly, preliminary results to date show consistent improvement in metallurgical performance with similar concentrate grades and recoveries obtained from both the East and West Pipe graphite material. Once the final metallurgical testing is complete, the process flow sheet and associated engineering data will then be fed into the up-coming pre-feasibility study. This optimization and pilot program will be on-going for the next several months and completed in the second quarter of 2017.

- On February 8, 2017, the Company announced that classification testing by Hosokawa on a larger batch of high-purity graphite material showed a consistent and desirable particle size distribution ('PSD') similar to that obtained from a previous but smaller batch regardless of whether it was East or West pipe material. The Albany deposit PSD was found to be in a range that is desirable for many clean-tech graphite and graphene applications. A consistent raw material source is critical to maintain longer term quality control for product specifications. Zenyatta's Albany graphite deposit shows this important consistency on PSD.

- On March 1, 2017, the Company announced that a team of scientists under the direction of Dr. Aicheng Chen at Lakehead University has made significant advancements related to sensing application development with the first graphene oxide (GO) invention produced from the Company's high-purity Albany graphite. Dr. Chen and his team have developed a novel one-pot synthesis of fluorine functionalized graphene oxide (F-GO) which can be used in many energy, environmental and electrochemical sensing applications. The produced F-GO has been tested for the simultaneous detection of various toxic metal ions (e.g. mercury, lead, cadmium and copper) and a substantial improvement in the electrochemical sensing performance was achieved in comparison with GO.

- On April 6, 2017, the Company announced successful initial test results from research carried out by Dr. Alan Dalton at the University of Sussex, UK in the use of Zenyatta graphene in rubber composite and emulsion applications. Sussex easily exfoliated Zenyatta graphite via sonication to produce graphene which was then homogenously dispersed into a rubber composite. A several fold improvement in the electrical and thermal properties of the rubber composite along with increased strength and elasticity was realized by adding as little as 0.5% Zenyatta graphene.

  In addition, Scientists at Sussex have developed techniques to produce solid-stabilized water-in-oil suspensions known as emulsions. Exfoliated graphite or graphene can be used as the stabilizing solid for these emulsions. These emulsions can then be used in new applications where the control of electrical and

thermal properties is critical for performance. Examples of such applications include inkjet printing, thin wires, stress sensors and supercapacitors. Sussex has developed a method to produce the graphene directly in the emulsion, but the homogeneity and yield of the Zenyatta produced graphene determined the success and usefulness of the suspension. In the past, the low yields and lack of homogenous graphene from other sources resulted in insufficient concentration of graphene and required further processing with a centrifuge. Recent results with Zenyatta's Albany graphite demonstrated superior homogenous graphene production with high yields thus allowing production of conductive liquid suspensions directly. These emulsions show excellent conductivity controls at graphene concentrations of approximately 1% or less.

- On April 25, 2017, the Company announced that the completed flotation pilot testing portion of the ongoing metallurgical work has yielded successful results. The metallurgical testing is part of the pre-feasibility work for the Albany Graphite Deposit. The metallurgical work is being carried out at SGS Canada Inc in Lakefield, Ontario under the guidance of metallurgist James Jordan. The completed flotation pilot testing work was performed on two composites from the East Pipe and the West Pipe of the Albany graphite deposit. Significantly, results show consistent improvement in metallurgical performance with similar concentrate grades and recoveries obtained from both the East and West Pipe graphite zone material.

- On May 16, 2017, the Company announced the successful testing of the Company's graphene oxide material by a leading U.S. based advanced materials company ('U.S. Co.') developing silicon-graphene anodes for the next generation of lithium-ion batteries. Preliminary results show ease of processing with Zenyatta's graphene oxide and similar electrochemical performance compared to the control material that is currently being used by U.S. Co. The good dispersion qualities and electrochemical performance of the Company's material are desirable properties for silicon-graphene batteries. Zenyatta's high-purity graphite was recently converted to graphene oxide by Dr. Aicheng Chen, Professor at Lakehead University, and then sent to the U.S. Co. for testing as an advanced nano-material in a new Lithium-ion battery.

  Lithium-ion batteries are widely used globally for portable electronic devices and electric vehicles. Unfortunately, lithium-ion batteries still lack the required level of energy storage to completely meet the demands of such applications as electric vehicles. A new silicon-graphene composite anode enables higher capacity and faster charging batteries that could meet consumer demand for increasing power and range. U.S. Co. will continue to carry out advanced testing on Zenyatta's graphene oxide for use in Lithium-ion anode composite material. Additional testing will include the determination of the following: aqueous dispersion quality; compatibility with processing method and yield; electrochemical performance; and, characterization of the composite material.

- On May 25, 2017, the Company announced that the next phase to test a concrete admixture containing graphene is progressing through their Collaboration Agreement with Larisplast Ltd. ("Larisplast"), an Israeli business that specializes in the field of concrete admixtures. The 10 kg market sample of high-purity graphite that was sent to Ben-Gurion University of the Negev in Israel ("BGU") will allow for the testing and optimization of a much larger volume of concrete which could be in a range between 5 and 10 tonnes. Zenyatta and Larisplast have both received grant funding from the Canada-Israel Industrial R&D Foundation under the Ontario-Israel Collaboration. The main objective of this pilot plant is to further test a much larger volume of concrete utilizing an admixture containing Albany derived graphene. The scientific and engineering data obtained will yield valuable information for potentially designing a larger scale demonstration plant. In 2016 BGU demonstrated that the addition of the Company's graphene into concrete can achieve a faster curing time and a superior mechanical performance that inhibits premature failure and tolerates large forces like those produced during earthquakes or explosions. Also, this new admixture has the potential to reduce the amount of cement that will be used in construction, thereby considerably cutting carbon dioxide emissions related to its production.

In November 2016 Zenyatta delivered 10 kilograms of high-purity Albany graphite to BGU that was converted to graphene for optimization and testing before supplying the material to Larisplast for testing as a concrete admixture. The testwork includes the following: BGU will perform a variety of quality control measurements; BGU will run a series of dispersion experiments on Zenyatta's graphene; Larisplast and BGU will employ the optimized procedure using scaled-up infrastructure; The optimized graphene dispersion will then be incorporated into concrete composites; The produced graphene reinforced concrete will be tested for both short and long term strength and compressive and flexural stresses; Larisplast will adjust and optimize the scaled-up process.

- On June 15, 2017, announced a program for a scaled up production method of the Company's graphite to graphene oxide ("GO") for applications in water remediation, electrochemical sensors, supercapacitors and Li-ion batteries. The program is receiving grant funding from the Ontario Centres for Excellence (OCE) to allow a team of scientists under the direction of Dr. Aicheng Chen at Lakehead University in Thunder Bay, Ontario, to carry out this advanced nano-material research. The World Bank considers water security to be one of the top priorities. Water used for drinking and agriculture is under a global risk with a projected 40% shortfall between forecast demand and supply by 2030. A graphene-oxide membrane exhibits some unique properties and may drastically improve the efficiency of desalination and water remediation. In addition, the world deals with threats to human health and pollution due to the increase of various toxic metal ions entering the environment. GO and modified GO may facilitate the development of high-performance electrochemical sensors to effectively detect and monitor these pollutants.

  The OCE Voucher for Innovation and Productivity II (VIP II) program is titled "Fabrication of Graphene Based Nanomaterials from Zenyatta Graphite for Energy and Environmental Applications". The OCE VIP II helps established Ontario-based companies develop, implement and commercialize technical innovations by supporting partnerships with publicly-funded post-secondary institutions. The focus of the research work will be on scaling up production methods for Zenyatta's graphite to GO, a first critical step towards commercialization of the technology. The OCE VIP II $100,000 grant will be administered over two years and Zenyatta will be contributing $50,000 in cash and $60,000 in-kind support to the project. This OCE grant work will be a continuation of the Natural Science and Engineering Research Council of Canada Collaborative Research and Development grant awarded to Dr. Chen, Professor of Chemistry and Canada Research Chair in Materials and Environmental Chemistry in 2015.

- On July 25, 2017, the Company announced the formation of a wholly owned subsidiary called ZEN-tech Materials Limited ("ZEN-tech") with a registration in England and Wales. ZEN-tech will focus on the development and commercialization activities of graphene applications and the allocation of any associated intellectual property ('IP') and worldwide licensing. The formation of ZEN-tech is a strategic move that will provide a vehicle to capture value and advance downstream graphene application development separate from the upstream mineral development Company. Zenyatta will continue to focus on advancing the Albany graphite deposit towards production and will supply highly crystalline, purified graphite to ZEN-tech and other end users.

  Graphene has shown to enhance the properties of many existing products. The technology pipeline for ZEN-tech includes graphene applications for concrete composites, rubber composites, sensors, filtration, emulsions and silicon-graphene batteries. The formation of a subsidiary will help facilitate the integration of Zenyatta graphene into the next generation of commercial technologies providing industries with advanced materials that have improved performance.

- On July 27, 2017, the Company announced the start of a collaboration program with Alliance Rubber Company and the University of Sussex, to develop enhanced rubber products using graphene converted from the Company's high-purity Albany graphite. The program is focused on rubber sensor products that will hold credit and debit cards to prevent hacking of information stored on the chip. The Alliance program

will also focus on a rubber sensor product attached to food produce that changes color when the produce item reaches a set temperature or a certain amount passes since harvest.

- On October 19, 2017, the Company announced testing results from the Tokyo Institute of Technology ("Tokyo Tech") in Japan have identified key reasons for the ease and high-yield conversion of Albany graphite to graphene. One of the greatest challenges for commercializing graphene in various applications, is how to produce high-quality material, on a large scale at low cost, in a consistent manner.

  Research by Dr. Yoshihiko Arao and Dr. Masatoshi Kubouchi at Toyko Tech has shown the following significant test results.

  1. D-Spacing measurements of Zenyatta carbon material is relatively larger compared to three (3) other commercially available high purity graphite samples. D-Spacing is unique to all crystals and is described as the distance between two (graphene) layers or interlayer spacing. The Albany graphite also exhibited some turbostatic structure or irregular stacking.

     Importantly, these factors have contributed to the ease of conversion and greater yield of high quality graphene from Albany graphite. This can be attributed to the unusual geologic mode of formation (igneous hydrothermal process) which accounts for the superior quality, crystallinity and overall quality of the graphite found in this unique deposit.

  2. Graphene exfoliated from Albany graphite showed the highest aspect ratio with an average thickness of 1.43 nanometres or 1-4 graphene layers. Also, the optical absorbance of the Zenyatta graphene dispersion was 2-10 times better than the other three (3) tested reference samples which demonstrate concentrated graphene dispersion can be found.

     This further confirms the reason for success on graphene development initiatives, especially composites, from other collaborators in the UK, Canada, the USA and Israel. We have established that Zenyatta's graphite converts (exfoliates) easily to graphene, producing mono-layer to tri-layer material, has excellent dispersion properties and is highly suitable for many graphene and graphene-oxide applications.

- On November 9, 2017, the Company announced the commencement of a collaborative research project with Dr. Takashi Kuboko at Western University to develop an advanced plastic (polymer composite) using Zenyatta graphene (or graphene-oxide) derived from the Albany high-purity graphite deposit. An enhanced polymer composite material will be attractive to the automotive, aerospace and construction industries that seek lightweight materials with added strength, electrical and thermal properties. Graphene, a single sheet of carbon discovered in 2004 at the University of Manchester, is a new and exciting nanomaterial that can perform all of these functions.

***Outlook***

The Company will continue to work toward the development of data for the start of a pre-feasibility phase on its Albany graphite deposit. Preliminary results to date show consistent improvement in metallurgical performance with similar concentrate grades and recoveries obtained from both the East Pipe and West Pipe of the deposit. Upon completion of the metallurgical testing a process flow sheet and associated engineering data will be utilized to inform the pre-feasibility study.

The Company will continue with its market and business development program initiated to further validate Albany graphite in high purity, graphene and nano-graphite applications. The Company has had detailed conversations with more than 40 graphite end-users, academic labs and third party testing facilities under confidentiality agreements. Many of these organizations were provided a small amount of purified graphite material produced at the SGS Lakefield site during the development of a process flow sheet for the Albany

graphite deposit pursuant to a PEA. The goal of these initial samples was to screen Albany graphite for suitable applications while gathering feedback from the end-users and testing facilities to improve the overall properties for high value applications. The Company has reported positive results from some of the organizations and is continuing to advance its marketing and application development efforts on a worldwide basis. Zenyatta has recently delivered further market samples to various global corporations and academic institutions in the USA, Canada, Japan, Germany, South Korea, United Kingdom and Israel for application testing and development. This worldwide market and business development program is designed to provide additional high purity graphite material for validation related to Li-ion battery, fuel cell and various graphene applications.

Following the November 23, 2016 announcement of the delivery of 10 kilograms of high-purity Albany graphite to Ben-Gurion University of the Negev and Larisplast Ltd. in Israel for the start of the next phase of testing of a pilot plant scale program, the company is continuing to monitor the program.

The Company has set up a wholly owned subsidiary called ZEN-tech Materials Limited which will focus on the development and commercialization activities of graphene applications and the allocation of any associated intellectual property ('IP') and worldwide licensing.

**Selected Financial Information**

The following table sets forth selected financial information with respect to the Corporation as at and for the years ended March 31, 2017 and 2016, and the six month periods ended September 30, 2017 and 2016. The selected financial information has been derived from the audited financial statements of the Corporation for the financial years indicated. The following should be read in conjunction with the said financial statements and related notes thereto.

| | Six months ended September 30, | Six months ended September 30, | Year ended March 31, | Year ended March 31, |
|---|---|---|---|---|
| | 2017 (unaudited) | 2016 (unaudited) | 2017 (Audited) | 2016 (Audited) |
| Total Revenue | $ 13,953 | $ 2,178 | $ 5,525 | $ 4,074 |
| Net Loss | $(831,808) | $(1,418,675) | $(2,840,621) | $(4,197,806) |
| # Shares Outstanding | 62,884,284 | 62,884,284 | 62,884,284 | 58,954,016 |
| Net Loss per Share (Basic) | $(0.01) | $(0.02) | $(0.05) | $(0.07) |
| Net Loss per Share (Diluted) | $(0.01) | $(0.02) | $(0.05) | $(0.07) |
| Total Assets | $ 22,207,801 | $ 23,912,932 | $ 22,796,268 | $ 21,544,685 |
| Total Financial Liabilities | $ 162,267 | $ 233,472 | $ 83,300 | $ 91,037 |
| Total Equity | $ 22,045,534 | $ 23,679,460 | $ 22,712,968 | $ 21,453,648 |

**Summary of Quarterly Results**

The following table sets out selected quarterly information for the eight most recently completed quarters, for which financial statements are prepared.

| | Sept. 30, 2017 | June 30, 2017 | Mar. 31, 2017 | Dec. 31, 2016 | Sept. 30, 2016 | June 30, 2016 | Mar. 31, 2016 | Dec. 31, 2015 |
|---|---|---|---|---|---|---|---|---|
| Revenue | $11,745 | $2,208 | $2,355 | $992 | $1,198 | $980 | $1,261 | $1,311 |
| Loss | $290,705 | $541,103 | $647,168 | $774,778 | $1,023,449 | $395,227 | $714,018 | $833,441 |
| Loss per Share (Basic) | $0.01 | $0.01 | $0.01 | $0.01 | $0.02 | $0.01 | $0.01 | $0.01 |
| Loss per Share (Diluted) | $0.01 | $0.01 | $0.01 | $0.01 | $0.02 | $0.01 | $0.01 | $0.01 |

**Liquidity and Capital Resources**

As at September 30, 2017, the Corporation had working capital of $115,649 (2016: $2,250,297) and cash of $210,624 (2016: $848,046). The Corporation funded operations during the six month period ended September 30, 2017 through the use of existing cash and investments.

The Corporation will need to raise additional funding to finance future exploration programs and development activity. The availability of equity capital, and the price at which additional equity could be issued, is dependent upon the success of the Corporation's activities, and upon the state of the capital markets generally. Additional financing may not be available on terms favourable to the Corporation or at all. If the Corporation does not receive future financing, it may not be possible for the Corporation to advance the exploration and development of the Claims.

**Off Balance Sheet Arrangements**

There are currently no off balance sheet arrangements which could have an effect on current or future results or operations, or the financial condition of the Corporation.

**Transactions with Related Parties**

The total transactions with a company controlled by a member of key management personnel during the six month periods ended September 30, 2017 and 2016 were as follows:

a) Exploration and evaluation assets - $75,212 (2016: $69,406)
b) General and administrative - $8,218 (2016: $6,867)

The remuneration of directors and other members of key management personnel during the six month periods ended September 30, 2017 and 2016 were as follows:

a) Short-term benefits - $215,489 (2016: $235,784)
b) Share-based payments - $132,726 (2016: $552,841)

In accordance with IAS 24, key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Corporation directly or indirectly, including any directors (executive and non-executive) of the Corporation.

The remuneration of directors and key executives is determined by the board of directors having regard to the performance of individuals and market trends.

**Current and Future Changes in Accounting Policy**

***Statement of Compliance***

The condensed interim consolidated financial statements, including comparatives for the six month period ended September 30, 2017, have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

***Future Accounting Changes***

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods beginning on or after January 1, 2017. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine the impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 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, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

**Financial Instruments and Other Instruments**

The Corporation's financial instruments consist of cash, temporary investments, amounts and other receivables, and accounts payable and accrued liabilities. Unless otherwise noted, the Corporation does not expect to be exposed to significant interest, currency or credit risks arising from these financial instruments. The Corporation estimates that the fair value of these financial instruments approximate carrying values.

The Corporation has designated its temporary investments as held-for-trading, which are measured at fair value. Financial instruments as at September 30, 2017 included cash and amounts and other receivables, which are classified as loans and receivables and are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at September 30, 2017, the carrying and fair value amounts of the Corporation's financial instruments are approximately the same.

At September 30, 2017, the Corporation's financial instruments that are carried at fair value, consisting of temporary investments, have been classified as Level 2 within the fair value hierarchy.

Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

**Disclosure of Outstanding Share Data**

The Corporation is authorized to issue an unlimited number of shares, of which 62,884,284 (2016: 62,884,284) shares were issued and outstanding as fully paid and non-assessable as at September 30, 2017. Also, 1,827,567 (2016: 1,827,567) warrants were outstanding as at September 30, 2017.

Refer to Note 7(c) of the condensed interim consolidated financial statements for details regarding stock options issued and exercisable as at September 30, 2017.

As at November 23, 2017, the Corporation had 62,884,284 shares which were issued and outstanding as fully paid and non-assessable. The Corporation also had 1,827,567 warrants and 5,550,000 stock options outstanding as at November 23, 2017.

**Risks and Uncertainties**

The Corporation's risk exposures and the impact on the Corporation's financial instruments are summarized below. As at September 30, 2017, there had been no changes in the risks, objectives, policies and procedures from the previous period.

*Credit risk*

As at September 30, 2017, the Corporation's credit risk was primarily attributable to cash, temporary investments, and amounts and other receivables. The Corporation has no significant concentration of credit risk arising from operations. Financial instruments included in accounts and other receivables consisted of harmonized sales tax due from the Federal Government of Canada. The Corporation's cash and temporary investments are held with reputable financial institutions. Management believes that the credit risk with respect to financial instruments included in accounts and other receivables is remote.

*Liquidity risk*

The Corporation's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As of September 30, 2017, the Corporation had a cash balance of $210,624 to settle current liabilities of $162,267. The Corporation's ability to continue operations and fund its exploration property expenditures is dependent on management's ability to secure additional financing. Management is continuing to pursue various financing initiatives in order to provide sufficient cash flow to finance operations as well as funding its exploration expenditures. All of the Corporation's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

*Interest rate risk*

The Corporation has cash balances and temporary investments. The Corporation's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Corporation periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. The Corporation closely monitors interest rates to determine the appropriate course of action to be taken by the Corporation.

*Price risk*

The Corporation is exposed to price risk with respect to commodity prices. The Corporation closely monitors commodity prices to determine the appropriate course of action to be taken by the Corporation.

*Exploration risk*

Mineral exploration and development involve a high degree of risk and few projects are ultimately developed into producing mines. There is no assurance that the Corporation's future exploration and development activities will result in the definition of a body of commercial ore. Whether an ore body will be commercially viable depends on a number of factors including the particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as mineral prices and government regulations, including environmental regulations.

*Financial Capability and Additional Financing*

If the Corporation's exploration programs are successful, additional funds will be required in order to

complete the development of its properties. The only sources of future funds presently available to the Corporation are the sale of additional equity capital or the entering into of joint venture arrangements or other strategic alliances in which the funding sources could become entitled to an interest in the properties or the projects. The Corporation's capital resources are largely determined by the strength of the junior resource market and by the status of the Corporation's projects in relation to these markets, and its ability to compete for investor support of its projects.

There is no assurance that the Corporation will be successful in raising sufficient funds to meet its obligations or to complete all of the currently proposed exploration programs. If the Corporation does not raise the necessary capital to meet its obligations under current contractual obligations, the Corporation may have to forfeit its interest in properties or prospects earned or assumed under such contracts. In addition, if the Corporation does not raise the funds to complete the currently proposed exploration programs, the viability of the Corporation could be jeopardized.

*Permits and Government Regulation*

Although the Corporation believes it has all of the necessary permits to carry out the proposed exploration programs, the operations of the Corporation may require licenses and permits from time to time from various governmental authorities to carry out exploration and development at its projects. Obtaining permits can be a complex, time-consuming process. There can be no assurance that the Corporation will be able to obtain the necessary licenses and permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining permits and complying with these permits and applicable laws and regulations could stop or materially delay or restrict the Corporation from continuing or proceeding with existing or future operations or projects. Any failure to comply with permits and applicable laws and regulations, even if inadvertent, could result in the interruption or closure of operations or material fines, penalties or other liabilities. In addition, the requirements applicable to sustain existing permits and licenses may change or become more stringent over time and there is no assurance that the Corporation will have the resources or expertise to meet its obligations under such licenses and permits.

The mineral exploration activities of the Corporation are subject to various laws governing prospecting, development, production, taxes, labour standards, occupational health, mine safety, waste disposal, toxic substances and other matters. Mining and exploration activities are also subject to various laws and regulations relating to the protection of the environment, historical and archaeological sites and endangered and protected species of plants and animals. Although the exploration activities of the Corporation are currently carried out in material compliance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail exploration or development. New rules and regulations may be enacted or existing rules and regulations may be applied to the operations and activities of the Corporation and could have a substantial adverse impact on the Corporation.

*Fluctuating Prices*

The profitability of the Corporation's operations will be dependent upon the market price of mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Corporation. The level of interest rates, rate of inflation, world supply of mineral commodities, consumption patterns, sales of nickel and copper, forward sales by producers, production, industrial and consumer demand, speculative activities and stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The prices of mineral commodities have fluctuated widely in recent years. Current and future price declines could cause commercial production to be impracticable. The prices of commodities are affected by numerous factors beyond the Corporation's control.

*Risks Associated with NI 43-101 Estimates and Technical Reports*

The figures for resources presented herein, including the anticipated tonnages and grades that may be achieved or the indicated level of recovery that may be realized, are estimates and no assurances can be given as to their

accuracy. Such estimates are, in large part, based on interpretations of geological data obtained from drill holes and other sampling techniques. Actual mineralization or formations may be different from those predicted. It may also take many years from the initial phase of drilling before production is possible, and during that time the economic feasibility of exploiting a deposit may change.

Few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish ore reserves by drilling, to develop metallurgical processes, to extract the metals from the ore and to construct mining and processing facilities at a site. There is no guarantee that any property on which the Company intends to incur explorations expenditures or in which it has mining interests will ever reach the stage of commercial production.

*Environmental Regulation*

The Corporation's activities are subject to environmental laws and regulations which may materially and adversely affect its future operations. These laws and regulations control the exploration and development of the Albany Project and their effects on the environment, including air and water quality, waste handling and disposal, the protection of different species of plant and animal life, and the preservation of lands. These laws and regulations will require the Corporation to acquire permits and other authorizations for certain activities. There can be no assurance that the Corporation will be able to acquire such necessary permits or authorizations on a timely basis, if at all.

Further, environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Corporation's operations.

The Corporation is not currently insured against most environmental risks. Without such insurance, and if the Corporation becomes subject to environmental liabilities, the payment of such liabilities would reduce or eliminate its available funds or could exceed the funds the Corporation has to pay such liabilities and result in bankruptcy.

**Proposed Transactions**

As is typical of the mineral exploration and development industry, the Corporation is continually reviewing potential merger, acquisition, investment and joint venture transactions and opportunities that could enhance shareholder value. At present, there are no transactions being contemplated by management or the board that would affect the financial condition, results of operations and cash flows of any asset of the Corporation.

**Commitments and Contingencies**

*Leases*

On December 20, 2016, the Company entered into a vehicle lease agreement. The lease term is for a period of two years expiring December 19, 2018. The Company must pay $708 per month under the terms of the lease.

On January 20, 2014, the Company entered into a lease for commercial purposes, amended on March 23, 2015. The lease term is for a period of two years expiring March 31, 2017. The lease term has since been extended to expire on March 31, 2018. The Corporation must pay $4,200 per month under the terms of the lease.

Minimum lease payments remaining in the Company's fiscal years to the expiration of the leases are as follows:

| | |
|---|---|
| 2018 | $ 29,448 |
| 2019 | $ 6,372 |

*Employment Agreements*
The Company's President and Chief Executive Officer is the only officer who currently has an employment agreement with the Corporation with a change of control provision. The agreement, dated August 1, 2010, provides that in the event that the employment is terminated by the Corporation other than for cause, or within 90 days of a change of control of the Corporation, then the officer is entitled to (i) a lump sum payment equal to the greater of 24 months' salary or six months' salary for each year or partial year of service, (ii) all outstanding and accrued regular and vacation pay and expenses and (iii) the immediate vesting of his options which shall continue to be available for exercise for a period of two years following the date of termination. The current salary level for this individual pursuant to the employment agreement is $225,000 per annum.

The Company has an employment agreement with its Vice-President of Exploration and Chief Geologist dated July 1, 2016. The current salary level for the individual pursuant to the employment agreement is $150,000 annually.

The Company has an employment agreement with its Vice-President Market Development dated July 1, 2016. The current salary level for the individual pursuant to the employment agreement is US$132,000 annually.

*Exploration Agreement*
The Corporation has entered into an agreement with Constance Lake First Nation ("CLFN") governing the relationship between them in regard to the Corporation's exploration on traditional lands of CLFN.

**Cost of Implementation Committee**
On a yearly basis, commencing on the date that the implementation committee is formed and continuing for the following twelve (12) months, the Corporation shall make a total contribution of $22,000, and in years following the year in which this agreement is executed, an additional amount equivalent to the increase in the Ontario consumer price index for the preceding year, to pay: the reasonable expenses of the Corporation's implementation committee members; the reasonable costs of an archaeologist for any archaeological assessments.

**Cost of Annual Gathering**
On an annual basis, $1,200, and in years following the year in which this agreement is executed, an additional amount equivalent to the increase in the Ontario consumer price index for the preceding year, for CLFN and the Corporation to have a community "feast" and conduct an information session with CLFN members about the exploration, this agreement and any issues pertaining to this agreement's implementation;

**Critical Accounting Estimates**
A detailed summary of all of the Corporation's significant accounting policies is included in Note 2 to the March 31, 2017 audited annual financial statements.

**Internal Controls over Financial Reporting**
Management is responsible for the design of internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in Canada. Based on regular reviews of its internal control procedures during and at the end of the period covered by this MD&A, management believes its internal controls and procedures are effective in providing reasonable assurance that financial information is recorded, processed, summarized and reported in a timely manner.

**Changes to Internal Control over Financial Reporting**
There have been no significant changes to the Corporation's internal controls over financial reporting that occurred during the six months ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect the Corporation's internal control over financial reporting.

**Disclosure Controls**

Management is also responsible for the design and effectiveness of disclosure controls and procedures to provide reasonable assurance that material information related to the Corporation is made known to the Corporation's certifying officers. The Corporation's Chief Executive Officer and Chief Financial Officer have each evaluated the effectiveness of the Corporation's disclosure controls and procedures as of September 30, 2017 and have concluded that these controls and procedures are effective in providing reasonable assurance that material information relating to the Corporation is made known to them by others within the Corporation.