

## **Management Discussion and Analysis**

### **For the Year Ended June 30, 2017**

This management's discussion and analysis ("MD&A") is provided to enable the reader to assess material changes in financial condition and results of operations of MK2 Ventures Ltd. (the "Company" or "MK2") for the fiscal year ended June 30, 2017. This MD&A should be read in conjunction with the audited financial statements of the Company for the fiscal year ended June 30, 2017, prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A complements and supplements, but does not form part of the Company's financial statements.

This MD&A contains forward-looking statements. Statements regarding the adequacy of cash resources to carry out the Company's exploration programs or the need for future financing are forward-looking statements. All forward-looking statements, including those not specifically identified herein, are made subject to cautionary language on page 11. Readers are advised to refer to the cautionary language when reading any forward-looking statements.

All dollar amounts contained herein are expressed in Canadian dollars unless otherwise indicated. This MD&A has been prepared as of September 14, 2017.

#### **BUSINESS OVERVIEW**

The Company was incorporated under the *Business Corporations Act* (Alberta) on July 24, 1989 and continued into the province of British Columbia on March 31, 2006. The Company is listed on the NEX Branch of the TSX Venture Exchange (the "Exchange") under the trading symbol "MK.H".

The Company has historically been a junior mineral exploration stage company in the business of acquiring, exploring and evaluating natural resource properties, and either developing these properties further or disposing of them when the evaluation is complete. As at the date of this MD&A, the Company holds no mineral property interests, has no active business, and has no source of revenue.

The Company will need to identify a new business opportunity and acquire additional funding for its corporate and overhead expenses in the near future through either equity or debt financing. Many factors influence the Company's ability to raise funds, including the health of the capital market, the climate for mineral exploration investment and the Company's track record. Actual funding requirements may vary from those planned due to a number of factors, including the acquisition of new projects. Management is approaching several sources of equity capital, but recognizes there may be some difficulty obtaining such finance due to the current market conditions. There is no guarantee that the Company will be able to secure additional financings in the future at terms that are favourable, or at all.

#### **MATERIAL EVENT**

During the fiscal year ended June 30, 2015, the Company's core asset was the Strieborná silver/copper deposit in Slovakia (the "Strieborná project"). All of the assets that made up the Strieborná project were held by the Company's two wholly-owned Slovakian subsidiaries, Gemma-LP s.r.o. and Gemer-Can s.r.o. (the "Subsidiaries"). On June 10, 2015, the Company sold 100% of its interest in the Strieborná project, through the sale of the shares of the two Subsidiaries, to a private local investor group (the "Purchaser") in exchange for the Purchaser assuming all of the liabilities of the Strieborná project that included, amongst other things, mine dewatering, mine site security, and local regulatory costs.

Subsequent to the closing of this transaction, the Company had no remaining mineral property assets, and no remaining liabilities associated with any mineral property assets.

#### **HIGHLIGHTS OF FISCAL 2016 AND 2017**

- On June 27, 2016, the Company raised \$650,000 through the distribution of 13,000,000 subscription receipts at \$0.05 per receipt. On July 4, 2016 and August 24, 2016, the Company issued 3,575,000 and 9,425,000 units, respectively, upon conversion of these subscription receipts for no additional consideration. Each unit was comprised of one common share and one share purchase warrant entitling the holder to acquire one common share at a price of \$0.05 for a period of twelve months following the date of issuing the subscription receipts. The cash proceeds were held in trust and were classified as restricted cash as at June 30, 2016. The use of the restricted cash balance was dependent on the Company receiving Exchange approval of the private placement and a change in control resulting therefrom. During the year ended June 30, 2017, the Company received Exchange approval and the cash proceeds held in trust were no longer classified as restricted. In connection with the shares issuance, the Company incurred \$10,202 in share issue costs.

- Effective June 27, 2016, the Company consolidated its issued and outstanding common shares, stock options and outstanding warrants on the basis of one post-consolidation common share for every two pre-consolidation common shares. As a result of the share consolidations, the number of shares, options and warrants presented in the financial statements, and the exercise price for each option and warrant, and the calculated weighted average number of common shares issued and outstanding for the purpose of loss per share calculations are based on the post-consolidation shares for all years presented.
- On September 22, 2016, the Company settled \$19,613 of director fees payable to former directors of the Company by the issuance of 65,377 common shares at a deemed price of \$0.30 per share.
- In April 2017, the Company issued 700,000 common shares pursuant to the exercise of \$0.05 warrants raising proceeds of \$35,000.
- In June 2017, the Company issued 12,300,000 common shares pursuant to the exercise of \$0.05 warrants raising proceeds of \$615,000.
- During the year ended June 30, 2016, the Company settled \$24,000 owing to an arm's length creditor with a lump sum payment of US\$1,000.

**ANNUAL FINANCIAL INFORMATION**

The selected financial information below are derived from the Company's audited financial statements for the years ended June 30, 2017, 2016 and 2015, prepared in accordance with IFRS. The Company's significant accounting policies and new accounting policies applied in the preparation of its consolidated financial statements are outlined in notes 3 and 4 to the Company's audited financial statements for the years ended June 30, 2017 and 2016.

|  | <b>Year ended</b>    |               |               |
|--|----------------------|---------------|---------------|
|  | <b>June 30, 2017</b> | June 30, 2016 | June 30, 2015 |
| Total Revenue                            | \$ -                 | \$ -          | \$ -          |
| Operating expenses                       | 146,549              | 154,910       | 1,035,626     |
| Other expenses (income)                  | (5,219)              | (31,420)      | 53,895        |
| Loss from discontinued operations        | -                    | -             | 6,604,337     |
| Net loss                                 | 141,330              | 123,490       | 7,693,858     |
| Total comprehensive loss                 | 141,330              | 123,490       | 7,693,858     |
| Basic and diluted loss per common share: |                      |               |               |
| Continuing operations                    | 0.01                 | 0.09          | 0.84          |
| Discontinued operations                  | -                    | -             | 5.08          |
| Comprehensive loss                       | 0.01                 | 0.09          | 5.96          |

|                                       | <b>As at</b>         |               |               |
|---------------------------------------|----------------------|---------------|---------------|
|                                       | <b>June 30, 2017</b> | June 30, 2016 | June 30, 2015 |
| Cash and short-term deposits          | \$ 1,007,154         | \$ 4,296      | \$ 2,069      |
| Restricted cash                       | -                    | 650,000       | -             |
| Mineral property, plant and equipment | -                    | -             | -             |
| Total assets                          | 1,008,113            | 655,338       | 11,311        |
| Current financial liabilities         | 32,861               | 192,937       | 75,420        |
| Long-term financial liabilities       | -                    | -             | -             |
| Shareholders' equity (deficit)        | 975,252              | 462,401       | (64,109)      |

**FINANCIAL REVIEW**

For a discussion of the factors affecting the Company's losses see "Summary of quarterly results" and "Results of operations" below.

**Results of operations**

The Company incurred a net loss and total comprehensive loss of \$141,330 during the fiscal year ended June 30, 2017, an increase in loss of \$17,840, as compared to the total comprehensive loss of \$123,490 for the year ended June 30, 2016.

Compared to the prior year ended June 30, 2016, net loss and total comprehensive loss attributable to shareholders of the Company for the year ended June 30, 2017 was mainly impacted by the following factors:

- Professional fees were \$46,350 during the year ended June 30, 2017 compared to \$31,670 during the year ended June 30, 2016. The \$14,680 increase is due to increased legal fees incurred during the year ended June 30, 2017, relating to increased business activity in the period. During the year ended June 30, 2016 the company incurred \$1,253 in legal expenses.
- Shareholder information and investor relations expenses were \$5,154 during the year ended June 30, 2017 compared to \$28,046 during the year ended June 30, 2016. The \$22,892 decrease is primarily due to reduced advertising and promotional fees incurred during year ended June 30, 2017 compared to the year ended June 30, 2016. Included in shareholders and investor relations expenses are non-legal expenses associated with the Company's annual general meeting.
- During the year ended June 30, 2017 the Company settled debt for \$19,613 of director fees payable to former directors by issuing 65,377 common shares with a fair value of \$14,383; as a result, the Company recognized a gain on debt settlement of \$5,230.
- Recovery on payables was \$5,230 during the year ended June 30, 2017, compared to \$31,440 during the year ended June 30, 2016. The \$26,210 decrease is due to one-time debt settlement agreement reached with one of the Company's vendors in the prior year resulting in a greater recovery than in the current period.

**Summary of quarterly results**

The following table provides a summary of financial data for the Company's most recent eight quarters derived from the Company's unaudited condensed interim financial statements prepared in accordance with IAS 34:

|       | Quarter ended      | Revenue | Loss before other<br>income and<br>expenses | Total comprehensive<br>loss | Basic and diluted<br>income (loss) per<br>common share |
|-------|--------------------|---------|---|-----------------------------|--|
| Q4/17 | June 30, 2017      | \$ -    | \$ (28,384)                                 | \$ (28,384)                 | \$ (0.00)  |
| Q3/17 | March 31, 2017     | -       | (27,183)                                    | (27,183)                    | (0.00)   |
| Q2/17 | December 31, 2016  | -       | (30,917)                                    | (30,917)                    | (0.00)   |
| Q1/17 | September 30, 2016 | -       | (54,846)                                    | (54,846)                    | (0.01)   |
| Q4/16 | June 30, 2016      | -       | (44,113)                                    | (12,693)                    | (0.01)   |
| Q3/16 | March 31, 2016     | -       | (9,744)                                     | (9,744)                     | (0.01)   |
| Q2/16 | December 31, 2015  | -       | (36,138)                                    | (36,138)                    | (0.02)   |
| Q1/16 | September 30, 2015 | -       | (64,913)                                    | (64,913)                    | (0.05)   |

The primary factors affecting the magnitude and variations of the Company's losses are as follows:

- During the year ended June 30, 2017 the Company did not have an active business.
- During the three months ended March 31, 2016, the Company entered into a debt settlement agreement with one of its vendors to settle a payable of \$24,000 by making a cash payment of USD 1,000 (CAD 1,325); as a result, the Company recognized a gain on debt settlement of \$22,675.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company will need additional funding for its corporate and overhead expenses in the near future through either equity or debt financing. Many factors influence the Company’s ability to raise funds, including the health of the capital market, the climate for mineral exploration investment and the Company’s track record. Actual funding requirements may vary from those planned due to a number of factors, including the acquisition of new projects. Management will approach various sources of equity capital, but recognizes there may have difficulty obtaining such finance due to the current market conditions. There is no guarantee that the Company will be able to secure additional financings in the future at terms that are favourable, or at all.

The Company’s financial statements for the fiscal year ended June 30, 2017 have been prepared on a going concern basis, which assumes that the Company will continue in operation in the foreseeable future and will be able to realize its assets and settle its liabilities in the normal course of business. At June 30, 2017, the Company had cash of \$1,007,154 and working capital of \$975,252. The Company currently has no active business and is not generating any revenues. It has incurred losses and negative cash flows from operations since inception and had an accumulated deficit of \$53,968,252 as at June 30, 2017.

The Company’s ability to continue its operations is dependent on its success in raising equity through share issuances, suitable debt financing and/or other financing arrangements. While the Company has been successful in raising equity in the past, there can be no guarantee that it will be able to raise sufficient funds to fund its activities and general and administrative costs in the next twelve months and in the future. The financial statements for the year ended June 30, 2017 do not give effect to the required adjustments to the carrying amounts and classification of assets and liabilities should the Company be unable to continue as a going concern.

During the year ended June 30, 2016, the Company raised \$650,000 in subscription receipts at \$0.05 per receipt. In the year ended June 30, 2017 the subscription receipts were converted and the Company issued 13,000,000 units. As such, the Company has sufficient cash resources to finance its general and administrative expenses for the next year, and to initiate the search for alternative business opportunities. Additionally, during the fourth quarter of 2017, the Company received \$650,000 in cash pursuant to the exercise of 13,000,000 warrants at \$0.05 per warrant.

**Cash flows**

Cash used in operating activities for the year ended June 30, 2017, was \$243,609 compared to \$42,079 for the year ended June 30, 2016. The increase in spending is primarily the result of the payment of accounts payable.

Cash from financing activities for the year ended June 30, 2017 was \$596,467 compared to financing activities raising \$694,306 for the year ended June 30, 2016. The increase in spending is primarily the result of repayment of loans payable.

**TRANSACTIONS WITH RELATED PARTIES**

The Company’s related parties consist of its key management personnel, including its directors and officers, entities controlled by key management personnel and entities that have significant influence over the Company. During the normal course of business, the Company enters into transactions with its related parties that are considered to be arm’s length transactions and made at normal market prices and on normal commercial terms.

(a) Key management compensation for the years ended June 30, 2017 and 2016 were as follows:

|                     | For the years ended |               |
|---------------------|---------------------|---------------|
|                     | June 30, 2017       | June 30, 2016 |
| Short-term benefits | \$ 65,106           | \$ 71,971     |
|                     | \$ 65,106           | \$ 71,971     |

(b) During the year ended June 30, 2017, the Company incurred \$4,311 (2016 - \$7,845) for bookkeeping services and \$5,106 (2016 - \$11,971) for professional services provided by Fehr & Associates, an entity controlled by the Company’s former Chief Financial Officer. Amounts owing to this entity at June 30, 2016 was \$12,505 and is included in accounts payable and accrued liabilities. As at June 30, 2017, this entity is no longer a related party

(c) During the year ended June 30, 2017, the Company incurred \$60,000 (2016 - \$60,000) for management fees provided by Elysian Enterprises Ltd., an entity controlled by the Company’s Chief Executive Officer. Amounts owing to this entity at June 30, 2017 is \$15,000 (2016 - \$63,000) and is included in accounts payable and accrued liabilities.

- (d) During the year ended June 30, 2017, the Company incurred \$23,877 (2016 - \$nil) for legal fees and \$14,333 (2016 - \$nil) for other professional services provided by Owen Bird Law Corporation, an entity in which a director of the Company is a shareholder. Amounts owing to this entity at June 30, 2017 is \$336 (2016 - \$nil) and is included in accounts payable and accrued liabilities. Additionally, amounts held in trust by this entity at June 30, 2017 is \$nil (2016 - \$653,536).
- (e) At June 30, 2017, the Company had loans payable to related parties of \$nil (2016 - \$38,056).
- (f) At June 30, 2017, the Company had \$nil (2016 - \$22,513) in fees owing to former directors and is included in accounts payable and accrued liabilities.

**CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The critical judgements and estimates that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the audited financial statements for the year ended June 30, 2017 are consistent with those applied in the preparation of and as disclosed in note 4 to the Company's audited financial statements for the year ended June 30, 2017 and include the following:

Critical judgments

The critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

*Going concern*

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions management has made about the future and other major sources of estimation uncertainty at the date of the statement of financial position that have significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

*Income Taxes*

The Company recognizes deferred tax assets for deductible temporary differences, unused tax losses and other income tax deductions only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and other income tax deductions can be utilized. In assessing the probability of realizing the income tax benefits of deductible temporary differences, unused tax losses and other income tax deductions, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence.

As at June 30, 2017 and 2016, the Company has not recognized any deferred tax assets for deductible temporary differences. Changes in any of the above-mentioned estimates can materially affect the amount of income tax assets recognized. In addition, where applicable tax laws and regulations are either unclear or subject to varying interpretations, changes in these estimates can occur that materially affect the amounts of income tax assets recognized. The Company reassesses unrecognized income tax assets at the end of each reporting period

**NEW ACCOUNTING STANDARDS AND ACCOUNTING STANDARDS NOT YET EFFECTIVE**

The Company has reviewed the following new and amended accounting pronouncement that has been issued by the IASB, but is not yet effective.

The Company has not early-adopted these Standards and is currently evaluating the impact, if any, that these Standards might have on its financial statements.

**IFRS 9** Financial Instruments – This standard provides added guidance on the classification and measurement of financial liabilities. The standard is effective for annual periods beginning on or after January 1, 2018.

**IFRS 15** Revenue from Contracts with Customers – The standard covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning or after January 1, 2018.

**IFRS 16** Leases – This standard was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

**IAS 7** Disclosure Initiative (Amendments to IAS 7 Statement of Cash Flows) – These amendments require that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes. One way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities. These amendments are effective for reporting periods beginning on or after January 1, 2017.

**OFF-BALANCE SHEET ARRANGEMENTS**

The Company did not enter into any off-balance sheet arrangements during the year ended June 30, 2017.

**FINANCIAL INSTRUMENTS AND RELATED RISKS****Classifications**

The Company's financial assets and liabilities are classified as follows:

|  | June 30, 2017       | June 30, 2016     |
|--|---------------------|-------------------|
| <b>Financial assets:</b>                         |                     |                   |
| <i><b>Fair value through profit and loss</b></i> |                     |                   |
| Cash and restricted cash                         | \$ 1,007,154        | \$ 654,296        |
| <i><b>Loans and receivables</b></i>              |                     |                   |
| Amounts receivable                               | -                   | -                 |
|  | <b>\$ 1,007,154</b> | <b>\$ 654,296</b> |
| <b>Financial liabilities:</b>                    |                     |                   |
| <i><b>Other financial liabilities</b></i>        |                     |                   |
| Accounts payable and accrued liabilities         | \$ 32,861           | \$ 148,631        |
| Loans payable                                    | -                   | 6,250             |
| Loans from related party                         | -                   | 38,056            |
|  | <b>\$ 32,861</b>    | <b>\$ 192,937</b> |

The amount of accounts receivable and accounts payable and accrued liabilities includes amounts due to and from related parties and excludes sales tax receivable.

**Fair value information**

The fair values of the Company's cash, restricted cash, amounts receivable, accounts payable and accrued liabilities, and loans payable approximate their carrying amounts due to the short-term nature of these instruments.

IFRS 7 *Financial Instruments: Disclosures* establishes a fair value hierarchy that reflects the significance of inputs used in measuring fair value as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

At June 30, 2017 and 2016, the Company had no financial assets measured and recognized on the statement of financial position at fair value belonging in Level 2 or Level 3 of the fair value hierarchy.

**Financial instrument risk exposure**

The Company's financial instruments expose the Company to certain financial risks, including credit risk, liquidity risk, interest rate risk, foreign currency risk and other price risk.

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. At June 30, 2017, the Company's cash exposes the Company to credit risk.

The Company's cash is held with high credit quality financial institution in Canada. At June 30, 2017, management considers its exposure to credit risk with respect to receivables to be low.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company manages liquidity risk by maintaining adequate cash and managing its capital. At June 30, 2017, the Company had cash and restricted cash of \$1,007,154 (2016 - \$654,296), a loan payable of \$nil (2016 - \$44,306), and accounts payable and accrued liabilities of \$32,861 (2016 - \$148,631) with contractual maturities of less than one year.

**Market risk**

Market risk consists of interest rate risk, foreign currency risk and other price risk.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk; and
- (b) To the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

Current financial assets and financial liabilities are generally not exposed to interest rate cash flow risk due to their short-term nature and maturity.

**Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk to the extent that it has monetary assets and liabilities denominated in foreign currencies. As at June 30, 2017 and 2016, the Company is not exposed to currency risk, as all balances are denominated in Canadian dollars.

**Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk, financial market risk, or currency risk. As at June 30, 2017 and 2016, the Company is not exposed to significant other price risk.

**OUTSTANDING SHARE CAPITAL DATA**

At the date of this MD&A, the Company had 27,383,303 common shares issued and outstanding (June 30, 2017 – 27,383,303).

The Company has authorized an unlimited number of common shares without par value.

Effective August 6, 2015, the Company consolidated its issued and outstanding common shares, stock options and outstanding warrants on the basis of one post-consolidation common share for every 15 pre-consolidation common shares.

Effective June 27, 2016, the Company further consolidated its issued and outstanding common shares, stock options and outstanding warrants on the basis of one post-consolidation common share for every two pre-consolidation common shares.

As a result of the share consolidations, the number of shares, options and warrants presented in the financial statements and MD&A, and the exercise price for each option and warrant, and the calculated weighted average number of common shares issued and outstanding for the purpose of loss per share calculations are based on the post-consolidation shares for all years presented.

On July 4, 2016, the Company converted \$178,750 in subscription receipts into 3,575,000 equity units. Each unit is comprised of one common share and one share purchase warrant entitling the holder to acquire one common share at a price of \$0.05 per share for a period of 12 months following the date of issuance of the subscription receipts.

On August 24, 2016, the Company converted \$471,250 in subscription receipts into 9,425,000 equity units. Each unit is comprised of one common share and one share purchase warrant entitling the holder to acquire one common share at a price of \$0.05 per share for a period of 12 months following the date of issuance of the subscription receipts.

On September 16, 2016, the Company settled \$19,613 of director fees payable to former directors of the Company by the issuance of 65,377 common shares at a deemed price of \$0.30 per share.

On April 19, 2017, June 8, 2017 and June 27, 2017, the Company issued 700,000, 300,000 and 12,000,000 common shares for a total of 13,000,000 common shares pursuant to the exercise of warrants for total gross proceeds of \$650,000.

At the date of this MD&A, the Company has nil stock options and nil warrants outstanding (June 30, 2017 – nil options and nil warrants).

During the year ended June 30, 2017, 334 options expired (2016 – 265) and 1,834 options were cancelled (2016 – 88,184) upon resignation of the officer and as a result \$34,400 (2016 - \$1,520,723) was adjusted from the option reserve to accumulated deficit.

During the year ended June 30, 2017, 60,833 (2016 – 485,850) warrants expired, and as a result \$73,000 (2016 - \$263,131) was adjusted from the warrant reserve to accumulated deficit.

**OUTLOOK**

The Company will not need additional funding for its corporate and overhead expenses in the near future; although any material acquisition will likely require additional financing. Many factors influence the Company's ability to raise funds, including the health of the capital market and the Company's track record. There is no guarantee that the Company will be able to secure additional financings in the future at terms that are favorable, or at all.

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The Company's audited financial statements for the year ended June 30, 2017 have been prepared by management and are in accordance with IFRS as issued by the IASB. Financial information contained in this MD&A has also been prepared by management and is consistent with the data contained in the Company's financial statements for the year ended June 30, 2017.

**APPROVAL**

The Company's Board of Directors has approved the Company's consolidated financial statements for the year ended June 30, 2017. The Company's Board of Directors has also approved the disclosures contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it and is available on [www.sedar.com](http://www.sedar.com).

**RISKS AND UNCERTAINTIES**

While the Company has not been active during the year ended June 30, 2017, the Company's business remains mineral property acquisition, exploration and development business and as a result it may be exposed to a number of operational, financial, regulatory and other risks and uncertainties that are typical in the natural resource industry and common to other companies in the exploration and development stage. These risks may not be the only risks faced by the Company. Additional risks and uncertainties not presently known by the Company or which are presently considered immaterial could adversely impact the Company's business, results of operations, and financial performance in future periods.

**General economic and financial market conditions**

Since the middle of 2008, there has been global economic uncertainty, increased market volatility, reduced confidence in financial markets, bank failures and credit availability concerns. These economic events have had a negative effect on the mining and minerals sectors in general and may impact the ability of the Company to obtain equity or debt financing in the future on terms that are favourable and acceptable to the Company. The Company is dependent on the equity markets as its sole source of operating working capital and the Company's capital resources are largely determined by the strength of the resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for the investor support of its projects.

Although there have been some indications of economic recovery and macroeconomic indicators in the United States have had a lesser impact on silver and copper prices as compared to other metal prices, if these increased levels of volatility and market turmoil were to continue or intensify, the Company's results of operations and financial performance could be adversely impacted and the trading price of the Company's common shares could be adversely affected. General economic conditions remain unsettled and the outlook uncertain. As a result, the Company will continue to consider its future plans and options carefully in light of prevailing economic conditions.

**Need for Additional Funding**

Further funding may be required by the Company to continue as a going concern. There is no guarantee that the Company will be able to raise sufficient funds. In addition, any future financing may be dilutive to existing shareholders of the Company.

**Exploration and development stage risks**

Exploration for mineral resources involves a high degree of risk, the cost of conducting programs may be substantial and the likelihood of success is difficult to assess.

Resource exploration and development is a highly speculative business, characterized by a number of significant risks including, but not limited to, unprofitable efforts resulting not only from the failure to discover mineral deposits but also from finding mineral deposits that, though present, are insufficient in quantity and quality to return a profit from production. Few exploration projects successfully achieve development due to factors that cannot be predicted or anticipated, and even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. The Company closely monitors its activities and those factors that could negatively impact them, and employs experienced consultants and key management to assist in its risk management and to make timely decisions regarding future property expenditures.

Other risks associated with projects in the exploration and development stage which could cause delays or prohibit the progress of the overall project include delays in obtaining required government approvals and permits and the inability to obtain suitable or adequate machinery, equipment, road access, power or labour.

**Metal price risk**

The price of metals greatly affects the value of the Company's own securities and investments and the recoverability of its exploration and evaluation assets.

**Operating Hazards and Risks**

The Company's operations are subject to hazards and risks normally associated with the exploration and development of mineral properties, any of which could cause delays in the progress of the Company's exploration and development plans, damage to or destruction of property, loss of life and/or environmental damage. Some of these risks include, but are not limited to, unexpected or unusual geological formations; rock bursts, cave-ins, fires, flooding and earthquakes; unanticipated changes in metallurgical characteristics and mineral recovery, unanticipated ground or water conditions, industrial or labour disputes, hazardous weather conditions, cost overruns, land claims and other unforeseen events may occur. A combination of experience, knowledge and careful evaluation may not be able to overcome these risks.

The nature of these risks is such that liabilities might exceed any insurance policy limits, the liabilities and hazards might not be insurable or the Company might not elect to insure itself against such liabilities due to high premium costs or other factors. Such liabilities may have a materially adverse effect on the Company's financial condition and operations and could reduce or eliminate any future profitability and result in increased costs and a decline in the value of the securities of the Company.

**Environmental risk**

The Company seeks to operate within environmental protection standards that meet or exceed existing requirements in the country in which the Company operates. Present or future laws and regulations and third party opposition, however, may affect the Company's operations. Future environmental costs may increase due to changing requirements or costs associated with exploring, developing, operating and closing of mines. Programs may also be delayed or prohibited in certain areas. The costs of complying with changes in governmental regulations can negatively impact the Company's financial performance. As at June 30, 2016, management estimates that the Company has no obligations for decommissioning.

**Reliance on key personnel and skilled workers**

The Company's operations require employees and contractors with a high degree of specialized technical, management and professional skills, such as engineers, trades people and plant and equipment operators. The Company competes with other local industries for these skilled workers. If the Company is unable to find an adequate supply of skilled workers, a decrease in productivity or an increase in costs may result which could have a material adverse effect on the Company's business, results of operations and financial performance.

The success of the Company's operations and activities is dependent to a significant extent on the efforts and abilities of its senior management team, as well as outside contractors, experts and its partners. The loss of one or more members of senior management, key employees, contractors or partners, if not replaced, could have a material adverse effect on the Company's business, results of operations and financial performance.

**CONFLICTS OF INTEREST**

The Company's directors and officers may serve as directors or officers, or may be associated with, other reporting companies, or have significant shareholdings in other companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the BC *Business Corporations Act* ("BCBCA") dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the BCBCA. In accordance with the laws of the Province of British Columbia, the directors and officers of MK2 are required to act honestly, in good faith, and in the best interest of MK2.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION**

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as “expects”, “anticipates”, “believes”, “intends”, “estimates”, “potential”, “possible” or variations of such words and phrases or the negative connotation thereof, or statements that events, conditions or results “will”, “may”, “could” or “should” occur or be achieved. The forward-looking statements may include statements regarding exploration results and budgets, mineral resource estimates, work programs, capital expenditures, timelines, strategic plans, market price of commodities or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. The Company’s forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management’s beliefs, expectations or opinions should change except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company’s expectations include uncertainties relating to disputes; fluctuations in commodity prices and foreign currency exchange rates; uncertainties relating to interpretation of drill results and the geology; the need to obtain additional financing to develop properties and uncertainties as to the availability and terms of future financing; uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company’s policies that all forward-looking statements are based on the Company’s beliefs and assumptions which are based on information available at the time these assumptions are made. The forward looking statements contained herein are based on information available as at September 14, 2017 and are subject to change after this date. The Company assumes no obligation and has no policy for updating or revising forward looking information or statements to reflect new events or circumstances, except as may be required under applicable securities laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors such as those described above and discussed under “Risks and Uncertainties”.