



**STUHINI EXPLORATION LTD.  
MANAGEMENT DISCUSSION AND  
ANALYSIS FOR  
THE THREE MONTHS ENDED  
MAY 31, 2019 AND 2018**

---

## INTRODUCTION

The following Management Discussion and Analysis (“MD&A”) of Stuhini Exploration Ltd. (the “Company” or “Stuhini”), has been prepared by management, in accordance with the requirements of National Instrument 51-102 *Continuous Disclosure Obligations*, as of July 26, 2019, and should be read in conjunction with unaudited interim financial statements for the three months ended May 31, 2019 and 2018, and the related notes contained therein which have been prepared under International Financial Reporting Standards (“IFRS”). The information contained herein is not a substitute for detailed investigation or analysis on any particular issue.

All financial information in this MD&A has been prepared in accordance with IFRS and all dollar amounts are quoted in Canadian dollars, the reporting and functional currency of the Company, unless specifically noted.

## FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and information relating to the Company that are based on the beliefs of the Company’s management as well as assumptions made by and information currently available to the management. When used in this document, the words “*anticipate*”, “*believe*”, “*estimate*”, “*expect*” and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. This MD&A contains forward-looking statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, and the estimated cost and availability of funding for the continued exploration and development of the Company’s exploration properties. Such statements reflect the current views of management with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or the Company’s achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

## COMPANY OVERVIEW

### Background

Stuhini is a Canadian mineral exploration company based in Vancouver, British Columbia and incorporated on July 7, 2017, under the Business Corporations Act (British Columbia). The Company’s head office and registered records office is located at 1245 West Broadway, Unit 105, Vancouver, BC V6H 1G7. On May 21, 2019, the Company’s shares were listed on the TSX Venture Exchange under the symbol “STU”.

The Company is engaged in the acquisition and exploration of mineral properties and currently holds a 100% undivided interest in the Metla Property, comprised of seven contiguous mining claims covering approximately 6,457 hectares in the northwestern portion of British Columbia approximately 150 km south of the town of Atlin and 150 km west of the town of Dease Lake. The Company’s exploration program will be primarily focused on base and precious metals exploration. The Company does not have any assets or mineral properties that are in production.

### Key Events for the Three Months Ended May 31, 2019 and up to the Date of this MD&A

#### Initial Public Offering

On May 21, 2019, the Company closed its Initial Public Offering (“IPO”) by issuing a total of 4,083,000 Common Shares at a price of \$0.20 per Common Share for gross proceeds of \$816,600. In connection with the IPO, the Company entered into a definitive agency agreement dated for reference February 15, 2019, with Haywood Securities Inc. (the “Agent”) (the “Agency Agreement”). Pursuant to the Agency Agreement, upon closing of the IPO, the Agent received a cash commission totalling \$46,168 and non-transferable compensation options entitling the Agent and members of its selling group to purchase up to 230,840 Common Shares at \$0.20 per Common Share until May 21, 2021. In addition, the Company paid the Agent a corporate finance fee of \$20,000 and reimbursed the Agent \$33,200 for other legal and regulatory costs associated with the IPO. An additional \$40,372 in legal and regulatory fees incurred by the Company and directly associated with the IPO were also recognized as share issuance costs.

The Company is planning to use the net proceeds of the IPO to fund its Phase I exploratory work program on the Metla Property and to identify and evaluate potential acquisitions, as well as to support its general and administrative operations over the next twelve-month period.

The Common Shares were listed on the TSX Venture Exchange (the “TSX-V” or the “Exchange”) on May 21, 2019, immediately halted, and re-commenced trading on the Exchange on May 23, 2019 under the trading symbol “STU”.

#### Exercise of Options to Acquire Common Shares

During the month of July 2019 certain directors, officers and consultants of the Company exercised their options to purchase Common Shares of the Company at an exercise price of \$0.10 per Common Share. These options were originally granted on April 15, 2018, and had an expiry date of July 15, 2019. Pursuant to the exercises, the Company issued an aggregate of 410,000 Common Shares for total proceeds of \$41,000; 202,500 Common Shares purchased by certain officers and directors of the Company will remain subject to escrow and will be released at six-month intervals pursuant to the schedule determined by National Policy 46-201 *Escrow for Initial Public Offerings*.

### **METLA PROJECT**

As of the date of this MD&A the Company's interest in exploration and evaluation assets consists of the Metla Property in British Columbia.

#### **Acquisition of the Metla Property**

On July 7, 2017, the Company entered into a Purchase and Sale Agreement (the “Agreement”) with Barry Hanslit, the Company’s co-founder, whereby Mr. Hanslit sold the Company a 100% undivided interest in the Metla Property along with all information, core samples, logs, data, documents, maps, and other documentation in exchange for 883,333 Common Shares at a deemed value of \$53,000.

#### **Metla Property Acquisition and Exploration Costs**

	<b>May 31, 2019</b>	<b>February 28, 2019</b>
Balance, beginning of period	\$ 395,064	\$ 158,612
Deferred exploration expenditures		
Camp and travel	421	61,939
Claim Maintenance costs	255	-
Equipment use/rental	-	5,785
Exploration tax credit	(13,227)	-
Geology	194	168,728
Sub-total, deferred exploration expenditures	(12,357)	236,452
Balance, end of period	\$ 382,707	\$ 395,064

#### **Property Location and General Description**

The Metla Property is a gold-silver-base metal prospect located in the Chechilda Range of the Coast Mountains in northwestern British Columbia. It is approximately 150 km south of the town of Atlin, 150 km west of the town of Dease Lake and is approximately 20 km southwest and on trend with the Oban target located by Brixton Metals Corp. on its Thorn Property. Access is by helicopter from Atlin or Dease Lake. The Metla Property consists of seven contiguous mineral claims and covers an area of approximately 6,457 hectares. The Company retains a 100% interest in the claims comprising the Metla Property without being subject to any royalties, back-in rights or other similar obligations.

There are no known environmental liabilities on the Metla Property. BC’s reclamation laws aim to ensure that land, watercourses and cultural heritage resources are returned to a safe and environmentally sound state. A Mines Act permit (“Drill Permit”) is required for any work that disturbs the surface with mechanical equipment. Such a Drill Permit includes an approval of the exploration program and mine plan, a program for protection of the land and watercourses, and a

reclamation program. Mining companies must also place a reclamation security (a “Bond”) with the Province of British Columbia to ensure reclamation obligations are kept. This security is only returned once the mine site has been reclaimed to a satisfactory level and there is no ongoing monitoring or maintenance requirements. During the year ended February 28, 2019, the Company received its Drill Permit which permits the Company to conduct all of its contemplated Phase 1 and Phase 2 exploration programs and paid the Bond, totalling \$42,000.

The current B.C. Mines Act requires an operator to advise and/or conduct consultations with First Nations persons or their representatives to inform them of mineral exploration activities that may take place on and impact lands that may have cultural and heritage significance to such persons. Although the Metla Property tenure holder has established good working relationships with the local Taku River Tlingit First Nation, and the Company has carried out sufficient consultation to satisfy the conditions required by the Act for the issuance of a Drill Permit, no formal consultations has taken place as of the date of this MD&A as the exploration program is still in an early stage and no major deposit has been identified.

### Current Exploration Activities

In July 2019 the Company started its Phase I exploration program on the Metla Property. The Company has hired Mr. Todd A. Ballantyne, P.Geo., of in3D Geoscience Inc. to interpret the data received from the airborne VTEM™ geophysical, survey which was conducted by Geotech Inc. in 2018. The data from the 2018 VTEM™ geophysical survey along with historical data will be used to help guide the 2019 field program. The purpose of the Phase I is to refine drill targets on the Metla Creek Zone and define potential new exploration targets.

In June 2019 the Company sent 36 rock samples collected during the 2018 field season to the Bureau Veritas analytical lab to be assayed. Highlights from the sampling are shown in the table below:

Target	Sample	Gold (g/t)	Silver (g/t)	Cu %	Pb %	Zn %	Mo ppm
MCA-Zn A	1999498	<b>1.23</b>	<b>15.6</b>	<b>0.100</b>	0.005	0.090	<b>4.8</b>
MCA-Zn A	1999499	<b>3.76</b>	9.4	0.041	0.018	0.022	<b>1.0</b>
MCA-Zn B	1892603	0.00	<b>10.7</b>	<b>0.328</b>	0.001	0.005	<b>5.4</b>
MCA-Zn B	1892604	<b>2.18</b>	8.4	0.039	0.004	0.003	<b>1.4</b>
MCA-Zn C	1999491	<b>3.00</b>	<b>45.5</b>	0.091	<b>0.344</b>	<b>6.33</b>	<b>6.2</b>
MCA-Zn C	1999492	<b>9.96</b>	<b>10.5</b>	0.043	0.007	<b>4.97</b>	<b>3.9</b>
MCA-Zn C	1999493	<b>4.02</b>	8.2	0.092	0.006	0.023	<b>4.8</b>
MCA-Zn D	1999494	<b>7.31</b>	<b>10.2</b>	0.067	0.027	<b>0.214</b>	12.2
MC-east	1892609	<b>1.04</b>	<b>10.4</b>	0.004	0.007	0.003	53.5
MC-east	1892619	<b>0.25</b>	<b>1.4</b>	<b>0.050</b>	<b>0.003</b>	<b>0.001</b>	24.9

Samples are anomalous in gold, silver, copper, lead, zinc, molybdenum, arsenic, cadmium, and mercury. Identified sulphides include chalcopyrite, bornite, sphalerite, galena and arsenopyrite. Highlights include 9 samples returning gold values greater than 0.25 g/t with a maximum of 9.96 g/t; 9 samples returning silver values greater than 8 g/t with a maximum of 45.5 g/t; 11 samples returning copper values greater than 300 ppm with a maximum of 3284 ppm. Assays of up to 3441 ppm lead and 6.33% zinc have also been reported.

The majority of samples in the Metla Creek Area consisted of hydrothermal breccia with a quartz-sulphide matrix and predominately limestone clasts or semi-massive to disseminated sulfides in quartz veins proximal to the brecciated zone. Samples from Zone B in the Metla Creek Area consisted of stratiform massive sulfides within black shale which extended towards Zone C. Sampling in the MC-east anomaly returned anomalous gold values from sulfide bearing, vuggy quartz boulders. Two samples assayed 1.04g/t and 0.25 g/t gold, respectively.

### Metla Property Commitments

In British Columbia, mineral titles must be maintained in good standing with the Ministry of Energy, Mines and Petroleum Resources by timely performance and recording of physical work or by payment of cash in lieu of work. Work requirements are \$5.00 per hectare per year in years one and two, \$10.00 per hectare per year in years three and four, \$15.00 per hectare per year in years five and six, and \$20.00 per hectare per year thereafter. Payments in lieu of exploration and development work are double the value of the corresponding work requirement. The Metla Property consists of seven different mineral claims which were staked at different times so the work commitments for each claim

vary. Based on the most recent assessment report filed by the Company on June 10, 2019, the Company recorded additional work on the Metla Property to the BC Ministry of Energy, Mines and Petroleum Resources that have extended the good standing on all of the Metla claims until April 20, 2022.

### Qualified Person

Andrew L. Wilkins B.Sc., P.Geo., co-author of the Technical Report on the Metla Property, is the Qualified Person responsible for the Metla Property project as defined by NI 43-101 and has approved the technical information contained herein.

### SELECTED FINANCIAL INFORMATION

	Three months ended May 31, 2019	Year ended February 28, 2018
Net and comprehensive loss	\$ 41,080	\$ 179,313
Loss per share – basic and diluted	\$ 0.01	\$ 0.03
Total assets	\$ 1,193,549	\$ 492,694

### RESULTS OF OPERATIONS

During the three-month period ended May 31, 2019, the Company recorded a net loss and comprehensive loss of \$41,080 as compared to net loss and comprehensive loss of \$35,942 for the three-month period ended May 31, 2018.

Increased operating activities and listing of the Company's shares on the TSX-V resulted in overall increases to the business expenses the Company incurred during the three-month period ended May 31, 2019, as opposed to the comparative period ended May 31, 2018. The largest expense item that contributed to the net loss was associated with professional fees of \$15,589 which increased by \$8,742, from \$6,847 the Company incurred during the three-month period ended May 31, 2018. The increase in professional fees was associated with filing of prospectus and initial public offering which the Company closed on May 21, 2019. In addition to professional fees, the Company recorded \$8,674 in advertising and promotion fees, which increased by \$4,767, from \$3,907 the Company incurred during the three-month period ended May 31, 2018. The increase in advertising and promotion fees was associated with the Company exhibiting at PDAC, as well as paying for the printing materials to be used in the Company's investor outreach programs. During the three-month period ended May 31, 2019, the Company recorded \$4,493 in regulatory fees, as opposed to the three months ended May 31, 2018, when the Company did not have any regulatory expenses. The current period's regulatory expenses were mostly associated with the fees payable for filing of the Company's annual financial statements and MD&A, as well as other filings the Company was required to make. Other notable expenses the Company incurred included \$1,454 in consulting fees, \$4,069 in travel, meals and entertainment expenses, again predominantly associated with the Company exhibiting at PDAC, as well as \$2,401 in share-based compensation associated with vested portion of the options to acquire the Company's Common Shares which were contingently granted on June 15, 2018.

## SUMMARY OF QUARTERLY RESULTS

Results for the most recently completed financial quarters are summarized in the table below:

<b>Period ended:</b>	<b>Net and comprehensive loss</b>	<b>Loss per share; basic and diluted</b>
May 31, 2019	\$ 41,080	\$ 0.01
February 28, 2019	\$ 47,705	\$ 0.01
November 30, 2018	\$ 63,739	\$ 0.01
August 31, 2018	\$ 31,927	\$ 0.01
May 31, 2018	\$ 35,942	\$ 0.01
February 28, 2018	\$ 23,895	\$ 0.01
November 30, 2017	\$ 20,166	\$ 0.01
August 31, 2017	\$ 3,210	\$ 0.00

During the quarter ended May 31, 2019, the Company recorded a net loss of \$41,080. The largest expense item that contributed to the net loss related to \$15,589 that the Company incurred in professional fees associated with the IPO and TSX-V listing process. During the same period, the Company incurred \$8,674 in advertising and promotion expenses mainly associated with the company exhibiting at PDAC, and \$4,493 in regulatory fees associated with filing of the Company's annual financial statements and MD&A as well as other regulatory disclosures.

During the quarter ended February 28, 2019, the Company recorded a net loss of \$47,705. The largest expense item that contributed to the net loss related to \$33,281 that the Company incurred in professional fees associated with the IPO and TSX-V listing process. During the same period, the Company incurred \$11,625 in regulatory fees for the filing of its preliminary prospectus and NI 43-101 technical report in connection with the IPO.

During the quarter ended November 30, 2018, the Company recorded a net loss of \$63,739. The largest expense item that contributed to the net loss related to \$54,660 that the Company incurred in professional fees associated with the IPO and TSX-V listing process. During the same period, the Company incurred \$7,567 in regulatory fees, of which \$7,500 was associated with TSX-V initial listing fees.

During the quarter ended August 31, 2018, the Company recorded a net loss of \$31,927. The largest expense item that contributed to the net loss related to \$16,557 in share-based compensation expense for options to acquire 400,000 Common Shares that the Company granted on June 15, 2019 to its officers and consultants; in addition, the Company incurred \$14,356 in professional fees associated with the IPO and TSX-V listing process. During the same period, the Company incurred \$162,491 in deferred exploration expenditures on its Metla Property.

During the quarter ended May 31, 2018, the Company recorded a net loss of \$35,942. The largest expense item that contributed to the net loss was share-based compensation expense totalling \$21,097 for options to acquire 490,000 Common Shares that the Company granted on April 15, 2018 to its officers and consultants. In addition, the Company incurred \$6,847 in professional fees associated with the IPO and TSX-V listing process. Travel, meals and entertainment expenses totalling \$3,949 and advertising and promotion expenses of \$3,907 (both expense categories being mainly associated with the Company exhibiting at PDAC) contributed to the net loss for the quarter ended May 31, 2018. During the same period, the Company incurred \$72,058 in deferred exploration expenditures on its Metla Property.

During the quarter ended February 28, 2018, the Company recorded a net loss of \$23,895. The largest expense items that contributed to the net loss were associated with \$12,000 the Company accrued for audit fees associated with the year-end audit of the Company's financial statements and \$7,485 in professional fees. In addition, the Company incurred \$3,000 in mineral exploration costs which were associated with costs not directly relating to the Metla Property. During the same time the Company incurred \$48,988 in deferred exploration expenditures on its Metla Property.

During the quarter ended November 30, 2017, the Company recorded a net loss of \$20,166, of which \$20,000 were associated with consulting fees the Company agreed to pay its Corporate Secretary for services provided. During the same time, the Company recorded \$53,000 in property acquisition costs associated with 883,333 Common Shares the Company issued to Mr. Hanslit at a deemed value of \$0.06 per share in exchange for 100% interest in the Metla Property. In addition, the Company incurred \$20,763 in deferred exploration expenditures on its Metla Property.

During the period from July 7, 2017 (inception) to August 31, 2017, the Company recorded a net loss of \$3,210, of which \$3,193 related to legal fees associated with incorporation of the Company. During the same period, the Company incurred \$35,861 in deferred exploration expenditures on its Metla Property.

## LIQUIDITY AND CAPITAL RESOURCES

	May 31, 2019	February 28, 2019
Working capital (deficiency)	\$ 483,113	\$ (167,530)
Deficit	\$ 267,664	\$ 226,584

As at May 31, 2019, the Company had \$743,439 in cash (February 28, 2019 - \$14,163), current assets of \$767,411 (February 28, 2019 - \$54,094) and current liabilities of \$284,298 (February 28, 2019 - \$221,624), with working capital of \$483,113 (February 28, 2019 - working capital deficit of \$167,530). Other current assets consisted of GST receivable totalling \$21,588 (February 28, 2019 - \$18,326), and \$2,384 in prepaid expenses (February 28, 2019 - \$21,605).

During the three-month period ended May 31, 2019, the Company's operations were supported by \$676,860 the Company received on closing of its IPO, whereby the Company issued 4,083,000 Common Shares at \$0.20 per share. In addition, during the three-month period ended May 31, 2019, the Company's indebtedness to its related parties increased by \$11,596.

The Company did not generate sufficient cash flows from its operating activities to satisfy its cash requirements for the three-month period ended May 31, 2019. The cash that the Company has generated since its inception on July 7, 2017, to May 31, 2019, has been from proceeds from the sale of the Company's Common Shares and from bridge loans from its related parties, which the Company repaid in June of 2019.

The Company's planned exploration program will require approximately \$674,400, of which \$100,000 will be required to complete a portion of Phase 1 program scheduled for the Summer 2019, and a further \$128,900 to complete remaining Phase 1 work program which the Company is planning to recommence in its fiscal 2020, or as weather permits; \$445,500 will be required to complete Phase 2 of the program. In order to support the Company's general operating and administrative activities, the Company will require approximately \$150,700 per annum. Based upon the current plans, the Company has enough cash resources to support the Company's operations during the next 12 months. In order to proceed with the Company's Phase 2 exploration program, the Company will be required to raise additional financing, which may be done through any combination of equity or debt financing from the sale of the Company's securities, through private loans, or possible joint ventures. Although the Company has succeeded in raising funds as needed, this trend is not guaranteed to continue into the future. Many factors, including, but not limited to, a downturn of the economy or a significant decrease in the price of minerals, could affect the willingness of potential investors to invest in grass-roots exploration projects. If the Company is unable to generate sufficient cash flow as and when needed, the Company may be required to curtail, or even to cease, its operations.



## TRANSACTIONS WITH RELATED PARTIES

During the three-month periods ended May 31, 2019 and 2018, the Company had the following transactions with related parties:

	Three months ended May 31,	
	2019	2018
Professional fees and reimbursable expenses accrued to the Company's CFO	\$ 1,500	\$ 1,500
Share-based compensation for options granted to directors and officers	\$ 1,705	\$ 13,129
Reimbursable expenses due to the Company's Corporate Secretary	\$ 2,663	\$ 2,003
Reimbursable expenses due to the Company's CEO	\$ 4,019	\$ 2,835
Project management fees incurred to the common-law spouse of the Company's co-founder recorded as part of exploration and evaluation assets	\$ 710	\$ -

Amounts due to related parties consist of amounts owed directly to the officers and directors of the Company for the professional services or for the expenses incurred on behalf of the Company. These amounts are unsecured, non-interest bearing, and due on demand. At May 31, 2019, the amount payable to related parties was \$85,316 (February 28, 2019 - \$73,720), of which \$57,471 (February 28, 2019 - \$50,669) represented reimbursable expenses.

At May 31, 2019, the Company owed its CEO \$52,178 under the First Bridge Loan the Company borrowed on September 14, 2018. The First Bridge Loan was unsecured, payable on demand and accrued interest at 0.5% per month. The Company repaid the First Bridge Loan along with the accrued interest in June 2019.

At May 31, 2019, the Company owed its Corporate Secretary \$61,291 under the Second Bridge Loan the Company borrowed on January 23, 2019. The Second Bridge Loan was unsecured, payable on demand and accrued interest at 0.5% per month. The Company repaid the First Bridge Loan along with the accrued interest in June 2019.

## OUTSTANDING SHARE DATA

As at the date of this MD&A, the following securities were outstanding:

Type	Amount	Conditions
Common shares	10,193,000	Issued and outstanding
Stock options	380,000	Exercisable into 380,000 Common Shares at a price of \$0.20 per share expiring on May 21, 2021
Compensation options	230,840	Compensation Options granted to the Agent and members of its selling group as part of the IPO. The Options are exercisable into 230,840 Common Shares at \$0.20 per share expiring on May 21, 2021
	10,803,840	Total shares outstanding (fully diluted)

## OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

## ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published and are fully disclosed in Note 3 of the audited financial statements for the year ended February 28, 2019. Management is assessing the impact of these new standards on the Company's accounting policies and financial statement presentation.



## **RISKS AND UNCERTAINTIES**

The Company's activity of natural resource exploration is considered to be very high risk. Companies in this industry are subject to many and varied kinds of risks, including, but not limited to, environmental, commodity prices, political and economic, with some of the most significant risks and uncertainties affecting the Company being the following in addition to other risks disclosed in this MD&A:

- Substantial expenditures are required to explore for mineral reserves and the chances of identifying economical reserves are extremely small;
- The Company expects to continue to incur losses from operations unless and until such time as any of its mineral properties enter into commercial production and generate sufficient revenues to fund its continuing operations;
- The junior resource market, where the Company raises funds, is extremely volatile and there is no guarantee that the Company will be able to raise funds as and when required;
- Although the Company has taken steps to verify title to the mineral properties in which it has an interest, there is no guarantee that the property will not be subject to title disputes or undetected defects; and
- The Company is subject to the laws and regulations relating to environmental matters, including provisions relating to reclamation, discharge of hazardous material and other matters. The Company conducts its exploration activities in compliance with applicable environmental protection legislation and is not aware of any existing environmental problems related to its properties that may cause material liability to the Company.

## **FINANCIAL INSTRUMENTS**

### **Fair Value**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of cash and marketable securities is measured based on Level 1 inputs of the fair value hierarchy.

The estimated fair value of financial liabilities approximates their carrying values due to the short-term nature of these instruments.

### **Capital Management**

The Company manages its capital to safeguard the Company's ability to continue as a going concern, to ensure future benefits to stakeholders, and to have sufficient funds on hand for business opportunities as they arise.

The Company considers the items included in share capital as capital. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares through short-term prospectuses, private placements, sell assets, incur debt, or return capital to shareholders. As at the date of this MD&A, the Company does not have any debt that is subject to externally imposed capital requirements.

The Company is exposed to various financial instrument risks and assesses the impact and likelihood of this exposure. These risks include liquidity risk, credit risk, and market risk. Where material, these risks are reviewed and monitored by the Board of Directors.

a) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can only do so at excessive cost. The Company maintains sufficient cash balances to meet current working capital requirements. The Company is considered to be in the exploration stage. Thus, it is dependent on obtaining regular financings in order to continue its exploration and evaluation programs. Despite previous success in acquiring these financings, there is no guarantee of obtaining future financings. The Company's cash is invested in business accounts with quality financial institutions, is available on demand for the Company's programs, and is not invested in any asset backed commercial paper.

b) *Credit risk*

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash, prepaid expenses and GST receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and other assets with high-credit quality financial institutions.

c) *Market risk*

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

i. Currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company is not exposed to foreign currency risk.

ii. Interest rate risk

The Company's exposure to interest rate risk arises from the interest rate impact on its cash. In order to maintain liquidity, the Company plans to invest its cash at floating rates of interest in cash equivalents. There is a minimal risk that the Company would recognize a loss as a result of a decrease in the fair value of any guaranteed bank investment certificates included in cash, restricted cash and reclamation bond as they are generally held with large financial institutions.

iii. Price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks. The Company is not exposed to equity price risk.

## CONTINGENCIES

The Company has no contingent liabilities.

## ADDITIONAL INFORMATION

Additional information concerning the Company and its operations is available on SEDAR at [www.sedar.com](http://www.sedar.com).