



## **Management's Discussion and Analysis For the Nine Months Ended May 31, 2016**

**Date: July 28, 2016**

This Management Discussion and Analysis ("MD&A") relates to the financial position and results of operations of Cap-Ex Iron Ore Ltd. ("Cap-Ex" or the "Company") for the nine months ended May 31, 2016. This MD&A should be read in conjunction with the Company's condensed interim financial statements for the three and nine months ended May 31, 2016 (the "Interim Financial Statements"), the audited annual financial statements and management discussion and analysis for the year ended August 31, 2015. The Interim Financial Statements and related notes have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise noted, all references to currency in this MD&A are in Canadian dollars.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

### **Overview of the Company**

Cap-Ex is a mineral resource company engaged in the exploration of iron ore (the "Property") covering an area of approximately 7,245 hectares in the Labrador Trough region, near the town Schefferville, Quebec. The Labrador Trough is one of the major iron ore producing regions in the world, situated the Province of Quebec in Canada.

In December 2015, Adrian Smith was elected to join the Company's Board of Directors.

In June 2016, Brett Matich resigned as President and Director of the Company. Adrian Smith was appointed President as Mr. Matich's replacement.

In July 2016, the Company entered into an agreement with a non-arm's length party to acquire a 90% interest in the Aspen Gold Property located in central British Columbia for a purchase price of \$100,000. The vendor will retain a 10% interest in the property.

In July 2016, the Company entered into a property option agreement with Pacific Empire Minerals Corp. whereby the Company is granted the option to acquire up to 70% interest in the Later Gold-Copper Property located in central British Columbia. Pursuant to the terms of the agreement, the Company can earn an initial 51% interest in the property over a four year option term by completing \$2,000,000 in exploration expenditures on the property and issuing 1,000,000 common shares of the Company. Upon completion of the 51% earn-in, the Company can earn an additional 19% interest in the Property (for a total interest of 70%) by issuing an additional 500,000 common shares and incurring a further \$3,000,000 in property expenditures within two years.

## Summary of Properties

### The Schefferville Properties:

#### Block 103

The Block 103 iron ore property covers 7,245 hectares within the Labrador Trough, 30 kilometres northwest of the mining town of Schefferville near the border of Quebec, Canada. Block 103 lies immediately north and parallel to Tata Steel/New Millennium Iron Corp.'s LabMag magnetite deposit and southeast of their KeMag magnetite deposit, which have a combined mineral resource of approximately 8 billion tonnes of measured and indicated resources and 2 billion tonnes of inferred resources. Block 103 is strategically located close to an existing railway that runs south linking to the shipping port of Sept Iles, Quebec.

Block 103 lies predominantly within the Schefferville Lithotectonic Zone, which includes the Greenbush Zone, however, the western edge of the claim block lies west of the Stakit Lake Fault in the Tamarack Lithotectonic Zone. The Tamarack Zone, which also hosts the LabMag and Kemag deposits, typically has only the one instance of the Sokoman Iron Formation with no thrust-fault repetition. The Schefferville Lithotectonic Zone is known in the extensive geological literature to host multiple shallow-east-dipping thrust fault that repeats the stratigraphy, including the iron oxide members of the Sokoman Formation. This fault-repetition creates the potential for significantly more tonnage per unit surface area, and these occurrences have been observed in the drilling results throughout the Greenbush Zone.

#### *Greenbush Zone*

The drilling program on Block 103's Greenbush Zone to date has enabled the Company to outline an area that hosts significant magnetite mineralization. The outlined area, called the Greenbush Zone, is underlain by a continuous magnetite bearing horizon (Sokoman Formation). (Refer to Greenbush Zone Map, which can be found at [www.cap-ex.ca](http://www.cap-ex.ca)).

On February 4, 2013, the Company released the results of the initial NI 43-101 mineral resource estimate on an area within the Greenbush Zone which was the primary focus of the 2012 exploration program. Watts, Griffis and McOuat ("WGM"), Consulting Geologists and Engineers of Toronto, Ontario estimated an inferred resource of 7.2 billion tonnes at 29.2% total iron (18.9% magnetic iron). This resource estimate is based on a cut-off grade of 12.5% magnetic iron (magFe%). The inferred resources cover an area with a strike length of approximately 4 kilometres (km) and a width of 2.5 km.

In September 2014, the Company entered into an agreement with Tata Steel Minerals Canada Limited ("TSMC") in respect of roadway access and direct shipping iron ore exploration over the Company's Schefferville property located in Western Labrador. Pursuant to the agreement, the Company agreed to assist TSMC in obtaining surface rights for a roadway through the property to connect adjoining properties of TSMC. TSMC would be solely responsible for all work, costs and expenses required to build the roadway and for continued use of roadway, including maintenance. Furthermore, TSMC also agreed on the following:

- Pay \$350,000 (received) to the Company on execution of the agreement;
- Incur \$450,000 of exploration costs as part of the Exploration Plan by no later than September 30, 2015 (incurred by TSMC)

TSMC had the right to advise the Company on or before September 30, 2015 that they could enter into a joint venture agreement in connection with the Schefferville property whereby both parties would negotiate in good faith for a period of 90 days. However, if TSMC did not wish to continue with the Exploration Plan or both parties could not agree on a joint venture agreement, TSMC would pay \$200,000 to the Company in full satisfaction of its exploration commitment.

In March 2016, the Company entered into a final settlement agreement with TSMC for the \$200,000 payment which requires TSMC to make the following payments to the Company:

Date	Payment (\$)
March 1, 2016	(received) 30,000
April 1, 2016	(received) 30,000
May 1, 2016	(received) 30,000
June 1, 2016	30,000
July 1, 2016	30,000
August 1, 2016	30,000
August 31, 2016	20,000
	200,000

In March 2015, the Company released the results of a ground gravity survey conducted by TSMC on the Company's Block 103 property. As an initial follow up on the recent ground gravity program in the summer of 2015 TSMC completed 3-diamond drill holes testing only one area on the eastern edge of the Block 103 property near the newly constructed access road. Drilling conducted by TSMC was concentrated close to existing access and did not adequately test the best parts of nor all the targets. Consequently there was no DSO style mineralization intersected within the 3 drill holes conducted by TSMC.

*Block 103-Greenbush Zone Initial NI 43-101 Resource Report*

The Block 103 deposit is predominantly composed of magnetite and a process flowsheet based on progressive particle size reduction and magnetic separation, which is conventional and proven for this type of mineralization, is being developed. Based on laboratory test results, metallurgical performance for the operation has been projected as follows:

Magnetite Recovery	93.7%
Concentrate Iron Grade	70.0%
Concentrate Silica Grade	3.4%
Concentrate Liberation Size P100	75µ
Ore Hardness SMC (Axb)	37
BWi (kWh/t at p80-32um)	15.5

These results are in line with similar deposits in the region. Results to date suggest that the concentrate that will be produced and that will feed the pelletizing plant will have the following chemical composition:

<b>Fe</b>	<b>SiO<sub>2</sub></b>	<b>Al<sub>2</sub>O<sub>3</sub></b>	<b>MgO</b>	<b>CaO</b>	<b>Na<sub>2</sub>O</b>	<b>K<sub>2</sub>O</b>	<b>Ti</b>	<b>Mn</b>	<b>P</b>	<b>Cr</b>
70%	3.40%	0.08%	0.10%	0.11%	0.07%	0.01%	0.02%	0.046%	0.006%	0.02%

The aforementioned results are based on the northern and eastern sectors of the deposit and are deemed to reasonably represent the first thirty years of operation according to the mine development plan envisioned at this time.

### **Quality Control and Quality Assurance**

The scientific and technical content and interpretation contained in this MD&A have been reviewed, verified and approved by Adrian Smith, P. Geo., B.Sc., a Qualified Person as defined by NI 43-101, Standards of Disclosure for Mineral Projects.

### **Overall Performance**

Operating expenses for the nine months ended May 31, 2016 were \$84,861 versus \$274,161 in the comparative period ended May 31, 2015. The lower operating expenses in the current period is due to the Company's cost cutting initiatives given current market condition which resulted in lower office and administration costs, professional fees and travel and related costs. In addition, the Company did not recognize any share-based compensation in the current period as there were no stock options granted and had reduced depreciation as the Company sold various pieces of property and equipment in the previous fiscal year.

The Company recognized a net and comprehensive income of \$73,261 for the nine months ended May 31, 2016 versus a net and comprehensive income of \$43,508 in the comparative period ended May 31, 2015. The income in the current period is attributable to the reversal of impairment of exploration and evaluation properties of \$185,706 which was primarily related to the final settlement balance owing from TSMC whereas in the comparative period, the Company recorded an impairment of exploration and evaluation properties of \$27,328. However, the Company recognized a loss of \$27,584 on the disposal of property and equipment while in the comparative period, the loss on disposal on property and equipment was \$25,463. In the comparative period ended May 31, 2015, the Company recognized a gain on settlement of debt and other income totalling \$370,430 whereas no such transactions occurred in the current period.

The Company experienced a net decrease in cash during the nine months ended May 31, 2016 of \$24,688 compared to an increase of \$106,271 in the comparative period ended May 31, 2015. The decrease in cash in the current period was primarily the result of cash used in operating activities. The overall decrease in cash was offset by net cash received from investing activities of \$92,222 in the current period compared to cash receipts of \$334,787 from such activities in the comparative period. The Company had no financing activities in the current period; however, in the comparative period, the Company had cash outflows of \$17,479 relating to such activities.

During the nine months ended May 31, 2016, the Company incurred total exploration expenditures of \$55,878, an equipment recovery of \$41,584 and a recovery of \$200,000 in connection with the settlement balance owing from TSMC. Since the Company has no current exploration plans on its property, the Company recorded a recovery on impairment of \$185,706 to maintain a fair value of its exploration and evaluation property of \$1 (which is consistent with the value at the end of the last reporting period).

## Results of Operations

The following table sets forth selected financial information from the Interim Financial Statements for the nine months ended May 31, 2016 and 2015:

	For the three months ended		For the nine months ended	
	May 31,		May 31,	
	2016	2015	2016	2015
	\$	\$	\$	\$
<b>Expenses</b>				
Consulting fees	4,500	4,500	13,500	12,000
Depreciation	2,713	23,783	8,140	71,348
Investor relations	8,037	9,779	19,445	17,313
Office and administration	9,645	19,599	28,136	67,741
Professional fees	6,395	1,500	13,315	26,899
Share-based compensation	-	-	-	64,121
Travel and related	-	13,370	2,325	14,739
<b>Total</b>	<b>31,290</b>	<b>72,531</b>	<b>84,861</b>	<b>274,161</b>

As an exploration company, the Company has yet to generate any revenue from its planned operations and has, to date, incurred annual net losses from operating and administrative expenses.

The table below details the changes in major expenditures for the three months ended May 31, 2016 as compared to the corresponding three months ended May 31, 2015.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Depreciation	Decrease of \$21,070	Reduced depreciation as the Company sold various pieces of property and equipment in the prior fiscal year.
Office and administration	Decrease of \$9,954	Decrease due to the implementation of cost saving measures.
Travel and related	Decrease of \$13,370	Decrease due to the implementation of cost saving measures.

The table below details the changes in major expenditures for the nine months ended May 31, 2016 as compared to the corresponding period ended May 31, 2015.

Expenses	Increase / Decrease in Expenses	Explanation for Change
Depreciation	Decrease of \$63,208	Reduced depreciation as the Company sold various pieces of property and equipment in the prior fiscal year.
Office and administration	Decrease of \$39,605	Decrease due to the implementation of cost saving measures.
Professional fees	Decrease of \$13,584	Decrease due to the implementation of cost saving measures and reduced corporate activity.
Share-based compensation	Decrease of \$64,121	There were no stock options granted during the current fiscal period.
Travel and related	Decrease of \$12,414	Decrease due to the implementation of cost saving measures.

### Quarterly Information

	Three Months Ended			
	May 31, 2016	Feb 29, 2016	Nov 30, 2015	Aug 31, 2015
	\$	\$	\$	\$
Revenue	-	-	-	-
Income (loss) and comprehensive income (loss)	(32,239)	(73,125)	178,625	(394,660)
Basic earnings (loss) per share	(0.00)	(0.00)	0.00	(0.02)
Diluted earnings (loss) per share	(0.00)	(0.00)	0.00	(0.02)

	Three Months Ended			
	May 31, 2015	Feb 28, 2015	Nov 30, 2014	Aug 31, 2014
	\$	\$	\$	\$
Revenue	-	-	-	-
Income (loss) and comprehensive income (loss)	(94,447)	(96,871)	49,771	(1,808,674)
Basic earnings (loss) per share	(0.00)	(0.00)	0.00	(0.07)
Diluted earnings (loss) per share	(0.00)	(0.00)	0.00	(0.07)

Variances quarter over quarters can be explained as follows:

- During the quarter ended November 30, 2015, the Company recognized a reversal of impairment of exploration and evaluation properties of \$233,405.
- During the quarter ended August 31, 2015, the Company recognized a loss on disposal of property and equipment of \$427,967.
- During the quarter ended November 30, 2014, the Company recognized a gain on settlement of debt with shares and a reversal of impairment of exploration and evaluation properties.
- Given the difficult market conditions, the Company continues to implement cost saving measures to decrease general and administrative expenses.
- The Company recorded significant write downs of exploration and evaluation properties as follows:
  - During the quarter ended August 31, 2014, recorded a further write down of \$1,697,094 associated with the Schefferville Properties.

### Liquidity and Capital Resources

The Company is not in commercial production on any of its properties and accordingly, the Company does not generate cash from operations. The Company finances its exploration activities by raising capital from equity markets from time to time.

The Company's liquidity and capital resources at the following dates are as follows:

	<b>May 31, 2016</b>	<b>August 31, 2015</b>
	\$	\$
Cash	277,148	301,836
Amounts receivable	111,502	6,016
Prepaid expenses	5,801	2,233
Total current assets	394,451	310,085
Accounts payables and accrued liabilities	107,343	104,378
<b>Working capital</b>	<b>287,108</b>	<b>205,707</b>

The Company has financed its operations to date through the issuance of common shares and a bank loan (which was fully paid off in September 2014). The Company seeks to raise capital through various means including the issuance of equity and/or debt.

As at May 31, 2016, the Company had a working capital position of \$287,108 (August 31, 2015 – \$205,707) and a cash position of \$277,148 (August 31, 2015 - \$301,836). During the nine months ended May 31, 2016, there was no activity in share capital; however, the Company received \$90,000 as partial payment pursuant to the settlement agreement between the Company and TSMC.

The Company does not currently have any revenue generating assets or operations. The Company will require additional financial resources to explore, quantify and develop its exploration and evaluation assets. The continued operations of the Company and the recoverability of the amounts reported for resource property interests is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development programs, and upon future profitable production.

**Related Party Transactions**

During the nine months ended May 31, 2016, the Company entered into the following transactions with related parties, not disclosed elsewhere in the Interim Financial Statements:

- i. Incurred exploration and evaluation properties expenditures of \$44,500 (May 31, 2015 - \$21,800) to Sunrise Drilling Ltd., a company controlled by Andrew Bowering, Brett Matich, and Graham Harris, directors of the Company. Included in accounts payable and accrued liabilities at May 31, 2016 is \$44,100 (August 31, 2015 - \$10,750) owing to this company.
- ii. Paid or incurred consulting fees of \$13,500 (May 31, 2015 - \$4,500) to Brian Morrison, a director of the Company.
- iii. Incurred rent expenses \$27,000 (May 31, 2015 - \$42,000) to Redhill Resources Corp., a company related by way of common directors.

Summary of key management personnel compensation:

	<b>For the nine months ended May 31,</b>	
	<b>2016</b>	<b>2015</b>
	\$	\$
Consulting fees	13,500	4,500
Share-based compensation	-	32,875
	<b>13,500</b>	<b>37,375</b>

The following amounts were incurred with respect to officers, directors and companies controlled by officers and directors:

	<b>For the nine months ended May 31,</b>	
	<b>2016</b>	<b>2015</b>
	\$	\$
Exploration and evaluation property expenditures	44,500	21,800
Rent	27,000	42,000
	<b>71,500</b>	<b>63,800</b>

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

**Off Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**Financial Commitments, Contingencies and Litigation**Management Contracts

In June and July 2013, the Company signed five separate consulting agreements with certain officers and directors of the Company to provide management consulting and exploration services to the Company for a period of 5 years. The agreements require total combined payments of \$69,500 per month. Included in each agreement is a provision for a two year payout in the event of termination without cause and two year payout in the event of a change in control. Beginning in January 2014, the Company, and the officers and directors of the Company agreed to temporarily suspend the monthly payments for an indefinite period. In May 2014, an officer resigned from her position, and as such the related consulting agreement was terminated. The termination of the consulting agreement reduced the monthly required payment by \$9,500.

During the year ended August 31, 2015, the Company incurred reduced fees in connection with two directors for consulting services from January to June 2015 totalling \$50,000.

Litigation

The Company is not currently involved in any legal disputes.

**Critical Accounting Estimates**

The preparation of the Financial Statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, as well as the reported revenues and expenses during the reporting period. Based on historical experience and current conditions, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates, and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the audited financial statements materially and involve a significant level of judgment by management.

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgments and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the recoverability of exploration and evaluation assets, valuation of share-based compensation, and recognition of deferred tax amounts.

Critical judgments exercised in applying accounting policies that have the most significant effect on the amounts recognized in the Interim Financial Statements are as follows:

Economic recoverability and probability of future economic benefits of exploration and evaluation assets

Management has determined that exploration, evaluation, and related costs incurred which were previously capitalized, have no future economic benefits and are no longer recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including, geologic and other technical information, a history of conversion of mineral deposits with similar characteristics to its own properties to proven and probable mineral reserves, the quality and capacity of existing infrastructure facilities, evaluation of permitting and environmental issues and local support for the project.

As at May 31, 2016, management assigned a carrying value of \$1 to the Schefferville Properties as there are no current exploration plans for these properties.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments are as follows:

Valuation of share-based compensation

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based compensation. Option pricing models require the input of subjective assumptions including expected price volatility, interest rate, and forfeiture rate. Changes in the input assumptions can materially affect the fair value estimate and the Company's earnings and equity reserves.

Income taxes

In assessing the probability of realizing income tax assets, management makes estimates related to expectation of future taxable income, applicable tax opportunities, expect timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified.

**Changes in Accounting Policies**

The Company will monitor the development of the relevant IFRS standards and change its accounting policies accordingly. During the nine months ended May 31, 2016, there were no changes to the Company's accounting policies.

**Future Accounting Standards Not Yet Adopted**

A number of new standards, amendments to standards and interpretations applicable to the Company are not yet effective for the nine months ended May 31, 2016. The Company is currently considering the possible effects of the new and revised standards which will be effective to the Company's Financial Statements for the year ending August 31, 2017 or later:

- **IFRS 9 – Financial Instruments:** Applies to classification and measurement of financial assets and liabilities as defined in IAS 39. It is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company does not expect any effect on the Company's financial statements.

**Financial Instruments and Financial Risk Management**

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 Company's financial instruments consist of cash, amounts receivable and accounts payable and accrued liabilities. The fair value of these financial instruments, other than cash, approximates their carrying values due to the short-term nature of these instruments. Cash is measured at fair value using level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including but not limited to the following:

- a) *Currency risk* - The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar. The Company has determined that there is very limited currency risk at this time.
- b) *Credit risk* - Credit risk is risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Company's cash is held in large Canadian financial institutions. Financial instruments included in amounts receivable consists of sales taxes due from the Government of Canada and a receivable from TSMC in connection with the DSO exploration agreement. The Company's financial instrument related to the sales tax is not exposed to significant credit risk; however, the receivable from TSMC is exposed to credit risk.
- c) *Interest rate risk* - Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to limited interest rate risk as it only holds cash.

- d) *Liquidity risk* - Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning, and approval of significant expenditures and commitments.
  
- e) *Commodity price risk* - The ability of the Company to explore and evaluate its exploration and evaluation properties and the future profitability of the Company are directly related to the price of iron. The Company monitors iron prices to determine the appropriate course of action to be taken.

### **Risks and Uncertainties**

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of mining properties. These risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking information relating to the Company.

#### *Liquidity Concerns and Future Financings*

The Company will require significant capital and operating expenditures in connection with the development of its properties. There can be no assurance that the Company will be successful in obtaining required financing as needed. Volatile markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on favorable terms, if at all. Failure to obtain additional financing on a timely basis may cause the Company to postpone or slow down its development plans, forfeit rights in some or all of its properties or reduce or terminate some or all of its activities.

While the Company's financial statements have been prepared on the basis of a going concern which contemplates the realization of assets and satisfaction of liabilities in the normal course of operations, there are conditions and events that may cast doubt about the validity of that assumption.

#### *Nature of Mining, Mineral Exploration and Development Projects*

Mining operations generally involve a high degree of risk. The Company's operations are subject to the hazards and risks normally encountered in mineral exploration, development and production, including environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

Mineral exploration is highly speculative in nature. There is no assurance that exploration efforts will be successful. Even when mineralization is discovered, it may take several years until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable mineral reserves through drilling. Because of these uncertainties, no assurance can be given that exploration programs will result in the establishment or expansion of mineral resources or mineral reserves. There is no certainty that the expenditures made by the Company towards the search and evaluation of mineral deposits will result in discoveries or

development of commercial quantities of ore. Exploration and development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, reserve and resource estimates and estimates of cash operating costs are, to a large extent, based upon the interpretation of geologic data obtained from drill holes and other sampling techniques, and feasibility studies, which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, ground conditions, the configuration of the ore body, expected recovery rates of minerals from the ore, estimated operating costs, anticipated climatic conditions and other factors. As a result, actual production, cash operating costs and economic returns could differ significantly from those estimated. Indeed, there have been a number of mining operations that have ceased or been suspended or delayed because operations costs are greater than projected. Current market conditions are forcing many mining operations to increase capital and operating cost estimates. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

#### *No Revenues*

To date the Company has recorded no revenues from operations and the Company has not commenced commercial production or development on any property. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years in relation to the engagement of consultants, personnel and equipment associated with advancing exploration, development and commercial production of the Company's properties. The Company expects to continue to incur losses for the foreseeable future. The development of the Company's properties will require the commitment of substantial resources to conduct time-consuming exploration. There can be no assurance that the Company will generate any revenues or achieve profitability.

#### *Mineral Resource and Mineral Reserve Estimates May be Inaccurate*

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the control of the Company. Such estimates are a subjective process, and the accuracy of any mineral resource or mineral reserve estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of mineral recovery from such deposits may be different. Differences between management's assumptions, including economic assumptions such as metal prices and market conditions, could have a material adverse effect on the Company's financial position and results of operations.

#### *Licenses and Permits, Laws and Regulations*

The Company's exploration and development activities, including mine, mill, road, rail and other transportation facilities, require permits and approvals from various government authorities, and are subject to extensive federal, provincial, state and local laws and regulations governing prospecting, development, production, exports, taxes, labour standards, occupational health and safety, mine safety and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can therefore become more costly. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities. There can be no guarantee that the Company will be able to maintain or obtain all necessary licenses, permits and approvals that may be required to explore and develop its properties, commence construction or operation of mining facilities.

*Iron Ore Prices*

The profitability of the Company's operations will be dependent upon the market price of mineral iron ore. Iron ore prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of iron ore and the 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 price of iron ore has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and result of operations.

*Environmental*

The Company's activities are subject to extensive federal, provincial state and local laws and regulations governing environmental protection and employee health and safety. Environmental legislation is evolving in a manner that is creating stricter standards, while enforcement, fines and penalties for non-compliance are also increasingly stringent. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. Further, any failure by the Company to comply fully with all applicable laws and regulations could have significant adverse effects on the Company, including the suspension or cessation of operations.

*Title to Properties*

The acquisition of title to resource properties is a very detailed and time-consuming process. The Company holds its interest in certain of its properties through mining claims. Title to, and the area of, the mining claims may be disputed. There is no guarantee that such title will not be challenged or impaired. There may be challenges to the title of the properties in which the Company may have an interest, which, if successful, could result in the loss or reduction of the Company's interest in the properties.

*Uninsured Risks*

The Company maintains insurance to cover normal business risks. In the course of exploration and development of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including explosions, rock bursts, cave-ins, fire and earthquakes may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could result in significant liabilities to the Company and increase costs of projected.

*Competition*

The Company competes with many other mining companies that have substantially greater resources than the Company. Such competition may result in the Company being unable to acquire desired properties, recruit or retain qualified employees or acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operation and business.

*Dependence on Outside Parties*

The Company has relied upon consultants, engineers and others, and intends to rely on these parties for development, construction and operating expertise. Substantial expenditures are required to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes to extract the metal from the ore. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company.

*Share Price Fluctuations*

The market price of securities of many companies, particularly exploration stage companies, experience wide fluctuations in price that are not necessarily related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in the Company's share price will not occur.

*Conflicts of Interest*

Certain of the Company's directors and officers serve or may agree to serve as directors or officers of other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting such participation.

**Outstanding Share Data**

As of the date of this MD&A, the Company has:

- a) 36,391,999 common shares outstanding;
- b) 1,630,000 stock options outstanding and exercisable with expiry dates ranging between February 6, 2018 and October 20, 2019, with exercise prices ranging from \$0.05 to \$0.08.

There were no warrants outstanding as at May 31, 2016 and as at the date of this report.

**Other MD&A Requirements**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com) including, but not limited to:

- The Company's condensed interim financial statements for the three and nine months ended May 31, 2016; and
- the Company's audited financial statements and management discussion & analysis for the year ended August 31, 2015.

This MD&A has been approved by the Board effective July 28, 2016.

**Cautionary Statement on Forward Looking Information**

Certain statements in this document contain "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the development potential of the Company's properties; the future price of iron ore and other minerals; the estimation of mineral reserves and mineral resources; conclusions of economic evaluation; the realization of mineral reserve estimates; capital expenditures; success of exploration activities; mining or processing issues; currency exchange rates; government regulation of mining operations; and environmental risks. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.