



**EUREKA RESOURCES INC.**

MANAGEMENT DISCUSSION AND ANALYSIS (“MD&A”)

For the nine months ended July 31, 2016

## **PRESIDENT’S MESSAGE**

To Our Shareholders,

Eureka has made significant progress on its two projects during the quarter.

### **Gemini Lithium Project, Nevada**

At our 50% owned Gemini Lithium Project in Nevada, we finalized a definitive joint venture agreement with Nevada Sunrise Gold Corp. on September 21, 2016. Finalization of the joint venture agreement sets the stage for exploration at Gemini, a project which provides an exciting opportunity to add value for our shareholders by exploring a relatively low cost project which we believe has high potential rewards.

The exploration program for the Gemini is estimated to cost approximately US\$400,000. Eureka is required to contribute 50% of these costs to maintain its 50% interest. All of the pre-requisites to commence the drilling program at Gemini have been completed, including receipt of the drilling permit from the Bureau of Land Management, placement of a reclamation bond and surficial cultural studies. We are currently awaiting the final exploration budget and the selection of a drilling contractor.

The strategy at Gemini is to explore desert sub-basins, or playas, that exhibit similar geological and geophysical characteristics to the Clayton Valley basin where lithium brines are known to accumulate. In February and March 2016, time-domain electromagnetic (“TDEM”) in-loop sounding data was acquired along four survey lines on the Gemini property. A total of 23.3 kilometres (15.1 miles) were surveyed in the four lines.

The TDEM surveys detected conductive zones within the sub-basins at Gemini. A conductive layer 150–250 metres deep covers most of Gemini West and Gemini East. The TDEM data obtained from the geophysical surveys at Gemini was interpreted as potential lithium bearing brines. Ten proposed drill sites were selected based on the results of the TDEM surveys.

### **FG Gold Project, British Columbia**

At our 100% owned FG Gold Project in British Columbia, we have introduced a new partner in Canarc Resource Corp. (“Canarc”). On August 24, 2016, Eureka entered into an option agreement which provided Canarc the option to earn up to 75% interest in the FG Gold Project. We are extremely happy to have attracted a group with the financial resources and technical expertise of Canarc. Bradford Cooke and his team at Canarc are industry leaders with a long track record of success. The option agreement will allow the FG Gold Project to advance, bringing real value to Eureka, without further dilution to our shareholders.

We have a solid foundation at the FG Gold Project with our NI 43-101 compliant resource consisting of a Measured and Indicated resource of 376,000 ounces at an average grade of 0.776 g/t gold and an Inferred resource of 634,900 ounces at an average grade of 0.718 g/t gold, with the resource estimates calculated at a 0.5 g/t cut-off. We look forward to Canarc’s exploration programs advancing this significant asset.

Eureka Resources Inc.  
Management Discussion and Analysis (“MD&A”)  
For the nine months ended July 31, 2016

Canarc issued Eureka 250,000 common shares and purchased 750,000 units of Eureka at \$0.14 per unit on TSX Venture Exchange approval of the option agreement. The terms of the option agreement are set out in full later in this MD&A.

**Acquisitions**

Eureka is currently investigating a number of potential strategic acquisitions. The Company is looking to acquire 100% ownership in properties located in favourable jurisdictions with reasonable access and at or near current infrastructure.

Eureka wishes to thank our shareholders for their ongoing support.

Sincerely,

*“Michael Sweatman”*

Michael Sweatman, President and CEO

## **INTRODUCTION**

Eureka Resources Inc. (“Eureka” or “the Company”) is an exploration stage company engaged in the acquisition, exploration and evaluation of mineral properties.

Eureka holds a 100% interest in 33 mineral claims which comprise the FG Gold Project (“FG”). The claims are located in the Cariboo Mining Division of Central British Columbia, Canada, approximately 100 kilometres east of the City of Williams Lake. The property is accessed from Williams Lake by paved roads and well-maintained logging roads.

On August 24, 2016, the Company entered into an option agreement with Canarc Resource Corp. (“Canarc”) which provided Canarc the option to earn up to a 75% interest in the FG Project.

The Company owns a 50% participating interest in the Gemini Lithium Project (“Gemini”) located in the western Lida Valley, Esmeralda County, Nevada, USA. Gemini hosts two sub-basins that have the potential for lithium-bearing brines similar to the proven lithium brine deposits currently being mined in the Clayton Valley, Nevada.

The Company’s head office is Suite 1100 - 1111 Melville Street, Vancouver, British Columbia, Canada V6E 3V6. The registered and records office is c/o McMillan LLP, Suite 1500 - 1055 West Georgia Street, Vancouver, British Columbia, Canada V7X 1L3.

The Company is a registered issuer in the Provinces of British Columbia and Alberta and the Company’s common shares are listed for trading on the TSX Venture Exchange (“TSX-V”) under the symbol “EUK”.

This discussion and analysis of financial position, results of operations and cash flows of Eureka Resources, Inc. for the nine months ended July 31, 2016 includes information up to and including September 29, 2016 and should be read in conjunction with the Company’s unaudited condensed interim financial statements for the nine months ended July 31, 2016 and the Company’s audited annual financial statements for the years ended October 31, 2015 and 2014. All the financial statements were prepared using International Financial Reporting Standards (“IFRS”). The Board of Directors of the Company has approved this MD&A.

The reader is encouraged to review the Company’s statutory filings at [www.sedar.com](http://www.sedar.com) and to review other information about the Company on its website at [www.eurekaresourcesinc.com](http://www.eurekaresourcesinc.com).

## **CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS**

This MD&A includes certain forward-looking statements or information. All statements other than statements of historical fact included in this MD&A including statements relating to the potential mineralization or geological merits of the Company's mineral properties and the future plans, objectives or expectations of the Company are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include among other things, statements regarding future commodity pricing, estimation of mineral reserves and resources, timing and amounts of estimated exploration expenditures and capital expenditures, costs and timing of the exploration and development of new deposits, success of exploration activities, permitting time lines, future currency exchange rates, requirements for additional capital, government regulation of mining operations, environmental risks, anticipated reclamation expenses, timing and possible outcome of pending litigation, timing and expected completion of property acquisitions or dispositions, and title disputes. They may also include statements with respect to the Company's mineral discoveries, plans, out-look and business strategy. The words “may”, “would”, “could”, “should”, “will”, “likely”, “expect”, “anticipate”, “intend”, “estimate”, “plan”, “forecast”, “project” and “believe” or other similar words and phrases are intended to identify forward-looking information.

Forward-looking statements are predictions based upon current expectations and involve known and unknown risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

Important factors that could cause actual results to differ materially from the Company's plans or expectations include risks relating to the actual results of exploration programs, fluctuating commodity prices, the possibility of equipment breakdowns and delays, the availability of necessary exploration equipment including drill rigs, exploration cost overruns, general economic or business conditions, regulatory changes, and the timeliness of government or regulatory approvals to conduct planned exploration work. Additional factors that could cause actual results to differ materially from the Company's plans or expectations include political events, fluctuations in mineralization grade, geological, technical, mining or processing problems, future profitability on production, the ability to raise sufficient capital to fund exploration or production, litigation, legislative, environmental and other judicial, regulatory, political and competitive developments, inability to obtain permits, general volatility in the equity and debt markets, accidents and labour disputes and the availability of qualified personnel.

Although the Company has attempted to identify all of the factors that may affect our forward-looking statements or information, this list of the factors is not exhaustive. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks and uncertainties detailed throughout this MD&A. The Company disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise, except where required by applicable securities laws.

## OVERALL PERFORMANCE

### FG Gold Project

Historical exploration at the FG property was completed by Amoco, Asarco and the Company between 1983 and 1992. The most recent major exploration program was completed by Hawthorne Gold Corp. in 2007 and 2008.

In September 2007, Hawthorne commenced a 5,000 metre drill program on the FG property as part of their option commitment. Hawthorne also announced the completion of a 1,349 line kilometre airborne geophysical program. The survey data sets were used by Hawthorne to outline major geologic units and map structures within these units. The resulting interpretation served to guide drilling and resource expansion activities. The airborne survey was carried out on the FG property and on the adjoining properties optioned from Dajin. Existing underground exploratory workings were re-sampled as part of the 2007 program. Hawthorne continued their exploration of the FG property and surrounding properties during the summer of 2008, completing an additional 58 diamond drill holes (10,405 metres) that extended the gold system into the southeast part of the Main Zone and along strike further in the south east direction beyond the Main Zone.

The results of Hawthorne’s exploration activities on the FG property have been combined with all previously available exploration information and form the basis of a National Instrument 43-101 (“NI 43-101”) compliant technical report by K. V. Campbell and G. H. Giroux entitled “Report on the 2007 and 2008 Drill Programs on the Frasergold Project”, dated November 15, 2009. The report summarizes the state of knowledge concerning the geology of the property and surrounding area, details of the drill information available including quality control information, and a detailed accounting of a gold resource estimate for the property.

A part of that resource estimate is summarized in the table below. Further details are available in the report on the SEDAR website where estimates for various cut-off grades are available.

A summary of the FG resource at a 0.5 g/t Au cut-off is as follows:

Zone	Class	Au Cutoff (g/t)	Tonnes > Cutoff (tonnes)	Grade > Cutoff		
				Au (g/t)	Au (grams)	Au Ounces
Main	Measured	0.50	5,600,000	0.812	4,500,000	145,000
Main	Indicated	0.50	9,570,000	0.755	7,200,000	231,000
Main	M+I	0.50	15,170,000	0.776	11,800,000	376,000
Main	Inferred	0.50	8,270,000	0.670	5,500,000	177,000
NW	Inferred	0.50	19,180,000	0.740	14,200,000	457,000
SE	Inferred	0.50	43,000	0.632	27,000	900
Total	Inferred	0.50	27,493,000	0.718	19,727,000	634,900

The resource estimate is based on 160 diamond drill holes and 242 reverse circulation holes, sampling a combined 49,691 metres. The drilling was completed by Eureka and its optionees from 1983 to 1992 and Hawthorne in 2007 and 2008. The resource represents a length of about 2.5 kilometres of a 10 kilometre long zone on the FG property that is anomalous in gold that has been defined by geochemistry and geophysics.

**FG Gold Project** – (cont’d)

In 2011, Teslin River Resources Corp. (“Teslin”) entered into a definitive option agreement with Eureka. Teslin completed limited geochemistry to evaluate the potential of extending the existing historic resource to the southeast on the Kusk Grid, the 18ppm Au Grid and the Eureka Bowl Grid. The objective was to assist in the planning of future drill programs.

**Summary of Results:**

- Kusk Grid: sampling was inconclusive, however from what was collected, the anomalies from programs completed in the 1980s were not duplicated. The isolated high value (700ppb) has no shoulder values and is of little interest. The results indicate all earlier drilling was inadequately located, explaining the weak results. The grid area is underlain by sedimentary rocks of the Quesnel River Group and it is anticipated to host similar gold mineralization to the Main Zone of the FG resource. It was recommended to complete soil sampling prior to drilling. This soil sampling program was recently completed.
- Eureka Peak Grid: samples up to 2.2 ppm Au and 1000 ppm Cu were collected from this grid. The area is in a porphyry copper gold environment; an anticipated resource would be porphyry Cu/Au or a QR gold style of mineralization.
- 18ppm Au Grid: duplicated the earlier anomaly, however did not provide results of similar magnitude. This can be rationalized by the “nuggety” nature of the gold. The grid area is underlain by sedimentary rocks of the Quesnel River Group and therefore similar style gold mineralization as found in the Main Zone of the FG resource is anticipated. Two significant gold anomalies were derived from this grid area with values to 160ppb Au. These anomalies should be drill tested by at least 4 diamond drill holes.

**2015 Exploration Program**

During 2015, a soil sampling program extended the mineralized zone 4 to 5 kilometres northwest of the Main Zone. Soils were collected at 50 metre intervals along lines spaced 100 metres apart. In total, 679 soil samples were collected. Results delineated several anomalous gold targets that correlate well with a northwest projection of the mineralized zone and geophysics.

The 2007 airborne geophysical survey consisted of a total of 1,349 line kilometres, with lines spaced at 100 metre intervals. EM and magnetic data were collected over an area of 11,000 hectares, which was the size of the FG Gold Project in 2007. Eureka completed a detailed interpretation of this survey in the fall of 2015.

Interpretation noted the presence of a specific conductive marker horizon believed to be related to the known gold mineralization in the Main Zone. This marker horizon has been projected a distance of three to four kilometres to the northwest, interrupted by at least two offsetting cross-faults, in an area of limited to no exploratory drilling. Soil sampling has confirmed the existence of irregular, but strongly anomalous gold-in-soil anomalies over this same six kilometre strike length. The projected zone is in an area of deep overburden (20 to 90 metres), therefore allowance for downhill dispersion of soil values is necessary. The geophysical interpretation has provided the specific targets required for drilling.

**FG Gold Project** – (cont’d)

2015 Exploration Program – (cont’d)

In July 2015, the Company filed on SEDAR, an updated NI 43-101 compliant technical report on the FG Gold Project dated July 20, 2015 and amended July 27, 2015. The authors of the report are K.V. Campbell, PhD, PGeo, and Gary Giroux, MASc, PEng, both of whom are qualified persons as defined in NI 43-101.

The report included the results of the exploration conducted in 2011 and spring 2015 and updated the NI 43-101 compliant technical report entitled, "Report on the 2007 and 2008 Drill Programs on the Frasergold Project," dated Nov. 18, 2009, authored by K.V. Campbell, PhD, PGeo, and G. H. Giroux, MASc, PEng, which was prepared for Hawthorne Gold Corp. in 2009. The updated report contains mineral resource estimates which have not changed since the 2009 report was prepared for Hawthorne Gold Corp., as no additional drilling has been completed since that time.

The report recommendations included continued diamond drilling on the Main Zone, the Kusk Grid, the Eureka Peak Grid, the 18ppm Au Grid and the northwest projection of the Main Zone, as well as continued soil sampling at a cost of \$2,000,000. Included in this were 6 drill holes proposed to follow up on results of the 2011 soil sampling program, each hole to a depth of 250 to 300 metres.

All 2015 work was filed with Mineral Titles Branch as valid assessment work, extending the title dates of all claims to August 2019.

2016 Exploration Program

As a result of the information obtained in the fall 2015 exploration program, in February 2016, the Company staked two strategic mineral claims expanding the property to 28 claims.

An airborne geophysical survey was completed in 2007 covering a large portion of the Eureka Syncline. The Company commissioned a partial interpretation of the 2007 survey in 2015 covering the ground which included the existing resource. Results provided a geophysical signature that clearly identified the resource area of the Main Zone. The survey also indicated the presence of cross faults offsetting the northwest projection of the Main Zone both downslope and upslope from previously drilled holes.

**FG Gold Project** – (cont’d)

**2016 Exploration Program** – (cont’d)

In June 2016, three new claims were acquired to cover the area of the airborne survey over the southern limb of the Eureka Syncline. A detailed geophysical interpretation was completed on these new claims by SJ Geophysics Ltd. of Delta, British Columbia in July, 2016. The results of the interpretation revealed the three conductive/resistive horizons of the sedimentary package that make up the favourable lithologies of gold mineralization in the Main Zone. These three horizons have been identified within the south limb. The favourable horizon was found at a much higher elevation than anticipated which required acquiring two additional claims bringing the total claim package at FG to 33 claims (10,084 hectares).

In the Main Zone, the favourable horizon is interpreted at the contact of the upper resistive zone (knotted phyllite) and the middle conductive zone (black banded phyllite). This same sequence appears at elevations ranging 1,700 to 2000 metres (above sea level) at the south limb. Only limited prospecting by geochemistry has been completed in this area of the property.

Soil sampling completed in July, 2016, consisted of filling in areas of the northwest extension grid not sampled in 2015. It was completed by a two-man crew who collected 114 soil samples in what is referred to as the northwest offset zone. An additional crew completed mapping, sampling and prospecting the offset zone to note similar lithologies to the Main Zone. Results indicate a strong correlation of gold anomalies in soil to the favourable, electromagnetic horizon. Values ranged less than five parts per billion (detection limit) to 1,100 ppb gold, the high value coinciding with the interpreted offset zone.

Coincidental soil and electromagnetic anomalies have provided significant drill targets along the northwest projection of the main zone.

*Kristian Whitehead, P. Geo., a qualified person under NI 43-101, is in charge of all exploration programs on behalf of the Company at the FG Gold Project and has reviewed and approved the technical disclosures contained in this MD&A. Mr. Whitehead is Vice-President, Exploration and a director of the Company.*

**FG Gold Project** – (cont’d)

***FG Property – Canarc Option Agreement***

On August 24, 2016, the Company entered into an option agreement with Canarc Resource Corp. (“Canarc”) which provided Canarc the option to earn up to a 75% interest in the Company’s FG Property.

On regulatory approval of the option agreement (received in September 2016), Canarc issued the Company 250,000 common shares of Canarc and purchased 750,000 units of the Company at \$0.14 per unit for proceeds of \$105,000.

In order to earn the initial 51% interest in the FG Property, Canarc is required to:

(a) Incur aggregate exploration expenditures of \$1,500,000 on the property as follows:

- at least \$500,000 is to be incurred in 2017,
- at least \$500,000 is to be incurred in 2018, and
- the balance of the \$1,500,000 is to be incurred in 2019.

(b) Issue Canarc shares to the Company as set out below:

Payment Date	Number of Shares
First Anniversary	250,000
Second Anniversary	250,000
Third Anniversary	250,000

(c) Pay the Company an annual cash payment equal to 50% of the British Columbia Mining Exploration Tax Credit received by Canarc with respect to the FG Property for expenditures incurred by Canarc (to an aggregate maximum of \$1,500,000 in expenditures during the first option period) each year of the first option period.

In order to earn the additional 24% interest in the FG Property, Canarc is required to:

(a) Incur additional exploration expenditures of \$1,500,000 on the property between the third anniversary and the fifth anniversary of the date of grant of the option.

(b) Issue Canarc shares to the Company as set out below:

Payment Date	Number of Shares
Fourth Anniversary	750,000
Fifth Anniversary	750,000

(c) Pay the Company an annual cash payment equal to the greater of: (i) \$75,000 and (ii) 50% of the British Columbia Mining Exploration Tax Credit for expenditures incurred by Canarc (to an aggregate maximum of \$1,500,000 in expenditures during the second option period) each year of the second option period.

Upon exercise of the option by Canarc, the companies will form a joint venture with respect to the FG Property.

***Gemini Lithium Project***

On January 20, 2016, the Company entered into an interim agreement with Nevada Sunrise Gold Corporation (“Nevada Sunrise”), a public company with directors and officers in common with the Company, to acquire a 50% participating interest in the Gemini Lithium Project (“Gemini”) located in the Lida Valley, Esmeralda County, Nevada, USA.

Pursuant to the terms of the interim agreement, the Company had the right to acquire a 50% participating interest in Gemini by reimbursing Nevada Sunrise for 50% of the Gemini acquisition and evaluation costs. These costs include staking, consulting, data acquisition, claims registration and maintenance fees and technical surveying. In addition, the Company would issue Nevada Sunrise 500,000 common shares as a prospect fee, with 300,000 shares to be issued on receipt of regulatory acceptance of the agreement and 200,000 to be issued on the first anniversary of such acceptance. The Company and Nevada Sunrise would enter into a joint venture on Gemini with Nevada Sunrise acting as operator. The interim agreement was subject to the satisfaction of certain conditions and approvals all of which have been met. The agreement was a non-arm’s length transaction under TSX-V policies, and consequently the non-independent directors abstained from voting.

On May 4, 2016, the companies signed an addendum to the interim agreement in which they agreed that the companies had completed their due diligence review on Gemini, that a definitive joint venture agreement would be entered into (signed on September 21, 2016) and that in the event that one of the companies divests of its 50% interest in Gemini, the remaining company would become the operator at Gemini by default.

On June 6, 2016, the companies received TSX-V acceptance of the interim agreement and its addendum and the Company issued 300,000 common shares with a fair value of \$28,500 to Nevada Sunrise.

Pursuant to an agreement between Advantage Lithium Corp. (“Advantage”) (TSX-V: AAL) and Nevada Sunrise, Advantage can earn a 50% participating interest in Gemini. Advantage has agreed to make the exploration expenditures on behalf of Nevada Sunrise in order for Nevada Sunrise to maintain its 50% interest in the Gemini project. Provided that Advantage completes certain expenditures and fulfils certain other cash and share payment obligations to Nevada Sunrise within 2 years, Nevada Sunrise will assign its 50% interest in Gemini to Advantage in consideration for a 2% gross overriding royalty on the Advantage 50% participating interest. Eureka will then become the operator of exploration at Gemini.

***Gemini Lithium Project*** – (cont’d)

Gemini currently consists of 247 placer claims totalling 4,940 acres (2,000 hectares). Gemini hosts two sub-basins that have the potential for lithium-bearing brines similar to the proven economic lithium brine deposits located in the Clayton Valley, 40 kilometres (26 miles) northwest of Gemini.

A detailed gravity survey carried out in 2012 and 2013 by an independent research group indicated strong gravity lows within two faulted sub-basins approximately 7 kilometres (4.5 miles) apart. Nevada Sunrise made the decision to acquire the Gemini claims after reviewing the results of the gravity survey in conjunction with favourable local geology, namely late Miocene felsic volcanic tuffs adjacent to Gemini. These rocks could provide a source of lithium for trapped, ground-waters within the sub-basins.

In February 2016, Zonge International Inc. of Tucson, Arizona surveyed two reconnaissance lines by time domain electromagnetic (“TDEM”) methods totaling 14.8 kilometres (9.8 miles). In March 2016, two additional TDEM lines totaling 8.5 kilometres (5.3 miles) were surveyed by SJ Geophysics Ltd. of Delta, British Columbia. Both surveys detected a conductive layer 150–250 metres deep covering most areas of the sub-basins, referred to as Gemini West and Gemini East. Several isolated strong conductive zones were interpreted at depths of 400 to 600 metres.

The TDEM data obtained from the geophysical surveys at Gemini was interpreted as potential lithium bearing brines. From the geophysical data, ten proposed drill sites were selected were submitted to the United States Bureau of Land Management (“BLM”) for approval. There are no known drill holes at Gemini.

The model for lithium bearing brines at Gemini is very similar to the model in the Clayton Valley; lithium occurring in brine within horizontal to shallow dipping porous ash and/or gravel horizons. Three zones based on this model can be identified at Gemini from interpretation of the TDEM surveys: Zone 1 is along the northwest edge of the basement high; Zone 2 is perched on the top of the basement high; and Zone 3 is along the southeast edge of the basement high. All the zones are possibly bounded by cross-cutting faults.

To view a map of the 2016 TDEM survey results at Gemini, please visit the Company’s website.

***2016 Drilling Program***

All of the prerequisites to commence a drilling program at Gemini have been completed including receipt of the drilling permit from the BLM, placement of a reclamation bond and surficial cultural studies.

The drilling program for the Gemini project is estimated to cost approximately US\$400,000. Eureka is required to contribute 50% of these costs (US\$200,000) to maintain its 50% interest.

*John R. Kerr, P. Eng., a qualified person under National Instrument 43-101, is in charge of all exploration programs on behalf of the Company at the Gemini Lithium Project and has reviewed and approved the technical disclosures contained in this MD&A. Mr. Kerr is a director of the Company.*

Eureka Resources Inc.  
Management Discussion and Analysis (“MD&A”)  
For the nine months ended July 31, 2016

## SELECTED ANNUAL INFORMATION

The following financial data is selected information for the most recently completed fiscal years:

	October 31, <u>2015</u>	October 31, <u>2014</u>	October 31, <u>2013</u>
Total revenue	\$ -	\$ -	\$ -
Net and comprehensive income (loss)	\$ 85,099	\$ (151,996)	\$ (59,413)
Basic and diluted income (loss) per share	\$ 0.005	\$ (0.009)	\$ (0.004)
Total assets	\$ 169,006	\$ 12,237	\$ 80,422
Total non-current liabilities	\$ -	\$ -	\$ -
Dividends	\$ -	\$ -	\$ -

All the annual results were derived from financial statements prepared using IFRS.

## RESULTS OF OPERATIONS

The Company recorded a comprehensive loss of \$358,379 for the nine months ended July 31, 2016 compared to comprehensive income of \$119,162 for the nine months ended July 31, 2015.

On June 11, 2015, the former CEO of the Company forgave debt totaling \$362,765 resulting in a gain on forgiveness of debt which was recognized in other items during the nine months ended July 31, 2015. This was the reason for the net income in the 2015 period.

Administrative expenses were \$358,379 for the nine months ended July 31, 2016 compared to \$243,603 for the nine months ended July 31, 2015.

Filing and listing fees increased to \$18,729 in 2016 compared to \$9,840 in 2015. During 2016 Eureka listed its common shares for trading on the Frankfurt Stock Exchange. The Frankfurt Stock Exchange is the largest of Germany's seven stock exchanges and the listing will help to increase the Company's trading liquidity and facilitate investment by European investors.

Consulting and management fees have increased in 2016 compared to 2015 due to the increased level of activity in the Company. During nine months ended July 31, 2016, the Company has completed an incentive warrant program, a shares-for-debt settlement, two private placements, the Gemini property acquisition, an exploration program at the FG property and concluded an option agreement for the FG property.

Legal fees were \$19,876 for the nine months ended July 31, 2016 compared to \$53,878 for the nine months ended July 31, 2015. In the 2015 period, Eureka incurred significant legal fees related to the change of management of the Company.

Marketing increased to \$46,330 in 2016 compared to \$Nil in 2015. The Company engaged Market One Media Group for public relations to increase the Company's profile within the investment community. The Company has a new and improved website and has increased its news distribution through social media outlets.

## **RESULTS OF OPERATIONS – (cont'd)**

Stock-based compensation increased to \$146,750 in 2016 compared to \$112,000 in 2015.

On June 27, 2016, the Company granted 900,000 stock options to directors, officers and consultants. The fair value of the stock options of \$81,000 was determined using the Black Scholes option valuation model and was recognized during the nine months ended July 31, 2016.

In addition, a stock-based compensation charge of \$65,750 was recorded for 1,315,000 incentive warrants issued during the nine months ended July 31, 2016.

On June 23, 2015, the Company granted 1,400,000 stock options to directors, officers and consultants. The fair value of the stock options of \$112,000 was determined using the Black Scholes option valuation model and was recognized during the nine months ended July 31, 2015.

### **Investing Activities**

Expenditures on exploration and evaluation assets were \$203,644 for the nine months ended July 31, 2016 compared to \$35,485 for the nine months ended July 31, 2015.

During the nine months ended July 31, 2016, the Company incurred acquisition and exploration costs of \$127,336 on the FG Project compared to \$35,485 during the nine months ended July 31, 2015. During the nine months ended July 31, 2016, the Company received a British Columbia Mining Exploration Tax Credit of \$13,173 related to the prior year's expenditures on the FG Property.

During the nine months ended July 31, 2016, the Company incurred acquisition and evaluation costs of \$89,481 on the Gemini project compared to \$Nil during the nine months ended July 31, 2015. In addition, the Company posted a reclamation bond of \$11,879 (US\$9,109) which represented 50% of the bond required for the Gemini project.

### **Financing Activities**

#### **Incentive Warrant Program**

On December 31, 2015, the Company offered the holders of 4,000,000 share purchase warrants issued on June 11, 2015 (the "June Warrants") an incentive warrant to exercise their warrants early. Each June Warrant was exercisable to purchase one common share at \$0.05 per share until June 10, 2016 or at \$0.10 per share until June 10, 2017. The Company would issue the holder of a June Warrant who exercises their June Warrant between January 4, 2016 and January 29, 2016 an incentive warrant for each June Warrant exercised. Each Incentive Warrant would entitle the holder to acquire an additional common share at \$0.075 per share until June 10, 2016, and thereafter at \$0.125 per share until June 10, 2020.

During the nine months ended July 31, 2016, the incentive warrant program resulted in the exercise of 1,315,000 June Warrants at \$0.05 for total proceeds of \$65,750. The Company issued the holders who exercised their June Warrants an incentive warrant and a common share for each June Warrant exercised.

## **RESULTS OF OPERATIONS – (cont’d)**

### **Financing Activities** – (cont’d)

#### **Shares for Debt**

The Company issued 906,333 common shares at \$0.075 per share to settle outstanding debts of \$67,975. The shares were issued to seven creditors. Included in the totals were shares issued to insiders as follows: MDS Management Ltd. (Michael Sweatman), \$15,750 for 210,000 shares; MBP Management Ltd. (Brent Petterson), \$9,975 for 133,000 shares; Rhodanthe Corporate Services (Christina Boddy), \$3,150 for 42,000 shares; Infiniti Drilling Corp. (Kristian Whitehead), \$8,400 for 112,000 shares; John R. Kerr, \$5,200 for 69,333 shares.

#### **Private Placements**

On June 10, 2015, the Company closed a private placement for gross proceeds of \$100,000. The private placement consisted of 700,000 flow-through units at \$0.025 per unit and 3,300,000 non flow-through units at \$0.025 per unit. Each flow-through unit consisted of one flow-through common share and one share purchase warrant. Each non flow-through unit consisted of one non flow-through common share and one share purchase warrant. The share purchase warrants entitled the holders to purchase one additional non flow-through common share at \$0.05 until June 10, 2016 or at \$0.10 until June 10, 2017.

On April 29, 2016, the Company issued 2,693,666 common shares pursuant to the private placement of 2,693,666 units at \$0.075 per unit for gross proceeds of \$202,025. Each unit contained one common share and one warrant entitling the holder to purchase an additional common share at \$0.125 until April 29, 2018. In connection with the private placement, the Company paid finder’s fees of \$12,285, issued 163,800 finder’s warrants. Each finder’s warrant entitles the holder to purchase one unit with the same terms as the private placement units at \$0.075 until April 29, 2018.

On May 6, 2016, the Company issued 2,033,334 common shares pursuant to the private placement of 2,033,334 units at \$0.075 per unit for gross proceeds of \$152,500. Each unit contained one common share and one warrant entitling the holder to purchase an additional common share at \$0.125 until May 6, 2018. In connection with the private placement, the Company paid finder’s fees of \$6,475, issued 86,333 finder’s warrants. Each finder’s warrant entitles the holder to purchase one unit with the same terms as the private placement units at \$0.075 until May 6, 2018.

#### **Warrants Exercised**

During the nine months ended July 31, 2016, the Company issued 1,985,000 common shares at \$0.05 per share for proceeds of \$99,250 pursuant to the exercise of 1,985,000 share purchase warrants.

During the nine months ended July 31, 2016, the Company issued 100,000 common shares at \$0.075 per share for proceeds of \$7,500 pursuant to the exercise of 100,000 share purchase warrants.

**RESULTS OF OPERATIONS – (cont’d)**

***Financing Activities*** – (cont’d)

During the six months ended April 30, 2015, the Company received cash advances of \$50,000 from the former CEO of the Company.

***Financing Activities Subsequent to July 31, 2016***

***Private Placement***

On September 9, 2016, the Company issued 1,050,000 common shares pursuant to the private placement of 1,050,000 units at \$0.14 per unit for gross proceeds of \$147,000. Each unit contained one common share and one-half of one share purchase warrant. Each full warrant entitled the holder to purchase an additional common share at \$0.20 until September 9, 2018. In connection with the private placement, the Company paid finder’s fees of \$1,260, issued 9,000 finder’s warrants. Each finder’s warrant entitles the holder to purchase one unit with the same terms as the private placement units at \$0.14 until September 9, 2018.

***Finder’s Warrants Exercised***

On September 16, 2016, the Company issued 8,400 common shares at \$0.075 per share pursuant to the exercise of 8,400 finder’s warrants for proceeds of \$630.

Eureka Resources Inc.  
Management Discussion and Analysis (“MD&A”)  
For the nine months ended July 31, 2016

**SUMMARY OF QUARTERLY RESULTS**

The figures for the quarters ended October 31, 2015 and 2014 are calculated from the Company’s annual audited financial statements. All other amounts are from unaudited condensed interim financial statements prepared by management.

	Q3 July 31, <u>2016</u>	Q2 April 30, <u>2016</u>	Q1 January 31, <u>2016</u>	Q4 October 31, <u>2015</u>
Total revenues	\$ -	\$ -	\$ -	\$ -
Net and comprehensive income (loss)	\$ (186,731)	\$ (65,456)	\$ (106,192)	\$ (34,063)
Basic and diluted income (loss) per share	\$ (0.006)	\$ (0.003)	\$ (0.005)	\$ (0.001)

	Q3 July 31, <u>2015</u>	Q2 April 30, <u>2015</u>	Q1 January 31, <u>2015</u>	Q4 October 31, <u>2014</u>
Total revenues	\$ -	\$ -	\$ -	\$ -
Net and comprehensive income (loss)	\$ 173,239	\$ (35,667)	\$ (18,410)	\$ (14,257)
Basic and diluted income (loss) per share	\$ 0.009	\$ (0.002)	\$ (0.001)	\$ (0.001)

Variances in quarterly results can be due to stock-based compensation incurred in a quarter as the Company’s stock options generally vest on the grant date and therefore are fully expensed in the quarter in which they are granted. Other factors which could cause variances in quarterly results could include such items as forgiveness of debt or the write-off of a mineral property.

In the quarter ended July 31, 2016, the Company recorded stock-based compensation expense of \$81,000 related to the granting of 900,000 stock options.

In the quarter ended January 31, 2016, the Company recorded stock-based compensation expense of \$65,750 related to the issuance of 1,315,000 incentive warrants.

In the quarter ended July 31, 2015, the Company recorded stock-based compensation expense of \$112,000 related to the granting of 1,400,000 stock options and a gain on forgiveness of debt of \$362,765 in conjunction with the management changes during the quarter.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company has a history of operating losses and at July 31, 2016, has an accumulated deficit of \$6,324,589. At July 31, 2016, the Company had working capital of \$127,054. The Company will require additional equity financings in order to continue exploration of its mineral properties and fund its administrative expenses.

Historically, the Company has been able to fund administrative overheads and property acquisition, exploration and evaluation through equity financings. The continued uncertainty in the financial equity markets may make it difficult to raise capital through the private placement of shares. The junior mining industry is considered speculative in nature which could make it even more difficult to fund.

While the Company is using its best efforts to achieve its business plans by examining various financing alternatives, there is no assurance that the Company will be successful with its financing ventures.

Please refer to the Financing Activities and Proposed Transactions sections of this MD&A.

## **OFF BALANCE SHEET ARRANGEMENTS**

The Company has no off balance sheet arrangements to report.

## **TRANSACTIONS WITH RELATED PARTIES**

At September 29, 2016, the directors of the Company were Michael Sweatman, Warren Stanyer, John Kerr and Kristian Whitehead. The officers of the Company were Michael Sweatman (CEO), Brent Petterson (CFO) and Christina Boddy (Corporate Secretary). Additional related parties include MDS Management Ltd (“MDS”), MBP Management Ltd (“MBP”), Rhodanthe Corporate Services (“Rhodanthe”), Infiniti Drilling Corporation (“Infiniti”), companies with officers or directors in common, namely Michael Sweatman, Brent Petterson, Christina Boddy and Kristian Whitehead.

During the nine months ended July 31, 2016 and 2015, the Company incurred the following charges by directors, former directors, companies controlled by directors and officers and by former directors and officers, another public company with directors and officers in common with the Company and by a law firm in which a former director is a partner.

	2016	2015
Accounting fees	\$ 20,500	\$ 10,275
Consulting fees	11,000	2,500
Exploration and evaluation assets – geological	26,903	9,250
Exploration and evaluation assets – prospect fee	28,500	-
Management fees	38,000	5,000
Office	-	2,246
Rent	2,250	8,937
Stock-based compensation	89,000	96,000
	<u>\$ 216,153</u>	<u>\$ 134,208</u>

Eureka Resources Inc.  
Management Discussion and Analysis (“MD&A”)  
For the nine months ended July 31, 2016

**TRANSACTIONS WITH RELATED PARTIES – (cont’d)**

*Key Management Compensation:*

During the nine months ended July 31, 2016 and 2015, the Company incurred the following key management compensation charges. Key management includes the Company’s directors and executive officers.

	2016	2015
Accounting fees	\$ 20,500	\$ 10,275
Consulting fees	11,000	2,500
Exploration and evaluation assets – geological	26,903	9,250
Management fees	38,000	5,000
Stock-based compensation	89,000	96,000
	<u>\$ 185,403</u>	<u>\$ 123,025</u>

At July 31, 2016, due to related parties includes \$8,736 (October 31, 2015 - \$49,782) payable to directors and officers of the Company and to companies with directors and officers in common with the Company for accounting fees, consulting fees, management fees and exploration and evaluation assets.

During the nine months ended July 31, 2016 and 2015, the Company had the following related party transactions:

- Accounting fees of \$20,500 (2015 - \$1,500) to the MBP Management Ltd (Brent Petterson), the CFO of the Company;
- Accounting fees of \$Nil (2015 - \$8,775) to a company that is related to the former CFO of the Company;
- Consulting fees of \$9,000 (2015 - \$Nil) to Warren Stanyer, a director of the Company;
- Consulting fees of \$2,000 (2015 - \$Nil) to John Kerr, a director of the Company;
- Consulting fees of \$Nil (2015 - \$2,500) to Kristian Whitehead, a director of the Company;
- Geological fees of \$20,503 (2015 - \$9,250) to Infiniti Drilling Corporation (Kristian Whitehead), a director of the Company;
- Geological fees of \$6,400 (2015 - \$Nil) to John Kerr, a director of the Company;
- Management fees of \$24,500 (2015 - \$3,500) to the MDS Management Ltd (Michael Sweatman), the President and CEO of the Company;
- Management fees of \$13,500 (2015 - \$1,500) to Rhodanthe Corporate Services (Christina Boddy), the Corporate Secretary of the Company;

Eureka Resources Inc.  
Management Discussion and Analysis (“MD&A”)  
For the nine months ended July 31, 2016

**TRANSACTIONS WITH RELATED PARTIES – (cont’d)**

- Office expenses of \$Nil (2015 - \$2,246) to a law firm in which a former director of the Company, is a partner;
- Rent of \$2,250 (2015 - \$Nil) to the Nevada Sunrise Gold Corporation, a public company with directors and officers in common;
- Rent of \$Nil (2015 - \$8,937) to a company owned by the former CEO of the Company;
- Prospect fees of \$28,500 (2015 - \$Nil) to the Nevada Sunrise Gold Corporation, a public company with directors and officers in common.

During the nine months ended July 31, 2016 and 2015, stock-based compensation expense related to incentive warrants issued and stock options granted was as follows:

	2016	2015
John Kerr	\$ 9,000	\$ 16,000
Kristian Whitehead	9,000	16,000
Warren Stanyer	14,000	16,000
Michael Sweatman	24,000	16,000
Brent Petterson	24,000	16,000
Christina Boddy	9,000	16,000
	<b>\$ 89,000</b>	<b>\$ 96,000</b>

At July 31, 2016, due to related parties includes the following:

	July 31, 2016
John Kerr & Associates Ltd	\$ 1,690
Infiniti Drilling Corp	2,446
MDS Management Ltd/Michael Sweatman	4,600
	<b>\$ 8,736</b>

**PROPOSED TRANSACTIONS**

On September 29, 2016, the Company announced a proposed private placement of up to 3,500,000 units at \$0.10 per unit with each unit consisting of one common share and one-half of one share purchase warrant. Each whole warrant will entitle the holder to purchase an additional common share for \$0.15 per share for two years. There is no minimum number of units being offered.

The proceeds of the private placement are intended to be used in an exploration program at the Company's 50% owned Gemini Lithium Project. The exploration program has preliminary budget of US\$400,000 with the Company's share being US\$200,000.

## **CRITICAL ACCOUNTING ESTIMATES**

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

### Exploration and Evaluation Assets

The carrying amount of the Company’s exploration and evaluation assets properties does not necessarily represent present or future values, and the Company’s exploration and evaluation assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production or proceeds from the disposition of the mineral properties themselves. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management’s assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company’s exploration and evaluation assets.

### Share-based Payments

The estimation of share-based payments includes estimating the inputs used in calculating the fair value for share-based payments expense included in profit or loss and share-based share issuance costs included in equity. Share-based payments expense and share-based share issuance costs are estimated using the Black-Scholes options-pricing model as measured on the grant date to estimate the fair value of stock options. This model involves the input of highly subjective assumptions, including the expected price volatility of the Company’s common shares, the expected life of the options, and the estimated forfeiture rate.

### Income Taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company’s ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred income tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management’s assessment of the Company’s ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and future income tax provisions or recoveries could be affected.

## **CHANGES IN ACCOUNTING POLICIES**

The details of the Company’s significant accounting policies are disclosed in Note 3 to the unaudited condensed interim financial statements for the nine months ended July 31, 2016.

### *New Standards Adopted for the Year Ended October 31, 2016*

Effective November 1, 2015, the following standards were adopted but did not have a material impact on the financial statements.

- IFRS 7 Amended to require additional disclosures on transition from IAS 39 and IFRS 9.

### *New Standards Adopted for the Year Ended October 31, 2015*

Effective November 1, 2014, the following standards were adopted but did not have a material impact on the financial statements.

- IAS 32 (Amendment): Standard amended to clarify requirements for offsetting financial assets and financial liabilities.
- IFRS 10 Investment Entities – Amendment.
- IAS 36 (Amendment): Recoverable amount disclosures for non-financial assets.

### *New Standards and Interpretations Not Yet Adopted*

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

### *Financial Assets*

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through profit or loss. The Company’s cash and cash equivalents is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. The Company’s receivables are classified as loans and receivables. Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in profit or loss. As at July 31, 2016 and October 31, 2015, the Company has not classified any financial assets as held to maturity or available for sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss as follows:

- a) Financial assets carried at amortized cost: The loss is the difference between the amortized cost of the asset and the present value of the estimated future cash flows, discounted using the instrument’s original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.
- b) Available-for-sale financial assets: The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of loss and comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to the statement of loss and comprehensive loss.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS – (cont’d)**

### Financial Liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company’s accounts payable and accrued liabilities and due from related parties are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in profit or loss unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in profit or loss.

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 values of the Company’s receivables, accounts payable and accrued liabilities and due to related parties approximate their carrying values because of the short-term nature of these instruments.

The Company’s risk exposures and the impact on the Company’s financial instruments are summarized below:

### Credit risk

The Company’s cash is held with large financial institutions. The Company’s receivables consist of GST receivable from the Canada Revenue Agency. Management believes that credit risk concentration with respect to receivables is remote.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS – (cont’d)**

### Liquidity risk

The Company’s approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at July 31, 2016, the Company had cash of \$97,777 to settle current liabilities of \$41,535. Management believes the Company has sufficient funds to meet its current liabilities as they become due.

### Market risk

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

a) *Interest rate risk:*

The Company has cash which is not subject to significant risks in fluctuating interest rates. The Company’s current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. An increase to interest rates by 1% would have an insignificant effect on the Company’s operations.

b) *Price risk:*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company’s earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

c) *Foreign currency risk:*

The Company is exposed to foreign currency risk on fluctuations related to cash and accounts payable that are denominated in US dollars.

## **RISKS AND UNCERTAINTIES**

In addition to the risks and uncertainties detailed earlier in this MD&A, the Company is also subject to other risks and uncertainties including the following:

### *General Risk Associated with the Mining Industry*

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. At present, none of the Company’s properties has a known commercial ore deposit. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that claims and agreements are in good standing and obtaining permits for drilling and other exploration activities. The market prices for gold and other metals can be volatile and there is no assurance that a profitable market will exist for a production decision to be made or for the ultimate sale of the metals even if commercial quantities of precious and other metals are discovered.

Exploration and development activities involve risks which careful evaluation, experience and knowledge may not, in some cases eliminate. The commercial viability of any mineral deposit depends on many factors not all of which are within the control of management. Some of the factors that affect the financial viability of a given mineral deposit include its size, grade and proximity to infrastructure, government regulation, taxes, royalties, land tenure, land use, environmental protection and reclamation and closure obligations, have an impact on the economic viability of a mineral deposit. Management attempts to mitigate its exploration risk and may employ a strategy of joint ventures with other companies which balance the risk while at the same time allowing properties to be advanced.

### *Dependence on Key Personnel*

Loss of certain members of the executive team or key operational leaders of the Company could have a disruptive effect on the implementation of the Company’s business strategy and the efficient running of day-to-day operations until their replacement is found. Recruiting personnel is time consuming and expensive and competition for qualified personnel may be intense. The Company may be unable to retain its key employees or attract, assimilate, retain or train other necessary qualified employees, which may restrict its growth potential.

### *Competitive Industry*

Mining industry is intensely competitive and the Company will compete with other companies that have far greater resources.

### *Title to Mineral Properties*

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company’s title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

## **RISKS AND UNCERTAINTIES – (cont’d)**

### Permits and Licences

The operations of the Company will require licences and permits from various governmental authorities, which have been applied for and/or will be applied for at the proper time. There can, however, be no assurance that the Company will be able to obtain all necessary licences and permits required to carry out exploration, development and mining operations of its projects.

### Environmental Regulation

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non-compliance are becoming more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of future operations. The Company may become subject to liability for pollutions or hazards against which it cannot insure or against which it may elect not to insure where premium costs are disproportionate to the Company’s perception of the relevant risks. The payment of such insurance premiums and of such liabilities would reduce the funds available for exploration and production activities.

### Estimates of Mineral Resources may not be Realized

The mineral resource estimates published from time to time by the Company with respect to its properties are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geologic, metallurgical or engineering work, and work interruptions, among other things. Short-term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of operations. There can be no assurance that minerals recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions or in production scale operations. Material changes in resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. The estimated resources described herein should not be interpreted as assurances of mine life or of the profitability of future operations.

**DISCLOSURE OF OUTSTANDING SHARE DATA**

a) *Issued:* Number  
At September 29, 2016 31,413,972

b) *Stock Options:*

At September 29, 2016, the Company had 2,300,000 stock options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Number of options outstanding	Exercise Price	Expiry Date
1,400,000	\$0.10	June 23, 2020
900,000	\$0.10	June 27, 2021
<u>2,300,000</u>		

c) *Share Purchase Warrants:*

At September 29, 2016, the Company had 7,617,000 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Number of warrants outstanding	Exercise Price	Expiry Date
700,000	\$0.10	June 10, 2017
1,215,000	\$0.125	June 10, 2020
975,000	\$0.12	October 1, 2017
2,693,666	\$0.125	April 29, 2018
2,033,334	\$0.125	May 6, 2018
<u>7,617,000</u>		

d) *Finders Warrants:*

At September 29, 2016, there were 241,733 finder’s warrants outstanding as follows:

Number of warrants outstanding	Exercise Price	Expiry Date
155,400	\$0.075	April 29, 2018
86,333	\$0.075	May 6, 2018
<u>241,733</u>		

Finder's warrants entitle the holders to purchase one unit with the same terms as the private placement to which they relate.