(formerly Benton Capital Corp.)
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
For the Six Months Ended December 31, 2016

GENERAL

Alset Energy Corp. (the "Company") is a public company engaged in exploration for mineral deposits in Canada and Mexico. On April 28, 2016, the Company changed its name from Benton Capital Corp. to Alset Energy Corp. with the ticker symbol "ION" on the TSX Venture Exchange. The Company is in the early exploration stage with respect to its properties.

The following discussion of the financial condition and results of operations of the Company constitutes management's review of the factors that affected the Company's financial and operating performance to date and provides financial information for the six months ended December 31, 2016. The discussion should be read in conjunction with the condensed consolidated interim financial statements of the Company for the six months ended December 31, 2016 including the notes thereto.

This MD&A was approved by the board of directors on February 27, 2017.

Unless otherwise stated, all amounts discussed herein are denominated in Canadian dollars and all financial information (as derived from the Company's consolidated financial statements) has been prepared in accordance with International Financial Reporting Standards ("IFRS").

FORWARD-LOOKING INFORMATION

Certain information regarding the Company within Management's Discussion and Analysis (MD & A) may include "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD & A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, goals, expansion and growth of the Company's businesses, operations, plans and other such matters are forward-looking statements. When used in this MD & A the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements. Such statements are subject to known and unknown risks and uncertainties that may cause actual results in the future to differ materially from those anticipated in forward-looking statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements 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 statements.

OVERVIEW OF BUSINESS

The focus of the Company is to seek out and explore mineral properties of potential economic significance and advance these projects through prospecting, sampling, geological mapping and geophysical surveying, trenching, and diamond drilling in order for management to determine if further work is justified. The Company's property portfolio consists of the Wisa Lake lithium project and Champion graphite project in Ontario as well as Lithium

Salars in Mexico. In addition, the Company holds the Goodchild project in Ontario focusing on base metals and PGMs.

FINANCIAL & OPERATIONAL OVERVIEW

Overall Performance

Recent times have witnessed the drastic decline and continued volatility of the global financial markets. Share prices of junior exploration companies listed on the TSX Venture Exchange, including the Company, have experienced a significant impact as a result. Equity financing for the junior resource sector, its primary source of capital, can be difficult to obtain in such conditions.

The Company does not have does not have enough working capital to fund its operations and needs to raise additional funds in the following months. The sustainability of the financial markets related to the mineral exploration sector cannot be determined. This continually poses a challenge for the Company to effectively manage its capital through these volatile conditions. Management has and will continue to evaluate strategic opportunities to aggressively acquire favourable advanced assets at depressed prices.

Overall, the Company feels it can effectively balance its growth opportunities with its need to raise additional funds and conserve capital at this time. Planned project expenditures are continually reviewed to ensure efficient and effective exploration is conducted and if needed, to reduce costs accordingly.

Financial Condition

The Company's cash and temporary investments balance as at December 31, 2016 was $529,120 compared to $898,134 at June 30, 2016. Working capital of the Company as at December 31, 2016 was $507,310 compared to $773,432 as at June 30, 2016. The decrease in working capital was predominantly attributable to the acquisition of the Mexican Lithium Salars project, trenching at Champion Graphite and general and administrative expenses during the period.

Results of Operations

<u>Three Months Ended December 31, 2016</u>

The loss for the three months ended December 31, 2016 was $213,732 as compared to a net loss of $58,147 in the comparative period of the previous year. The increase in net loss of $155,585 was mainly due to the changes in the following items:

i) Advertising and promotion expenses $32,074 (2015 - $823) - increased by $31,251 due to significant promotion activity in the current period related to the Company's new focus on lithium and graphite.
ii) Share-based payments $171,863 (2015 - $Nil) – increased by $171,863 due to stock options granted and vested to employees, directors and officers during the current quarter.
iii) Professional fees $31,720 in credit (2015 - $9,480) - decreased by $41,200 due to reclassifying legal fees relating to the acquisition of Salar projects in Mexico and share issue costs, which were expensed in prior period.
iv) Consulting fees $22,098 (2015 – $12,000) – increased by $10,098 due to consulting fees paid to CEO and consultants.
v) Stock exchange and filing fees $5,969 (2015 - $3,717 in credit) – increased by $9,686 due to business activity involving the exchange and filing fees.
vi) Foreign exchange loss $6,954 (2015 – $Nil) - increased by $6,954 due to change in exchange rates on translating current assets and liabilities denominated in Peso during the current quarter.
vii) Write-off of exploration and evaluation assets $nil (2015 - $35,000) – decreased by $35,000 as there was no exploration and evaluation assets written-off during the current quarter.

.Six Months Ended December 31, 2016

The loss for the six months ended December 31, 2016 was $657,905 as compared to a net loss of $85,185 in the comparative period of the previous year. The increase in net loss of $572,720 was mainly due to the changes in the following items:

i) Advertising and promotion expenses $129,766 (2015 - $2,815) - increased by $126,951 due to significant promotion activity in the current period related to the Company's new focus on lithium.
ii) Share-based payments $306,004 (2015 - $2,857) – increased by $303,147 due to stock options granted and vested to employees, directors and officers during the period.
iii) General and administrative expenses $23,226 (2015 - $10,346) - increased by $12,880 due to active operations in the current period.
iv) Professional fees $44,151 (2015 - $16,485) - increased by $27,666 due to significant work required to structure acquisition and establish operations in Mexico for Salar projects.
v) Consulting fees $139,624 (2015 – $24,520) – increased by $115,104 due to consulting fees paid to former and current CEO and consultants.
vi) Stock exchange and filing fees $9,239 (2015 - $1,050 credit) – increased by $10,289 due to upon business activity involving the exchange and listing fees.
vii) Property evaluation expenses $8,090 (2015 – $nil) – increased by $8,090 due to generative exploration work on potential exploration projects targeted for acquisition.
viii) Write-off of exploration and evaluation assets $nil (2015 - $35,000) – decreased by $35,000 as there was no exploration and evaluation assets written-off during the current period.

Cash Flows

The cash flows used in operating activities was $306,309 for the six months ended December 31, 2016 compared to cash used in operating activities of $104,996 in the previous year's comparative period, the large swing resulting from active operations in the current period resulting in increased cash operating expenses.

Cash flows received from financing activities was $434,661 for the period ended December 31, 2016 compared to no cash flows received from financing activities in the previous year's comparative period, the increase was due to the private placement of flow through and non-flow-through shares issued during the current period.

Cash flows used in investing activities was $497,366 for the period ended December 31, 2016 compared to cash flows used in investing activities of $nil in the comparative period in the prior year, the change arose due to exploration and evaluation expenditures, net of recoveries, incurred in the current year as the Company resumed active exploration on its lithium and graphite projects as well as the acquisition of the Lithium Salars in Mexico and payment of outstanding mining taxes.

EXPLORATION AND EVALUATION ASSETS

Mineral property acquisition, exploration and development expenditures are deferred until the properties are placed into production, sold, impaired or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following commencement of production, or written-down if the properties are allowed to lapse, are impaired, or are abandoned. The deferred costs associated with each property as of December 31, 2016 and June 30, 2016 is summarized in the tables below:

Six Months Ended December 31, 2016	Lithium Salars-Mexico	Wisa Lake	Champion Graphite	Goodchild	Total
	$	$	$	$	$
Acquisition costs					
Balance, June 30, 2016	-	5,985	130,026	1	136,012
Addition	228,582	-	-	-	228,582
Option payments received	-	(30,000)	-	-	(30,000)
Balance, December 31, 2016	228,582	(24,015)	130,026	1	334,594
Exploration and evaluation costs					
Balance, June 30, 2016	3,200	14,215	4,857	-	22,272
Addition	244,656	3,298	50,830		298,784
Balance, December 31, 2016	247,856	17,513	55,687	-	321,056
Total, December 31, 2016	476,438	(6,502)	185,713	1	655,650

Year Ended June 30, 2016	Lithium Salars-Mexico	Wisa Lake	Champion Graphite	Goodchild	Total
	$	$	$	$	$
Acquisition costs					
Balance, June 30, 2015	-	-	-	1	1
Addition	-	5,985	130,026	-	136,011
Balance, June 30, 2016	-	5,985	130,026	1	136,012
Exploration and evaluation costs					
Balance, June 30, 2015	-	-	-	-	-
Addition	3,200	14,215	4,857		22,272
Balance, June 30, 2016	3,200	14,215	4,857	-	22,272
Total, June 30, 2016	3,200	20,200	134,883	1	158,284

For details of the exploration evaluation costs, please see note 5 of the financial statements.

(a) Lithium Salars – Mexico

By agreement dated July 28, 2016, the Company acquired an option to earn a 100% interest in Mexican lithium, potassium and boron brine salar assets located in Zacatecas and San Luis Potosi, Mexico, which includes four large concessions containing seven top priority salars namely, Caliguey, La Doncella, Colorada, La Salada, Santa Clara, Saldivar and Chapala. The Company agreed to pay the outstanding mining taxes on the four concessions in the amount of approximately US$112,000 and making the following payments of US$210,000 to the optionor on the following schedule:

- US$20,000 on the Company providing the notice of satisfaction of the due diligence (paid);
- US$25,000 on July 28, 2017;
- US$30,000 on July 28, 2018;
- US$35,000 on July 28, 2019;
- US$40,000 on July 28, 2020; and
- US$60,000 on July 28, 2021

The property is subject to a 2.25% NSR of which 1% can be purchased by the Company for US$250,000. The Company paid $16,835 finders' fee to a third party.

According to a 1992 government study prepared by the Mexico's former Mineral Resource Council, (now the Geologic Society of Mexico) on the San Jose de Caliguey salar located within one of the Company's concessions in San Luis Potosi, Mexico. The purpose of the study was to improve efficiency of a common salt (sodium chloride, NaCl) production operation within the salar. The salt production process began with pumping salar brine from a well 20 meters deep to a number of evaporation ponds "where it remains for a number of days (a minimum of 90 days) to evaporate the water through the sun's energy. This concentrates and crystallizes the sodium chlorides and sulfates and, to a lesser extent, potassium. They are harvested as a solid and separated into first, second, and third quality, depending on how pure they are."

As part of the study, the Resource Council collected a number of samples, both sediments, and liquid from facility evaporation ponds and the surface lagoon adjacent to the operation and sent for salt and lithium (Li) analyses, the results of which are shown in the following table:

Sample No.	Thickness(m)	NaCl %	Li %
SJC - 1	1	0.98	0.07
SJC - 2	1	1.65	0.08
SJC - 3	1	1.81	0.09
SJC - 4	1	1.48	0.09
SJC - 5	1	0.82	0.08
SJC - 6	1	26.38	0.08
SJC - 7	1	0.66	0.03
SJC - 8	Water	0.38	1.2
SJC - 9	1	1.98	0.05
SJC - 10	1	1.65	0.15
SJC - 11	1	0.66	0.13
SJC - 12	1	0.49	0.09
SJC - 13	1	0.99	0.14
SJC - 14	1	0.16	0.05
SJC - 15	Water	0.43	1.4
SJC - 16	1	4.45	0.02
SJC - 17	1	19.29	
SJC - 18	1	0.16	
SJC - 19	1	0.16	0.02
SJC – 20	1	1.00	0.02
SJC - 21	Water	0.44	1.4
SJC - 22	1	1.65	
SJC - 23	Water	3.56	2.1

A map showing the water sample locations and the Mexican Council report is available on the Company's website.

Samples SJC-8 (1.2% or 12,000ppm Li) and SJC-15 (1.4% or 14,000ppm Li) were collected from evaporation ponds. Samples SJC-21 (1.4% or 14,000ppm Li) and SJC-23 (2.1% or 21,000ppm Li), came out of what appears to be the outer lagoon, perhaps designed to collect water decanted from the evaporation ponds in order to harvest the salt. It is clear that all four water samples showed extremely high lithium content, almost certainly due to solar evaporation of brines pumped from beneath the salar.

These lithium concentrations are equivalent to the levels in concentrated solutions fed to lithium battery chemical production processes elsewhere. For comparison Rockwood's Silver Peak operations in Nevada concentrate lithium to about 7,000 ppm prior to processing.

Thus, the salt production process at San Jose Caliguey lagoon inadvertantly proves not only that lithium-rich brines can be pumped in useable quantities from this the Company salar, but it also proves that production of lithium chemicals is possible from those brines.

Two of the Company's other salars host similar salt production operations. The Company believes the Caliguey evaporation process could potentially be replicated and refined at those locations to deliberately produce commecial quantities of lithium and potassium. Planning is now underway to evaluate the solution chemistry and hydrogeology at all lagoons. It should be noted that these results from the above government study are believed to be reliable but have not yet been duplicated or verified by the Company.

The Company intends to complete all previous planned work such as environmental and drill permitting, drilling a minimum of two drill holes in each of the three high priority salars, brine sampling and clay sampling to the basement of each drill hole as well as analytical assaying for both the brine and clay in each drill hole. In addition, the Company has commenced metallurgical and analytical work on the previous clay sampling completed by the property vendor in order to evaluate the economical potential of extracting the Lithium, Potassium, Boron and other minerals of interest.

(b) Wisa Lake Lithium

The Company holds via staking a 100% interest in the Wisa Lake lithium project located 80km east of Fort Frances, Ontario. The property is connected to Highway 11 (Trans Canada) located 65km north via an all weather road that crosses the centre of the project.

The property is comprised of 5 claims totaling 75 units and covers the Wisa Lake deposit that is host to a historical resource of 330,000 tonnes grading 1.15% Li2O (Lexindin Gold Mines Ltd., Manager's Report, 1958; Ontario Geological Survey, Open File Report 6285, Report of Activities 2012). In 1956 Lexindin completed a total of 20 drill holes (backpack and AQ-sized core) over a strike length of 335m and to a depth of approximately 65m to define the Wisa Lake lithium deposit. The diamond drill log of the most easterly hole intersected 6.4m containing 20% of the lithium-bearing mineral spodumene suggesting the mineralization is open at depth and to the east. It should be noted that the historical resource estimate for the deposit was calculated prior to CIM National Instrument 43-101 guidelines and as such should only be considered from a historical point of view and not relied upon. A qualified person has not completed sufficient work to classify the historical estimates as current mineral resources. Further diamond drill programs are required to bring the mineralization into a proper NI 43-101 compliant category.

As part of the Company's due diligence, five grab samples were collected from the two historical zones at Wisa Lake. Two grab samples collected from the North Zone graded 1.4% and 0.95% Li20 which are comparable to the grade of the non-NI 43-101 compliant historical resource of 330,000 tonnes grading 1.15% Li2O. Three additional grab samples were collected in the South Zone, located 900m south and parallel to the North Zone, which graded 1.75%, 1.47% and 1.45% Li2O. Both zones were drilled in the 1950's but very little work has been completed since. the Company has now collected and submitted for assay, an additional 56 grab samples from various pegmatites occurring on the property. Of particular interest is a newly discovered spodumene-bearing dyke located 100m south of the South Zone. Once received, these results will help guide the next phase of exploration.

North Zone

The North Zone, which contains the non-NI43-101 compliant resource of 330,000 tonnes grading 1.15% Li2O has been traced on surface by the Company personnel for nearly 200m, and was defined by historic drilling over 350m. The historic drill logs show that the deposit is open to the east and there is plenty of room to complete a number of drill holes in hopes of adding to the resource.

South Zone

The South Zone was also drilled in the 1950's but not to the extent of the North Zone. This area of interest appears to have the highest spodumene content discovered on the property and will continue to be a focus of the company's exploration efforts.

Option Agreement with Ardiden Limited

On December 14, 2016, the Company entered into an option agreement with Ardiden Limited ("Ardiden") whereby Ardiden has an option to acquire 100% interest of the Wisa Lake property by paying the following:

a) C$30,000 within five days of signing (received);
b) C$50,000 on the due diligence completion date on June 30, 2017
c) C$220,000 worth of common shares of Ardiden with Ardiden having the right to pay C$220,000 in a combination of cash and shares at their discretion;

In addition, the Company will retain a 2% Net Smelter Royalty ("NSR") and Ardiden will have the right to purchase or buy back 1% of the NSR for C$500,000.

(c) Champion Graphite

The 100% owned Champion Graphite property is located 60km north of Kenora, Ontario, Canada and consists of 29 units in 2 unpatented mining claims. The Company acquired the project in May 201 from Benton Resources Inc. ("Benton") (a company related by common directors and officers) by paying to Benton 1 million common shares of the Company and subject to a 2% Net Smelter Royalty ("NSR") in favour of Benton, one-half of which (1%) can be bought back by the Company for $500,000.

The staked ground covers a large concentration of airborne electromagnetic (EM) anomalies hosted in metasediments. The airborne survey was conducted by Dighem Surveys & Processing Inc in 1989 on behalf of Champion Bear Resources Ltd. Dighem describes the anomalous area as consisting of numerous sub-parallel bedrock conductors of variable strength associated with a highly complex magnetic unit (MNDM assessment files). A year prior to the airborne geophysical survey, historical trenching was conducted by Bellwether Resources Ltd. in 1988. The trenching uncovered graphite occurrences where channel samples returned weighted average grades of up to 1.76% carbon over 25.0m (MNDM assessment files).

The Company's field personnel made an initial visit to the property in the spring of 2016 to ground truth a number of the EM anomalies. Using a geophysical instrument designed by Geonics Limited in 1963 known has the Ronka EM 15, the Company identified and confirmed multiple individual conductive zones associated with flake graphite in overburden covered areas. Seven small individual holes dug to bedrock at a depth of approximately 1m over a distance of approximately 1.3km across stratigraphy has identified flake graphite that graded from 1.7% to 8.98% Carbon. the Company is very encouraged with these initial grab samples yet cautions that all the sampling results above are selective grab samples and may not be reflective of the average grade of any of these identified zones.

Permit applications for stripping/trenching and eventual drilling have been obtained from the Ministry of Northern Development and Mines (MNDM).

In August 2016, the Company received the results of the surface channel sampling program completed on the project. A total of 5 trenches were completed intermittently over a distance of approximately 1km, ranged from 9m to 94m long and 2m wide and were excavated perpendicular to the strike of the stratigraphy. Each trench, oriented in a northwesterly direction, tested a separate parallel airborne electromagnet anomalies with the exception of Trench 1 which was oriented east west and designed to cross folded stratigraphy. A total of 114 channel samples, of which 112 were 2m in length, were cut from the bedrock and composite assays are listed in the following table:

Trench No	Graphitic Carbon %	Length (m)	Comments
Trench 1	2.89	4.0	open to NW and SE
and	4.19	4.0	open to NW and SE
and	5.96	1.5	open to NW and SE
and	1.86	14.0	
incl	3.01	8.0	
Trench 2	1.16	18.0	
incl	1.40	12.0	
incl	2.00	4.0	
and	2.37	8.0	open to south
Trench 3	2.70	18.0	open to south
incl	2.33	8.0	
and	6.51	4.0	open to south
and	2.50	30.0	open to north
incl	3.65	6.0	open to north
incl	3.96	12.0	
and	4.76	16.0	open to south
incl	6.40	6.0	open to south
Trench 4	1.10	4.0	open to south
Trench 5	3.23	8.0	open to north and south

Individual assays of the 2m cut samples ranged from trace to 8.19% graphitic carbon. Many of the highly mineralized zones ended due to deeper overburden conditions and remain open for expansion. The graphitic mineralization is vertically dipping or close to it and as such the lengths of the composites listed above are close to true thickness. As well, a minimum of 7 strong parallel airborne electromagnetic anomalies ranging from 500 to 2000m long have yet to be investigated.

The surface channel samples were submitted to Activation Laboratories Ltd. (“Actlabs”), that is ISO 17025 accredited, in Thunder Bay, ON where they were prepped. The pulverized samples were then sent to Actlabs in Ancaster where the samples were analyzed using their 4F-C graphitic carbon infrared technique.

Channel sample rejects have been sent for metallurgical testing that will include graphite recoveries, impurities analysis, and flake size distribution.

(d) Goodchild Cu-Ni-PGM Property

The 100% owned Goodchild copper-nickel property was acquired by the Company by staking. The property consists of 209 claim units located 10km north of the town of Marathon, Ontario. At June 30, 2016 the Company had deferred exploration and evaluation costs totalling $1 (June 30, 2015 - $1) and wrote-down $678,771in costs due to no current work planned on the project during the 2015 year.

The Goodchild property covers a very large airborne magnetic anomaly measuring approximately 5km by 8km and represents the Goodchild ultramafic intrusion. A geophysical airborne survey flown in the late 1980’s showed multiple coincidental electro-magnetic anomalies throughout the centre and along the margins of the intrusion. Early limited prospecting by the Company yielded values as high as 12.6% Ni, 2.4% Cu, 0.3% Co and 2 g/t PGE’s in select grab samples.

The Company completed a 957 line km airborne VTEM survey, linecutting, geological mapping, prospecting and ground geophysics to help prioritize diamond drill targets. Diamond drilling of priority targets was completed in October of 2008. This first phase of drilling identified several areas of anomalous Nickel and Copper and a second phase drill program was completed in the spring of 2009. To date drilling has confirmed that the property has consistent anomalous zones of mineralization but additional targets need to be tested to take the property further.

Visual and microscopic analysis of the Company's Goodchild drill core has identified abundance of the mineral Awaruite. The Company has received results from 7 core samples that represent 45m of serpentinized ultramafic material sampled from historical drill hole GC08-08. The samples, sent to Activation Laboratories Ltd in Thunder Bay, Ontario, were analyzed using fusion x-ray fluorescence (XRF) followed by Davis tube magnetic separation. The XRF returned assays ranging from 0.291 to 0.314% NiO (nickel oxide) and the subsequent magnetic concentrates recovered by the Davis tube method returned nickel grades of 0.303 to 1.48% NiO equating to 0.035 to 0.105% recoverable nickel. The Company currently has no further exploration plans for the project given its proposed acquisition of Folium. The project will be sold, optioned or allowed to lapse.

Clinton Barr (P. Geo.) is the qualified person who has reviewed the above information.

SUMMARY OF QUARTERLY RESULTS

Quarter Ended	Net Loss $	Net Loss and Basic and Diluted Per share $
December 31, 2016	(213,732)	-
September 30, 2016	(444,173)	(0.01)
June 30, 2016	(312,407)	(0.01)
March 31, 2016	(16,837)	-
December 31, 2015	(58,147)	-
September 30, 2015	(27,038)	-
June 30, 2015	(747,821)	(0.02)
March 31, 2015	(48,185)	-

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, temporary investments, accounts and other receivables, and accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

LIQUIDITY AND CAPITAL RESOURCES

The Company has a net working capital as at December 31, 2016 of $507,310 (June 30, 2016- $773,432) and cash on hand of $529,120 (June 30, 2016- $205,717), temporary investments of $nil (June 30, 2016 - $692,417) and a deficit of $9,373,036 (June 30, 2016 - $8,715,131).

The Company's condensed consolidated interim financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and/or generate continued financial support in the form of equity financings. Management feels that sufficient working capital will be obtained from public share offerings to meet the Company's liabilities and commitments as they come due. The consolidated financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

The recovery of amounts shown as exploration and evaluation assets is dependent upon the discovery of economically recoverable resources, the ability of the Company to obtain adequate financing to complete development, and upon future profitable operations from the properties or proceeds from the dispositions thereof.

The Company currently has no operations that generate cash flow and its long-term financial success is contingent upon management's ability to locate economically recoverable resources. This process can take many years to complete, cannot be guaranteed of success, and is also subject to factors beyond the control of management. Factors such as commodity prices, the health of the equity markets and the track record and experience of management all impact the Company's ability to raise funds to complete exploration and development programs.

CAPITAL MANAGEMENT

The Company's objectives when managing capital are as follows:

i) To safeguard the Company's ability to continue as a going concern;
ii) To raise sufficient capital to finance its exploration and development activities on its mineral exploration properties;
iii) To raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it based on the general economic conditions, its short-term working capital requirements, and its planned exploration and development program expenditure requirement. The capital structure of the Company is composed of working capital and shareholders' equity. The Company may manage its capital by issuing flow through or common shares, or by obtaining additional financing.

The Company utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the budgets underlying assumptions as necessary.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both current and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the date of the statement of financial position 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:

i. the recoverability of amounts receivable and prepayments which are included in the consolidated statements of financial position;

ii. the carrying amount and recoverability of exploration and evaluation expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off to profit or loss in the period the new information becomes available;

iii. the inputs used in accounting for share-based payment expense in the audited consolidated statement of comprehensive loss; and

v. the provision for (recovery of) income taxes which is included in the consolidated statements of comprehensive loss and composition of deferred income tax assets and liabilities included in the consolidated statements of financial position at December 31, 2016.

Critical accounting judgments

The following accounting policies involve judgments or assessments made by management:

- The determination of categories of financial assets and financial liabilities;
- The determination of a cash-generating unit for assessing and testing impairment;
- The allocation of exploration costs to cash-generating units; and
- The determination of when an exploration and evaluation asset moves from the exploration stage to the development stage.
- The point at which management determines that the decline in value of its equity investment is other than temporary.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not participated in any off-balance sheet or income statement arrangements.

RELATED PARTY TRANSACTIONS

For details, please refer to note 6 of the financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

Statement of Compliance and Conversion to International Financial Reporting Standards ("IFRS")

These condensed consolidated interim financial statements, including comparatives, have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") in effect as of December 31, 2016.

RISKS AND UNCERTAINTIES

Nature of Mineral Exploration and Mining

At the present time, the Company does not hold any interest in a mining property in production. The Company's viability and potential success lie in its ability to discover, develop, exploit and generate revenue out of mineral deposits. The exploration and development of mineral deposits involve significant financial risks over a significant period of time which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mine may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the current or proposed exploration programs on exploration properties in which the Company has an interest will result in a profitable commercial mining operation.

The operations of the Company are subject to all of the hazards and risks normally incidental to exploration and development of mineral properties, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage. The activities of the Company may be subject to prolonged disruptions due to weather conditions depending on the location of operations in which the Company has interests. Hazards, such a unusual or unexpected formation, rock bursts, pressures, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks is such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and, potentially, its financial position.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as its size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Fluctuating Prices

Factors beyond the control of the Company may affect the marketability of any copper, nickel, gold, platinum or any other minerals discovered. Resource prices have fluctuated widely and are affected by numerous factors beyond the Company's control. The effect of these factors cannot accurately be predicted.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and acquisition of attractive mineral properties. The ability of the Company to acquire properties in the future will depend not only on its ability to develop its present properties, but also on its ability to select and acquire suitable properties or prospects for mineral exploration. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects.

Financing Risks

The Company has limited financial resources and no current revenues. There is no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the property interests of the Company with the possible dilution or loss of such interests.

Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. The Company believes that it presently holds all necessary licenses and permits required carrying on with activities which it is currently conducting under applicable laws and regulations and the Company believes it is presently complying in all material respects with the terms of such laws and regulations. However, such laws and regulations are subject to change. There can be no assurance that the Company will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations at its projects.

No Assurance of Titles

The acquisition of title to mineral projects is a very detailed and time consuming process. Although the Company has taken precautions to ensure that legal title to its property interests is properly recorded in the name of the Company where possible, there can be no assurance that such title will ultimately be secured. Furthermore, there is no assurance that the interest of the Company in any of its properties may not be challenged or impugned.

Environmental Regulations

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 mineral exploration and mining operations, 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 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 a potential to reduce the profitability of operations.

Conflicts of Interest

The directors and officers of the Company may serve as directors or officers of other public resource companies or have significant shareholdings in other public resource companies. Situations may arise in connection with potential acquisitions and investments where the other interests of these directors and officers may conflict with the interest of the Company. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director is required by the *Business Corporations Act* (Ontario) to disclose the conflict of interest and to abstain from voting on the matter.

From time to time several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

MANAGEMENT

The Company is dependent on a relatively small number of key people, the loss of any of whom could have an adverse effect on its operations. Any key person insurance which the Company may have on these individuals may not adequately compensate for the loss of the value of their services. Changes in management since the beginning of the year are summarized as follows:

Current directors:	Stephen Stares	Director	Appointed December 3, 2003
	John Harper	Director	Appointed May 23, 2012
	William Harper	Director	Appointed March 23, 2009
	Allan Laboucan	Director	Appointed November 24, 2016
	Gennen McDowall	Chairman and Director	Appointed November 25, 2016
	Emily Hanson	Director	Appointed January 19, 2017
Former directors:	Tim Oliver	Director	Resigned October 3, 2016
	Clinton Barr	Director	Resigned January 19, 2017
Current officers:	Allan Laboucan	President and CEO	Appointed October 27, 2016
	Albert Wu	CFO	Appointed December 16, 2016
	Emily Hanson	VP Exploration	Appointed January 19, 2017
Former officers:	Tim Oliver	President and CEO	Resigned October 3, 2016
	Stephen Stares	President and CEO	Re-appointed October 3, 2016 Resigned October 27, 2016
	Evan Assetlstine	CFO	Resigned December 16, 2016
	Clinton Barr	VP Exploration	Resigned January 19, 2017

MATERIAL CONTRACT

On October 25, 2016, the Company entered into a Consulting Agreement with Allan Laboucan ("Consultant") whereby the Consultant agreed to act as President and Chief Executive Officer of the Company. In consideration, the Company agreed, among other terms, to pay the Consultant an annual salary of $100,000for a period of one year, renewable annually. Under the agreement, the Consultant is eligible to earn bonus shares as follows:

(a) 200,000 bonus shares if the Company reaches a market capitalization of $20,000,000 for 10 consecutive trading days;
(b) a further 200,000 bonus shares if the Company reaches a market capitalization of $40,000,000 for 10 consecutive trading days;
(c) a further 200,000 bonus shares if the Company reaches a market capitalization of $60,000,000 for 10 consecutive trading days;
(d) a further 200,000 bonus shares if the Company reaches a market capitalization of $80,000,000 for 10 consecutive trading days;

The Consultant is also eligible for stock options to be granted by the Company from time to time. The Company may terminate the agreement at any time by giving a Notice of Termination. If the Company terminates the agreement for any reason other than cause, the Company will pay the Consultant an amount equal to six months salary. If the Company terminates the agreement for any reason other than cause after change of control, the Company will pay the Consultant 200,000 shares. In addition, the Consultant is entitle to exercise his stock options the later of one year from the date of change of control and the date which is three months after the Consultant's stock options have been vested.

INVESTOR RELATIONS ACTIVITIES

In August 2016, the Company engaged Daniel Boase to provide investor relations services for a monthly fee of $6,000 plus HST. The agreement is for an initial term of 12 months but can be terminated by either party after 6 months with the provision of notice of termination. In addition, the Company granted 400,000 stock options at an exercise price of $0.35 for a period of 5 years vesting in accordance with the Company's stock option plan. This agreement was terminated in December 2016.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com.

LATEST OUTSTANDING SHARE DATA

Share capital as of date of this report:

Authorized:

Class A common - unlimited
Class B common - unlimited
Common shares - unlimited

Issued:

Class A common - nil
Class B common - nil
Common shares - The Company has the following common shares issued and outstanding:

Common shares	Number of Shares	Amount
Balance, December 31, 2016	44,860,178	$2,813,462
Additions	-	-
Balance, date of this report	44,860,178	$2,813,462

Stock Options	Number of Options	Average Exercise price
Balance, December 31, 2016	7,200,500	$0.16
Cancelled	(150,000)	0.13
Balance, date of this report	7,050,500	$0.16

Options outstanding and exercisable at date of this report are as follows:

Expiry Date	Exercise Price	Number of Options	Options Exercisable
September 4, 2017	$0.30	912,500	912,500
February 3, 2019	$0.20	1,500,000	1,500,000
August 21, 2021	$0.07	2,395,000	1,197,500
May 26, 2021	$0.35	200,000	100,000
July 27, 2021	$0.39	300,000	150,000
December 12, 2021	$0.13	1,743,000	435,750
		7,050,500	4,295,750

Warrants	Number of Warrants	Average Exercise Price
Balance, December 31, 2016	4,468,566	$0.20
Additions	-	-
Balance, date of this report	4,468,566	$0.20

Warrants outstanding at date of this report are as follows:

Expiry Date	Number of Warrants	Exercise Price
October 17, 2018	1,899,733	$0.20
November 7, 2018	2,568,833	$0.20
	4,468,566	$0.20

SUBSEQUENT EVENT

Subsequent to December 31, 2016, 150,000 stock options exercisable at the price of $0.13 per share were cancelled.