



**DISCOVERY-CORP ENTERPRISES INC.**  
**(an exploration stage company)**

**Management's Discussion & Analysis**

**For the period ended  
January 31, 2016**



**Stated in  
Canadian dollars**

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January 31, 2016**

*The following discussion and analysis of the operations, results, and financial position of the Company for the period ended January 31, 2016 and should be read in conjunction with the July 31, 2015 Audited Consolidated Financial Statements and the related Notes. The effective date of this report is March 22, 2016. All amounts are expressed in Canadian dollars unless otherwise noted.*

## **INTERIM REPORTING**

The condensed consolidated interim financial statements of Discovery-Corp Enterprises Inc. (an exploration stage company) are the responsibility of the Company's management. The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available. The financial information contained elsewhere in this report has been reviewed to ensure consistency with the condensed consolidated interim financial statements.

Management maintains systems of internal control designed to provide reasonable assurance that the assets are safeguarded, all transactions are authorized and duly recorded, and financial records are properly maintained to facilitate the preparation of financial statements in a timely manner. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee.

The accompanying unaudited condensed consolidated interim financial statements of Discovery-Corp Enterprises Inc. ("the Company"), for the six months ended January 31, 2016, have been prepared by management and have not been subject to a review by the Company's independent auditor.

In the opinion of the Company's management, all adjustments considered necessary for a fair presentation of these unaudited condensed consolidated interim financial statements have been included and all such adjustments are of a normal recurring nature. Operating results for the six month period ended January 31, 2016 are not necessarily indicative of the results that can be expected for the fiscal year ending July 31, 2016.

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto for the fiscal year ended July 31, 2015.

## **OVERVIEW**

Discovery-Corp Enterprises Inc. (the "Company") was incorporated under the laws of British Columbia on May 6, 1986 and maintains its head office and registered office at Suite 1108 - 193 Aquarius Mews, Vancouver, British Columbia, Canada, V6Z 2Z2. The Company is an exploration stage company engaged in the exploration for base and precious metals. The Company holds an undivided 50% interest in the mineral rights associated with Rock Creek Ranch located in Humboldt County, Nevada, USA. The company's Galaxy property is located in the Kamloops Mining Division in southern British Columbia, Canada. The property is comprised of two Crown granted mineral claims and seven two-post legacy mineral claims that cover an area of approximately 90 hectares. The legacy claims are 100% owned by Discovery-Corp Enterprises Inc. The Company's shares trade on the TSX Venture Exchange under the trading symbol DCY.V.



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### **FORWARD LOOKING STATEMENTS**

The Management Discussion and Analysis is based on a review of the Company's operations, financial position and plans for the future based on facts and circumstances as of January 31, 2016. Except for historical information or statements of fact relating to the Company, certain information contained herein constitutes forward looking statements. Forward looking statements are based on the opinions, plans and estimates of management at the date the statements are made and are subject to a variety of risks, uncertainties and other factors that could cause the actual results to differ materially from those projected by such statements. The primary risk factors affecting the Company are discussed further under the heading "Risk Factors" below. The Company undertakes no obligation to update forwarding looking statements if circumstances or management's estimates, plans or opinions should change. The reader is cautioned not to place undue reliance on forwarding looking statements.

### **SELECTED ANNUAL INFORMATION**

The following are highlights of financial data on the Company for the most recently completed three financial years:

Expressed in Canadian \$

|                              | July 31, 2015 | July 31, 2014 | July 31, 2013 |
|------------------------------|---------------|---------------|---------------|
| Loss before other items      | (622,302)     | (363,476)     | (501,167)     |
| Total comprehensive (loss)   | (292,405)     | (690,499)     | (497,645)     |
| (Loss) income per share      | (0.006)       | (0.014)       | (0.010)       |
| Total assets                 | 244,828       | 367,805       | 456,200       |
| Total liabilities            | 13,364        | 22,881        | 18,832        |
| Working capital (deficiency) | 202,548       | 316,008       | 408,452       |

### **SUMMARY OF QUARTERLY RESULTS**

| Quarter Ended                          | 2016                    | 2015                    |                         |                         |                         | 2014                    |                         |                         |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|  | Jan. 31<br>Q2<br>(IFRS) | Oct. 31<br>Q1<br>(IFRS) | Jul. 31<br>Q4<br>(IFRS) | Apr. 30<br>Q3<br>(IFRS) | Jan. 31<br>Q2<br>(IFRS) | Oct. 31<br>Q1<br>(IFRS) | Jul. 31<br>Q4<br>(IFRS) | Apr. 30<br>Q3<br>(IFRS) |
| Income (Loss)<br>Before Other<br>Items | (58,400)                | (79,289)                | (482,593)               | (45,473)                | (46,279)                | (47,957)                | (62,740)                | (64,737)                |
| Net Income<br>(Loss)                   | (58,289)                | (79,178)                | (482,508)               | (45,393)                | (46,059)                | (47,686)                | (62,485)                | (64,332)                |
| Comprehensive<br>gain (loss)           | (58,289)                | (79,178)                | (58,115)                | (83,484)                | (80,086)                | (70,720)                | (203,401)               | (252,657)               |
| Loss (Gain) Per<br>Share               | (0.001)                 | (0.001)                 | (0.001)                 | (0.002)                 | (0.002)                 | (0.001)                 | (0.004)                 | (0.005)                 |



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### **OVERALL PERFORMANCE FOR THE PERIOD ENDED JANUARY 31, 2016**

Management will continue investigating new exploration opportunities identified as having favorable potential to enhance the Company's resource property interests. Discovery-Corp's 43-101 Technical Report on its Galaxy Project is available for viewing on SEDAR and the Company's website [www.discovery-corp.com](http://www.discovery-corp.com). The technical information was approved by Christopher Naas, P. Geo, a qualified person as defined by NI 43-101 and is not independent of Discovery-Corp.

### **RESULTS OF OPERATION FOR THE PERIOD ENDED JANUARY 31, 2016**

*The review of results should be read in conjunction with the Audited Consolidated Financial Statements of the Company for the fiscal years ended July 31, 2015 and 2014.*

The comprehensive loss for the period ended January 31, 2016 was \$58,289 or \$(0.001) per share compared to a comprehensive loss of \$80,086 for the period ended January 31, 2015 or \$(0.002) per share. The decrease in comprehensive loss is due to the significant change in fair value of marketable securities that had a \$20,142 decrease in value compared to a \$34,027 decrease in value for the three month period ended January 31, 2015. The \$20,142 has been impaired through the January 31, 2016 profit and loss and is a non-cash item.

Administration expenses for the period ending January 31, 2016 were \$38,258 compared to \$43,071 in 2015. The administration expenses for the Company expressed in Canadian dollars are broken down as follows:

|   | Three Month<br>Period ended<br>Jan. 31,<br>2016 | Six Month<br>Period ended<br>Jan.31,<br>2016 | Three Month<br>Period ended<br>Jan. 31,<br>2015 | Six Month<br>Period ended<br>Jan. 31,<br>2015 |
|---|---|--|---|---|
| Share-based payment expense (Note 8)    | \$ -  | \$ -   | \$ -  | \$ -  |
| Consulting fees (Note 9)                | <b>28,500</b>                                   | 57,000                                       | 31,000  | 66,000  |
| Professional fees                       | <b>1,582</b>                                    | 3,521  | 1,760   | 1,921   |
| Travel                                  | -   | -  | -   | -   |
| Rent                                    | <b>4,500</b>                                    | 9,000  | 4,500   | 9,000   |
| Listing, filing and transfer agent fees | <b>2,243</b>                                    | 6,164  | 3,922   | 6,267   |
| Office and miscellaneous                | <b>1,117</b>                                    | 2,444  | 1,349   | 2,461   |
| Shareholder and investor relations      | <b>224</b>                                      | 889  | 454   | 1,077   |
| Bank charges and interest               | <b>92</b>                                       | 302  | 86  | 262   |
|   | <b>\$ 38,258</b>                                | \$ 79,320                                    | \$ 43,071                                       | \$ 86,988                                     |

The nil share-based expense is not paid in cash and is the result of issuing no stock options during the period. Investor relations and travel remain constant at under \$1,000 for the period.

The Company's exploration work was less active in 2016 decreasing from \$3,208 in 2015 to nil in 2016. Interest income decreased from \$220 in 2015 to \$111 in 2016.



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***OPERATION RESULTS FOR THE 1<sup>st</sup> QUARTER ENDED JANUARY 31, 2016 COMPARED TO 1<sup>st</sup> QUARTER ENDED JANUARY 31, 2016***

Comprehensive loss for the 2<sup>nd</sup> Quarter ended January 31, 2016 was \$58,289 a decreased loss of \$21,797 when compared to the 2<sup>nd</sup> Quarter of 2015 Comprehensive loss of \$80,086. This decreased loss is the decrease in the fair value of GRIT marketable securities held by the company. The Loss Before Other Items for the 2<sup>nd</sup> Quarter 2016 of \$58,289 represents an increase of \$12,230 when compared to the 2<sup>nd</sup> Quarter of 2015 Loss Before Other Items \$46,059. The increase occurred as \$20,142 of GRIT shares were impaired during the three month period ended January 31, 2016.

***RESOURCE PROPERTIES***

|   | January 31, 2016 | July 31, 2015 |
|---|------------------|---------------|
| Galaxy Property, British Columbia, Canada | \$ 20,916        | \$ 20,916     |

**Galaxy Property, British Columbia, Canada**

The Company holds an undivided 100% interest in seven mineral claims and two Crown-granted mineral claims in the Kamloops Mining Division of British Columbia, Canada, known as the Galaxy Property.

**Rock Creek, Nevada, USA**

The Company holds a 50% interest in the property. The Company has written off the property for accounting purposes, but retains its interest for viable projects in the future.

***Exploration Expenditures***

The exploration expenses for the Company expressed in Canadian dollars are broken down as follows:

|  | Three Month<br>Period Ended<br>January 31, 2016 | Three Month<br>Period Ended<br>January 31, 2015 |
|--|---|---|
| Consulting, planning and mapping drill program | \$ -  | \$ 3,208  |
|  | \$ -  | \$ 3,208  |

***LIQUIDITY AND WORKING CAPITAL***

***Working Capital***

The Company has working capital of \$65,081 at January 31, 2016. The working capital includes \$42,210 of cash, \$22,346 of marketable securities and \$1,654 in receivables. The Company believes the working capital is sufficient to meet its on-going obligations and general operating expenses for the 2016 fiscal year.



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## ***LIQUIDITY AND WORKING CAPITAL (continued)***

### ***Cash flow***

Cash utilized in operations was \$48,761 for the three months ended January 31, 2016 compared to \$63,390 for the three months ended January 31, 2015. There were no financing activities in the three months ended January 31, 2015 or January 31, 2016.

At this time the Company has no operating revenues. Historically, the Company has raised funds through equity financing and the exercise of options and warrants to fund its operations. Financing through the issuance of common shares is affected by certain market conditions including the price of metals. The market price of metals is highly speculative and volatile. Instability in the market price may affect investor interest in mining stocks. If the metal prices substantially decline, this may adversely affect the Company's ability to raise sufficient capital to fund operations including exploration.

### ***CRITICAL ACCOUNTING ESTIMATES***

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim 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 may affect both the period of revision and future periods.

Significant assumptions about the future and other sources of estimation uncertainty that management has made 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.

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and include, but are not limited to, the following:

#### **Share-based payments**

The fair value of share-based payments are subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

#### **Recovery of deferred tax assets**

The Company estimates the expected manner and timing of the realization or settlement of the carrying value of its assets and liabilities and applies the tax rates that are enacted or substantively enacted on the estimated dates of realization or settlement. In assessing the probability of realizing income tax assets, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.



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### ***CRITICAL ACCOUNTING JUDGMENTS***

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements include, but are not limited to, the following:

#### Mining exploration tax credit

The Company is eligible for refundable tax credits on qualified resource expenditures incurred in the province of British Columbia. Management's judgment is applied in determining whether the resource expenditures are eligible for claiming such credits.

#### Exploration and evaluation assets

Management is required to make judgments on the status of each mineral property and the future plans with respect to finding commercial reserves. Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Estimates and assumptions made in the realization of the Company's investment in mineral property interests may change if new information becomes available. New information may become available during the use of these assets that causes the Company to adjust its estimates.

#### Impairment of marketable securities

Management assesses at each reporting date to determine whether there is any objective evidence that marketable securities are impaired. Marketable securities are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows.

Management applies judgment in determining impairment by considering whether the decline in fair value is both significant and prolonged. All impairment losses are recognized in profit or loss. During the year ended July 31, 2015, the cumulative unrealized losses in the value of marketable securities were determined to be other-than-temporary. Therefore, the cumulative unrealized losses of \$429,285 have been impaired through profit and loss, with \$329,241 of the impairment being recycled from accumulated other comprehensive income. In the first six months of 2016 a further impairment of \$58,369 for a total impairment of \$487,654 leaving a fair value of \$22,346 remaining as of January 31, 2016.

### ***Pending Accounting Pronouncements***

Certain new standards, interpretations, amendments and improvements to the existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning August 1, 2014 or later periods. The standards impacted that are applicable to the Company are as follows:

#### *IFRS 9 Financial Instruments (2014)*

This is a finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing [IAS 39 Financial Instruments: Recognition and Measurement](#). The standard contains requirements in the following areas:



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***Pending Accounting Pronouncements (continued)***

- **Classification and measurement.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a “fair value through other comprehensive income” category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39; however, there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment.** The 2014 version of IFRS 9 introduces an “expected credit loss” model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures
- **Derecognition.** The requirements for the derecognition of financial assets and liabilities are carried forward from **IAS 39**.

Applicable to annual period beginning on August 1, 2018.

***Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)***

Amends IAS 32 *Financial Instruments: Presentation* to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:

- the meaning of “currently has a legally enforceable right of set-off”
- the application of simultaneous realization and settlement
- the offsetting of collateral amounts
- the unit of account for applying the offsetting requirements.

Applicable to annual period beginning on August 1, 2016

***FINANCIAL INSTRUMENTS***

The Company classifies its financial instruments as follows: cash, as financial assets at FVTPL; marketable securities as AFS; reclamation bonds, as held-to-maturity; and accounts payable and accrued liabilities, as other financial liabilities. With the exception of cash and marketable securities, all financial instruments held by the Company are measured at amortized cost.

The carrying values of cash and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments. Marketable securities are recorded at market value based on quoted market prices.

**(a) Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations. The Company limits exposure to credit risk by maintaining its cash with major financial institutions.





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**FINANCIAL INSTRUMENTS (continued)**

(b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities.

At January 31, 2016, the Company had cash of \$ 42,210 (July 31, 2015 - \$129,760) available to apply against short-term business requirements and current liabilities of \$1,654 (July 31, 2015 - \$13,364). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(c) Market Risk

Market risk is the risk that the fair value or future cash flows from the Company's financial instruments will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk. The Company holds 280,449 Global Resource Investment Trust, plc ("GRIT") common shares traded on the London Stock Exchange and as such the Company is exposed to significant market risk.

On March 4, 2014, the Company entered into a share exchange agreement with GRIT, an arm's length party, listed on the London Stock Exchange. The Company has received 280,449 ordinary shares of GRIT Shares at a deemed value of £1.00 per GRIT Share for a total value of £280,449 (\$510,000). The Company will seek to maximize the proceeds it receives from the sale of its GRIT Shares; there is no assurance as to the timing of disposition or the amount that will be realized. Funds realized from the sale of the GRIT Shares will be used by the Company for working capital.

The fair value of the shares is based on the quoted market price on the London Stock Exchange. During the year ended July 31, 2015, the cumulative unrealized losses in the value of marketable securities were determined to be other-than-temporary. Therefore, the cumulative unrealized losses of \$429,285 have been impaired through profit and loss, with \$329,241 of the impairment being recycled from accumulated other comprehensive income.

|                  | GRIT Share Cost | Market Value<br>Adjustment | Fair Value |
|------------------|-----------------|----------------------------|------------|
| January 31, 2016 | \$ 42,488       | \$ (20,142)                | \$ 22,346  |
| October 31, 2015 | \$ 80,715       | \$ (38,227)                | \$ 42,488  |
| July 31, 2015    | \$ 510,000      | \$ (429,285)               | \$ 80,715  |
| April 30, 2015   | \$ 510,000      | \$ (424,393)               | \$ 85,607  |
| January 31, 2015 | \$ 510,000      | \$ (386,302)               | \$ 123,698 |
| October 31, 2014 | \$ 510,000      | \$ (352,275)               | \$ 157,725 |

The Company's sensitivity analysis suggests that a 70% change in market prices would change comprehensive loss by \$15,643. The Company's exposure to and management of credit risk, liquidity risk and market risk related to financial instruments above have not changed materially since July 31, 2015.



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## ***RISK FACTORS***

The reader is cautioned that the following description of risks and uncertainties is not all-inclusive as it pertains only to conditions currently known to management. There can be no guarantee, or assurance, that other factors will or will not adversely affect the Company.

### ***Risks Inherent in the Exploration and Development Business***

Exploration and development involve a high degree of risk and few properties are ultimately developed into producing mines. There is no assurance that the Company's future exploration and development activities will result in any discoveries of commercial bodies of ore. Whether an ore body will be commercially viable depends on a number of factors including the particular attributes of the deposit such as size, grade and proximity to infrastructure, as well as mineral prices and government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in a mineral deposit being unprofitable. Availability of skilled people, equipment and infrastructure (including roads, posts, power supply) can constrain the timely development of a mineral deposit.

Even after the commencement of mining operations such operations may be subject to risks and hazards, including environmental hazards, industrial accidents, unusual or unexpected geological formations, ground controls problems and flooding. The occurrence of any of the foregoing could result in damage to or destruction of mineral properties and production facilities, personal injuries, environmental damage, delays or interruption of production, increases in production costs, monetary losses, legal liability and adverse governmental action. Insurance coverage against certain risks, including certain liabilities for environmental pollution, may not be available to the Company or to other companies within the industry. In addition, insurance coverage may not continue to be available at economically feasible premiums, or at all. Any such event could have a material adverse effect on the Company.

### ***Environmental***

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the resource properties, the potential for production on the property may be diminished or negated.



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## ***RISK FACTORS (continued)***

### ***Title***

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all its properties are in good standing. However, such properties may be subject to prior agreements or transfer and title may be affected by undetected defects.

### ***Realization***

The investment in resource properties comprises a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the confirmation of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

### ***Competition for Mining Properties***

The mining industry in which the Company is engaged is in general, highly competitive. Competitors include well-capitalized mining companies, independent mining companies and other companies having financial and other resources far greater than those of the Company. The Company competes with other mining companies in connection with the acquisition of mineral properties. In general, properties with a higher grade of recoverable mineral with economically viable deposits afford the owners a competitive advantage in that the cost of production of the final mineral product is lower. Thus, a degree of competition exists between those engaged in the mining industry to acquire the most valuable properties. As a result, the Company may eventually be unable to acquire attractive mining properties.

### ***Seasonality***

Currently the Company's exploration has been focused on the Galaxy Property in British Columbia. The property lies within an area that is semi-arid, with hot summers, little rainfall and with temperatures typically exceeding 30° C during summer months. Winters are relatively mild with little snowfall and with average temperatures just below freezing. Short "cold-snaps" where temperatures drop to -20° C are common. Although winter may last from November to April, exploration is possible year-round. In the summer months access to the property may be limited if there are access restrictions imposed to monitor the risks of forest fires.

### ***Financing and Market price***

Historically, the Company has raised funds through equity financing and the exercise of options and warrants to fund its operations. Financing through the issuance of common shares is affected by certain market conditions including the price of metals. The market price of metals is highly speculative and volatile. Instability in the market price may affect investor interest in mining stocks. If the metal prices substantially decline, this may adversely affect the Company's ability to raise sufficient capital to fund operations including exploration. The current uncertain global market conditions have significantly reduced the Company's ability to finance operations.



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## **OUTSTANDING SHARE DATA**

The Company is authorized to issue an unlimited number of common shares without par value. As at March 22, 2016, the Company had 55,170,962 common shares issued and outstanding.

### **Warrants**

During the year ended July 31, 2015, the Company closed a non-brokered private placement of 2,000,000 units ("Units") at a price of \$0.08 per Unit for total gross proceeds of \$160,000 (the "Offering"). Each Unit consists of one common share ("Share") and one share purchase warrant of the Company ("Warrant"). Each Warrant will entitle the holder to purchase an additional Share in the capital of the Company (a "Warrant Share") at an exercise price of \$0.10 per Warrant Share until June 16, 2017. The warrants were valued at \$nil using the residual valuation model on the date of issue. The Company did not pay finders' fees or issue finders' warrants with respect to the Offering. The proceeds from the Offering will be used for working capital.

The Company has the following share purchase warrants that are outstanding and exercisable at January 31, 2016:

|                                  | January 31, 2016   |                                 | July 31, 2015      |                                 |
|----------------------------------|--------------------|---------------------------------|--------------------|---------------------------------|
|                                  | Number of warrants | Weighted Average Exercise Price | Number of warrants | Weighted Average Exercise Price |
| Outstanding, beginning of period | 2,000,000          | \$ 0.10                         | -                  | -                               |
| Issued                           | -                  | -                               | 2,000,000          | \$ 0.10                         |
| Outstanding, end of period       | 2,000,000          | \$ 0.10                         | 2,000,000          | \$ 0.10                         |

### **Stock Options**

The Company has the following stock options that are outstanding and exercisable at January 31, 2016:

| Expiry Dates       | Exercise Price | January 31, 2016              |                               | July 31, 2015                 |                               |
|--------------------|----------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
|                    |                | Outstanding Number of Options | Exercisable Number of Options | Outstanding Number of Options | Exercisable Number of Options |
| February 2, 2017   | \$ 0.10        | 2,975,000                     | 2,975,000                     | 2,975,000                     | 2,975,000                     |
| May 17, 2017       | \$ 0.10        | 175,000                       | 175,000                       | 175,000                       | 175,000                       |
| August 25, 2017    | \$ 0.12        | 500,000                       | 500,000                       | 500,000                       | 500,000                       |
| September 23, 2018 | \$ 0.12        | 800,000                       | 800,000                       | 800,000                       | 800,000                       |
| January 17, 2019   | \$ 0.12        | 150,000                       | 150,000                       | 150,000                       | 150,000                       |
|                    |                | 4,600,000                     | 4,600,000                     | 4,600,000                     | 4,600,000                     |

The weighted average remaining contractual life of options outstanding at January 31, 2016 is 1.43 (July 31, 2015 – 1.93) years.



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### ***RELATED PARTY TRANSACTIONS***

The condensed consolidated interim financial statements include transactions with directors and/or officers of the Company and/or corporations related to or controlled by them.

The remuneration of directors and other key management personnel was as follows:

|                              | January 31,<br>2016 | January 31,<br>2015 |
|------------------------------|---------------------|---------------------|
| Short-term employee benefits | \$ 57,000           | \$ 66,161           |

Included in administration fees are legal fees of \$nil (October 31, 2014 - \$161) for legal services rendered by a corporation owned by the President and CEO of the Company.

There are no contracts with directors or officers of the Company that provide for compensation and transactions are measured at the exchange amount of consideration established with related parties. Key management personnel were not paid any post-employment benefits, termination benefits, or other long-term benefits during the respective periods.

### ***CHANGES IN ACCOUNTING POLICIES***

There has been no change in the Company's significant accounting policies from those disclosed in Note 3 of the Company's audited consolidated financial statements for the July 31, 2015.

### ***OFF-BALANCE SHEET ARRANGEMENTS***

The Company has not entered into any off-balance sheet arrangements in the current year.

### ***PROPOSED TRANSACTIONS***

The Company does not have any proposed transactions.

### ***SEGMENT DISCLOSURE***

The Company operates in one business segment and its consolidated assets are held in Canada.

### ***OUTLOOK***

Operating expenses for fiscal year 2016 are expected to be funded by cash on hand and/or the issuance of shares including the exercise of warrants and options. Financing through the issuance of common shares is affected by certain market conditions including the price of metals. The market price of metals is highly speculative and volatile. Instability in the market price may affect investor interest in mining stocks. If the metal prices substantially decline, this may adversely affect the Company's ability to raise sufficient capital to fund operations including exploration. The current uncertain global market conditions have significantly reduced the Company's ability to finance operations.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com) and at [www.discovery-corp.com](http://www.discovery-corp.com).